



City of Denton

City Hall
215 E. McKinney St.
Denton, Texas 76201
www.cityofdenton.com

Meeting Agenda

City Council

Tuesday, July 14, 2026

1:00 PM

Council Work Session Room
&
Council Chambers

SPECIAL CALLED

WORK SESSION BEGINS AT 1:00 P.M. IN THE COUNCIL WORK SESSION ROOM.

CLOSED MEETING BEGINS IMMEDIATELY FOLLOWING THE WORK SESSION IN THE COUNCIL WORK SESSION ROOM.

CITY COUNCIL CONSIDERATION OF THE CONSENT AGENDA AND ITEMS FOR INDIVIDUAL CONSIDERATION WILL BEGIN IMMEDIATELY FOLLOWING THE CLOSED MEETING IN THE COUNCIL CHAMBERS.

CONSIDERATION OF THE PUBLIC HEARING(S) WILL BEGIN AT/AFTER 6:30 P.M. IN THE COUNCIL CHAMBERS.

REGISTRATION GUIDELINES FOR ADDRESSING THE CITY COUNCIL

Individuals may speak during a Council meeting under one of the following categories:

Comments on Agenda Items:

Public comments can be given for any item considered by the Council, EXCEPT work session reports or closed meetings. Individuals are only able to comment one time per agenda item and cannot use more than one method to comment on a single agenda item. Public comments are limited to three (3) minutes per citizen.

Public Hearing Items:

Individuals are limited to four (4) minutes per public hearing item.

Individuals may participate by using one of the following methods:

1. In Person for Regular or Consent Agenda Items:

To provide in-person comments on consent agenda items, individuals must be present at the Work Session portion of the meeting. To provide in-person comments on individual consideration items, individuals must be present at the Regular or Special Session portion of the meeting. In both instances, individuals must also submit a speaker card (available at the meeting location) to the City Secretary prior to the item being called.

2. In Person for Public Hearing Items:

For public hearing items, speaker cards are encouraged but not required.

3. eComment:

The agenda is posted online at www.cityofdenton.com/publicmeetings. Once the agenda is posted, a link to make virtual comments using the eComment module will be made available next to the meeting listing on the Upcoming Events Calendar. Using eComment, Individuals may indicate support or opposition and submit a brief comment about a specific agenda item. eComments may be submitted up until the start of the meeting at which time the ability to make an eComment will be closed. eComments will be sent directly to members of the City Council immediately upon submission and recorded by the City Secretary into the Minutes of the Meeting.

After determining that a quorum is present, the City Council of the City of Denton, Texas will convene in a Work Session on Tuesday, July 14, 2026 at 1:00 p.m. in the Council Work Session Room at City Hall, 215 E. McKinney Street, Denton, Texas at which the following items will be considered:

WORK SESSION

1. Citizen Comments on Consent Agenda Items

This section of the agenda allows citizens to speak on any item listed on the Consent Agenda prior to its consideration. Each speaker will be given a total of three (3) minutes to address any item(s). Any person who wishes to address the City Council regarding these items may do so by submitting a completed speaker card (available at the meeting location) to the City Secretary at the commencement of the Work Session meeting. Registration is required prior to the time the City Council considers this item.

2. Requests for clarification of agenda items listed on this agenda for public hearing and individual consideration.

This section allows members of the City Council to ask questions on items listed on this agenda for public hearing and individual consideration. Responses to questions on items listed under the consent agenda that are received prior to the meeting are available by clicking on Exhibit 1 below. The responses will be available prior to the start of the meeting, when applicable. Any handouts distributed at the meeting will also be uploaded to the below link by 12:00 p.m. on the business day following the meeting. Members of the Council may remove items from the consent agenda. When items are removed from the consent agenda and placed on the regular agenda by members of the council, the removed items shall be taken up in the order of removal right after the consent agenda.

- A. [ID 26-0068](#) Meeting Questions, Responses & Handouts

Attachments: [Exhibit 1 - Agenda Information Sheet](#)

3. Work Session Reports

- A. [ID 26-0967](#) Receive a report, hold a discussion, and give staff direction regarding the nominations of Council members to standing and ad hoc boards, committees, and other internal/external groups, and the associated nomination and appointment processes.

[Estimated Presentation/Discussion Time: 30 minutes]

Attachments: [Exhibit 1 - Agenda Information Sheet](#)

[Exhibit 2 - Informal Staff Report 2026-040](#)

[Exhibit 3 - Presentation](#)

- B. [ID 26-0557](#) Receive a report, hold a discussion, and give staff direction regarding the current and forecasted budget.

[Estimated Presentation/Discussion Time: 60 minutes]

Attachments: [Exhibit 1 - Agenda Information Sheet](#)

[Exhibit 2 - Presentation](#)

- C. [ID 26-0968](#) Receive a report, hold a discussion, and give staff direction regarding the 2023 Bond Program.

[Estimated Presentation/Discussion Time: 45 minutes]

Attachments: [Exhibit 1 - Agenda Information Sheet](#)

[Exhibit 2 - Presentation](#)

- D. [ID 26-1040](#) Receive a report, hold a discussion, and give staff direction regarding the appointment and employment of the City Manager, including discussion of recruitment strategy, desired candidate profile, and national search process.

[Estimated Presentation/Discussion Time: 30 minutes]

Attachments: [Exhibit 1: Agenda Information Sheet](#)

[Exhibit 2: Presentation](#)

- E. [ID 26-1041](#) Receive a report, hold a discussion, and give staff direction regarding the appointment and employment of the Municipal Judge, including discussion of recruitment strategy, desired candidate profile, and national search process.

[Estimated Presentation/Discussion Time: 30 minutes]

Attachments: [Exhibit 1: Agenda Information Sheet](#)

[Exhibit 2: Presentation](#)

- F. [ID 26-0626](#) Receive a report, hold a discussion, and give staff direction on pending City Council requests for:

- 1) City Council Member disclosure of private meetings with developers
- 2) Structural changes to Section 2-279 of the City's Ethics Ordinance
- 3) Temporary moratorium on new permit applications for multifamily development.

[Estimated Presentation/Discussion Time: 25 minutes]

Attachments: [Exhibit 1 - Agenda Information Sheet](#)

[Exhibit 2 - Ordinance 24-1725](#)

[Exhibit 3 - Presentation](#)

Following the completion of the Work Session, the City Council will convene in a Closed Meeting in the Council Work Session Room to consider specific item(s) when these items are listed below under the Closed Meeting section of this agenda. The City Council reserves the right to adjourn into a Closed Meeting on any item on its Open Meeting agenda consistent with Chapter 551 of the Texas Government Code, as amended, or as otherwise allowed by law.

1. Closed Meeting:

- A. [ID 26-0947](#) Deliberations regarding Personnel Matters - Under Texas Government Code 551.074; and Consultation with Attorneys - Under Texas Government Code 551.071.

Deliberate and discuss the employment, duties, and compensation of the interim City Manager including the City Manager selection and appointment; consultation with the City's attorneys regarding associated legal issues where public discussion associated with these legal matters would conflict with the duty of the City's attorneys to the City of Denton and the Denton City Council under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas.

- B. [ID 26-0948](#) Deliberations regarding Personnel Matters - Under Texas Government Code 551.074; and Consultation with Attorneys - Under Texas Government Code 551.071.

Deliberate and discuss the employment, duties, and compensation of the interim Municipal Judge including the Municipal Judge selection and appointment; consultation with the City's attorneys regarding associated legal issues where public discussion associated with these legal matters would conflict with the duty of the City's attorneys to the City of Denton and the Denton City Council under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas.

- C. [ID 26-0875](#) Deliberations Regarding Certain Public Power Utilities: Competitive Matters - Under Texas Government Code Section 551.086.

Receive information from staff regarding the energy cost adjustment schedule of rates for large load commercial customers that include public power utility competitive data and proprietary data specific to Core Scientific, Inc.; discuss, deliberate, and provide direction to staff regarding same. This agenda item is related to Consent Agenda item ID 26-0828 and will be a placeholder if Council Members have questions requiring confidential discussion as allowed by law.

- D. [ID 26-0884](#) Deliberations regarding Economic Development - Under Texas Government Code Section 551.087.

Receive a report and hold a discussion regarding the potential offer of a financial or other incentive to a business prospect code-named Project Circuit. which the City seeks to have locate, stay, renovate, or expand in or near the territory of the City and with which the City is conducting economic development negotiations. This discussion shall include commercial and financial information, including an economic development incentive request the City has received from Project Circuit.

- E. [ID 26-1048](#) Consultation with Attorneys - Under Texas Government Code Section 551.071.

Consult with the City's attorneys on the legal status, strategy and options for resolution of litigation in Cause No. CV-2026-00945 styled "Jose Garcia v. City of Denton" pending in the County Court at Law No. 2, Denton County, Texas; where

public discussion of these legal matters would conflict with the duty of the City's attorneys to the City of Denton and the Denton City Council under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas, or otherwise compromise the City's legal position in pending litigation.

This agenda item is related to Consent Agenda item ID 26-1049 and will be a placeholder if Council members have questions requiring confidential discussion as allowed by law.

F. [ID 26-1047](#) Consultation with Attorneys - Under Texas Government Code Section 551.071

Consult with the City's attorneys on the legal status, strategy, and options for responding to Public Information Requests, reference number(s) R000620-032726, and future requests with fact patterns that raise similar issues of law related to Police Department records. Consultation with City's attorney regarding issues associated with the aforementioned matter where public discussion of these legal matters would conflict with the duty of the City's attorneys to the City of Denton under Texas Disciplinary Rule of Professional Conduct of the State Bar of Texas or would jeopardize the City's legal position in any administrative or potential litigation.

Any final action, decision, or vote on a matter deliberated in a Closed Meeting will only be taken in an Open Meeting that is held in compliance with Texas Government Code, Chapter 551, except to the extent such final decision, or vote is taken in the Closed Meeting in accordance with the provisions of Section 551.086 of the Texas Government Code (the 'Public Power Exception'). The City Council reserves the right to adjourn into a Closed Meeting or Executive Session as authorized by Texas Government Code, Section 551.001, et seq. (The Texas Open Meetings Act) on any item on its open meeting agenda or to reconvene in a continuation of the Closed Meeting on the Closed Meeting items noted above, in accordance with the Texas Open Meetings Act, including, without limitation Sections 551.071-551.086 of the Texas Open Meetings Act.

NOTE: Any item for which a formal action at the Regular Meeting has been taken by Council may be subject to a request for a motion for reconsideration at any time during the meeting, at the Concluding Items Section, or after the meeting. In order to comply with the Texas Open Meetings Act, a request for a motion for reconsideration made during, at the end of, or after a Council meeting will be placed on the agenda and considered at the next official meeting of the City Council.

Following the Closed Meeting, the City Council will reconvene in Open Meeting to take action, if any, on matters discussed in closed session.

AFTER DETERMINING THAT A QUORUM IS PRESENT, THE SPECIAL CALLED MEETING OF THE CITY OF DENTON CITY COUNCIL WILL CONVENE IN THE COUNCIL CHAMBERS AT CITY HALL, 215 E. MCKINNEY STREET, DENTON, TEXAS FOR CONSIDERATION OF THE CONSENT AGENDA AND ITEMS FOR INDIVIDUAL CONSIDERATION IMMEDIATELY FOLLOWING THE CLOSED MEETING.

CONSIDERATION OF THE PUBLIC HEARING(S) WILL CONVENE AT 6:30 P.M

1. CONSENT AGENDA

Each of these items is recommended by Staff or a board, commission, and committee. Approval thereof will be strictly on the basis of those recommendations. Approval of the Consent Agenda authorizes the City Manager or his designee to implement each item in accordance with the Staff recommendations. The City Council has received background information and has had an opportunity to raise questions regarding these items prior to consideration.

For those items recommended by a specific board, commission, or committee, the agenda item will reference that recommendation. To view the video of the related board, commission, or committee meeting, as applicable, a link can be found within the applicable supporting documentation (Exhibit 1).

Listed below are bids, purchase orders, contracts, and other items to be approved under the Consent Agenda (Agenda Items A – R). This listing is provided on the Consent Agenda to allow Council Members to discuss or withdraw an item prior to approval of the Consent Agenda. If no items are pulled, the Consent Agenda Items will be approved with one motion. If items are pulled for separate discussion, they may be considered as the first items following approval of the Consent Agenda.

- A. [ID 26-0044](#) Consider approval of the minutes of the June 16, 2026, Regular Meeting and the June 23, 2026, Special Called Runoff Canvassing Meeting.
- Attachments:** [Exhibit 1 - Agenda Information Sheet](#)
[Exhibit 2 - June 16, 2026 Regular Meeting Minutes](#)
[Exhibit 3 - June 23, 2026 Special Called Runoff Canvassing Meeting Minutes](#)
- B. [ID 26-1015](#) Consider a nomination/appointment to the City of Denton Airport Advisory Board.
- Attachments:** [Exhibit 1 - Agenda Information Sheet](#)
- C. [ID 26-1046](#) Consider adoption of an ordinance of the City of Denton, a Texas home-rule municipal corporation authorizing a contract between the City of Denton and the Denton Chamber of Commerce in the not-to exceed amount of \$150,000 providing for the expenditure of funds therefore; and providing for an effective date.
- Attachments:** [Exhibit 1: Agenda Information Sheet](#)
[Exhibit 2: Ordinance and Agreement](#)
[Exhibit 3: Economic Development Partnership Report](#)
- D. [ID 26-0883](#) Consider approval of a resolution of the City of Denton, approving the 2024/2025 Tax Increment Reinvestment Zone Number One (TIRZ 1) annual report; and declaring an effective date. The TIRZ 1 Board recommends approval (4-0).
- Attachments:** [Exhibit 1 - Agenda Information Sheet](#)
[Exhibit 2 - Resolution and TIRZ One 2024/2025 Annual Report](#)
- E. [ID 26-1005](#) Consider adoption of an ordinance of the City of Denton approving a grant to d20 Tavern LTD Company for utility upgrades and interior/code improvements located at 112 W. Oak St., Suite 200 from the Downtown Reinvestment Grant Program in an amount not to exceed \$23,031 from Tax Increment Reinvestment Zone Number One funds; and providing for an effective date. The Tax Increment Reinvestment Zone Number One Board recommends approval (4-0).

Attachments: [Exhibit 1 - Agenda Information Sheet](#)

[Exhibit 2 - Ordinance and Agreement](#)

[Exhibit 3 - Presentation](#)

[Exhibit 4 - LLC Search](#)

- F. [ID 26-0854](#) Consider adoption of an ordinance of the City of Denton approving an Airport Land Lease Agreement between the City of Denton, Texas and Sheltair Aviation Denton, LLC, at the Denton Enterprise Airport; authorizing the City Manager to execute the Airport Lease Agreement; and providing an effective date. Airport Advisory Board recommends approval (6-0).

Attachments: [Exhibit 1 - Agenda Information Sheet](#)

[Exhibit 2 - Location Map](#)

[Exhibit 3 - Ordinance – Sheltair Aviation Denton, LLC Lease Agreement](#)

[Exhibit 4 - Lessee Information](#)

- G. [ID 26-0930](#) Consider approval of a resolution of the City of Denton approving an amended Airport Leasing and Development Policy; and providing an effective date. Airport Advisory Board recommends approval (6-0)

Attachments: [Exhibit 1 - Agenda Information Sheet](#)

[Exhibit 2 - Resolution](#)

[Exhibit 3 - Draft Airport Leasing and Development Policy \(redline\)](#)

[Exhibit 4 - Draft Airport Leasing and Development Policy \(clean\)](#)

- H. [ID 26-0828](#) Consider adoption of an ordinance of the City of Denton, Texas, establishing the schedule of rates for Electric Service; providing for a repealer; providing for a severability clause; and providing for an effective date. The Public Utilities Board recommends approval (6-0).

Attachments: [Exhibit 1: Agenda Information Sheet](#)

[Exhibit 2: Rate Ordinance Redline](#)

[Exhibit 3: Rate Ordinance](#)

[Exhibit 4: Presentation](#)

- I. [ID 26-1021](#) Consider adoption of an ordinance of the City of Denton approving and authorizing the execution of an agreement between the City of Denton and Interfaith Ministries of Denton, Inc., a Texas nonprofit organization operating in the City of Denton, for the expenditure of City Council contingency funds in the amount of five hundred dollars (\$500) designated for donation; providing a severability clause; and providing an effective date.

Attachments: [Exhibit 1 - Agenda Information Sheet](#)

[Exhibit 2 - Council Contingency Support Criteria](#)

[Exhibit 3 - Ordinance](#)

- J. [ID 26-1049](#) Consider adoption of an ordinance of the City of Denton approving a Settlement Agreement and Release implementing the terms of the settlement in litigation styled “Jose Garcia v. City of Denton” Cause No. CV-2026-00945 pending in the County

Court at Law No. 2, Denton County, Texas; and directing the City Manager or designee and the City's attorneys to effectuate as necessary and appropriate the terms of a Settlement Agreement and Release to effectuate this approval; and declaring an effective date.

Attachments: [Exhibit 1 - AIS](#)

[Exhibit 2 - Ordinance and Settlement Agreement and Release](#)

- K. [ID 26-1037](#) Consider adoption of an ordinance of the City of Denton, a Texas home-rule municipal corporation, authorizing the City Manager to execute a contract with Kraftsman, LLC dba Kraftsman Commercial Playgrounds & Water Parks, through the Buy Board Cooperative Purchasing Network Contract No. 781-25, for the acquisition of materials and construction of park improvements at Briercliff Park for the Parks and Recreation Department; providing for the expenditure of funds therefor; and providing an effective date (File 9021 - awarded to Kraftsman, LLC dba Kraftsman Commercial Playgrounds & Water Parks, in the not-to-exceed amount of \$1,400,711.00).

Attachments: [Exhibit 1 - Agenda Information Sheet](#)

[Exhibit 2 - Ordinance and Contract](#)

- L. [ID 26-1025](#) Consider adoption of an ordinance of the City of Denton, a Texas home-rule municipal corporation, authorizing the City Manager to execute a contract with Titan Utility Services, LLC, for electric utility specific training for Denton Municipal Electric; providing for the expenditure of funds therefor; and providing an effective date (RFP 9000 - awarded to Titan Utility Services, LLC, for one (1) year, with the option for four (4) additional one (1) year extensions, in the total five (5) year not-to-exceed amount of \$1,500,000.00). The Public Utilities Board recommends approval (5 - 0).

Attachments: [Exhibit 1 - Agenda Information Sheet](#)

[Exhibit 2 - Pricing Evaluation](#)

[Exhibit 3 - Ordinance and Contract](#)

- M. [ID 26-1026](#) Consider adoption of an ordinance of the City of Denton, a Texas home-rule municipal corporation, authorizing the approval of a third amendment to a Professional Services Agreement between the City of Denton and Garver, LLC, amending the contract approved by Purchasing on August 28, 2023, in the not-to-exceed amount of \$15,000.00; amended by Amendments 1 and 2 approved by City Council; said third amendment to provide a Taxiway Design for Taxiways H, J, and M, and a Preliminary Engineering Report for Taxiway Alpha for the Denton Enterprise Airport; providing for the expenditure of funds therefor; and providing an effective date (RFQ 8209 - providing for an additional third amendment expenditure amount not-to-exceed \$888,000.00, with the total contract amount not-to-exceed \$1,026,200.00).

Attachments: [Exhibit 1 - Agenda Information Sheet](#)

[Exhibit 2 - Original Contract, Ordinances, and Amendments 1-2](#)

[Exhibit 3 - Ordinance and Amendment 3](#)

- N. [ID 26-1028](#) Consider adoption of an ordinance of the City of Denton, a Texas home-rule municipal corporation, authorizing the City Manager to execute a contract with Consolidated Traffic Controls, Inc., for the purchase of signal heads, detectors, crossing systems, and miscellaneous equipment to be stocked in the City of Denton Warehouse for the Traffic Department; providing for the expenditure of funds therefor; and providing an effective date (RFP 8951 - awarded to Consolidated Traffic Controls, Inc., for one (1) year, with the option for four (4) additional one (1) year extensions, in the total five (5) year not-to-exceed amount of \$2,000,000.00).

Attachments: [Exhibit 1 - Agenda Information Sheet](#)
 [Exhibit 2 - Pricing Evaluation](#)
 [Exhibit 3 - Ordinance and Contract](#)

- O. [ID 26-1029](#) Consider adoption of an ordinance of the City of Denton, a Texas home-rule municipal corporation, authorizing the City Manager to execute a contract with Lifetime Tennis, Inc., dba Impact Activities, for tennis and pickleball classes, lessons, leagues, tournaments, stringing, and other tennis or pickleball programs for the Parks and Recreation Department; providing for the expenditure of funds therefor; and providing an effective date (RFP 8981 - awarded to Lifetime Tennis, Inc., dba Impact Activities, for one (1) year, with the option for four (4) additional one (1) year extensions, in the total five (5) year not-to-exceed amount of \$1,350,000.00).

Attachments: [Exhibit 1 - Agenda Information Sheet](#)
 [Exhibit 2 - Ordinance and Contract](#)

- P. [ID 26-1030](#) Consider adoption of an ordinance of the City of Denton, a Texas home-rule municipal corporation, authorizing the City Manager to execute a contract with SYDH Dallas, Inc. dba Certified Lighting Pros, through the Buy Board Cooperative Purchasing Network Contract No. 735-24, for the purchase and installation of decorative lighting for the Parks and Recreation Department; providing for the expenditure of funds therefor; and providing an effective date (File 9060 - awarded to SYDH Dallas, Inc. dba Certified Lighting Pros, for one (1) year, with the option for four (4) additional one (1) year extensions, in the total five (5) year not-to-exceed amount of \$500,000.00).

Attachments: [Exhibit 1 - Agenda Information Sheet](#)
 [Exhibit 2 - Cooperative Pricing](#)
 [Exhibit 3 - Ordinance and Contract](#)

- Q. [ID 26-1027](#) Consider adoption of an ordinance of the City of Denton, a Texas home-rule municipal corporation, authorizing the approval of a first amendment to a Professional Services Agreement between the City of Denton and Kimley-Horn and Associates, Inc., amending the contract approved by Purchasing on April 15, 2026, in the not-to-exceed amount of \$99,500.00; said first amendment to continue to provide additional design services relating to the McKinney Street Sidewalk Improvement Project for the Capital Projects Department; providing for the expenditure of funds therefor; and providing an effective date (RFQ 8377-018 -

providing for an additional first amendment expenditure amount not-to-exceed \$35,000.00, with the total contract amount not-to-exceed \$134,500.00).

Attachments: [Exhibit 1 - Agenda Information Sheet](#)
 [Exhibit 2 - Original Contract](#)
 [Exhibit 3 - Ordinance and Amendment 1](#)

- R. [ID 26-0977](#) Consider the adoption of an ordinance of the City of Denton granting Health Services of North Texas, a noise exception for the Strive N' Thrive 5K event on Saturday, August 8, 2026, from 7:30 a.m. to 11:00 a.m. at North Lakes Park; and providing an effective date.

Attachments: [Exhibit 1- Agenda Information Sheet](#)
 [Exhibit 2- Ordinance](#)

2. PUBLIC HEARINGS

- A. [ID 26-0925](#) Hold a public hearing and consider approval of a resolution of the City Council of the City of Denton, Texas approving the establishment of policies, guidelines, and criteria governing Tax Abatements; and declaring an effective date. The Economic Development Partnership Board recommends approval (7-0).

Attachments: [Exhibit 1 - Agenda Information Sheet](#)
 [Exhibit 2 - Resolution and Chapter 312 Tax Abatement Policy](#)
 [Exhibit 3 - Presentation](#)

- B. [Z26-0018b](#) Hold a public hearing and consider adoption of an ordinance of the City of Denton, Texas, regarding a change in the zoning district and use classification from Residential 3 (R3) district to Residential 7 (R7) district on approximately 0.74 acres of land generally located on the northeast corner of Bolivar Street and Taliaferro Street, approximately 155 feet west of North Elm Street in the City of Denton, Denton County, Texas; adopting an amendment to the City's Official Zoning Map; providing for a penalty in the maximum amount of \$2,000.00 for violations thereof; providing for a severability clause and an effective date. The Planning and Zoning Commission voted (5-1) to recommend approval. Motion for approval by Chair Pruett and second by Commissioner Riggs (Z25-0018b, Denton Duplexes, Angie Manglaris).

- Attachments:**
- [Exhibit 1 - Agenda Information Sheet](#)
 - [Exhibit 2 - Staff Analysis](#)
 - [Exhibit 3 - Applicant's Project Narrative](#)
 - [Exhibit 4 - Project Site Location](#)
 - [Exhibit 5 - Future Land Use Map](#)
 - [Exhibit 6 - Existing Zoning Map](#)
 - [Exhibit 7 - Proposed Zoning Map](#)
 - [Exhibit 8 - Financial Impact Analysis](#)
 - [Exhibit 9 - Table of Allowed Uses](#)
 - [Exhibit 10 - Notification Map and Responses](#)
 - [Exhibit 11 - LLC Members List](#)
 - [Exhibit 12 - Draft Ordinance](#)
 - [Exhibit 13 - Presentation](#)

3. ITEMS FOR INDIVIDUAL CONSIDERATION

- A. [A26-0001d](#) Conduct the second of two readings and consider adoption of an ordinance of the City of Denton, Texas annexing approximately 2,940 acres of land, generally located 1,671 feet east of Mayhill Road, north of Mills Road, into the City of Denton, Denton County, Texas; providing for a correction to the City map to include the annexed land; and providing for a savings clause and an effective date. (A26-0001d, Rollins Annexation, Angie Manglaris)

- Attachments:**
- [Exhibit 1 - Agenda Information Sheet](#)
 - [Exhibit 2 - Site Location Map](#)
 - [Exhibit 3 - Future Land Use Map](#)
 - [Exhibit 4 - Current Zoning Map](#)
 - [Exhibit 5 - Draft Annexation Ordinance](#)
 - [Exhibit 6 - Presentation](#)

- B. [ID 26-0804](#) Consider adoption of an ordinance considering all matters incident and related to the issuance, sale and delivery of up to \$316,338,000 in principal amount of "City of Denton General Obligation refunding and improvement bonds, Series 2026"; 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. The Public Utilities Board recommends approval (6-0).

- Attachments:**
- [1. Agenda Information Sheet](#)
 - [2. Draft Preliminary Official Statement 2026 Series](#)
 - [3. Draft Preliminary Official Statement 2026A Series](#)
 - [4. GO Ordinance](#)
 - [5. Presentation](#)

- C. [ID 26-0805](#) Consider adoption of an ordinance considering all matters incident and related to the issuance, sale and delivery of up to \$295,000,000 in principal amount of "City of Denton Certificates of Obligation, Series 2026"; authorizing the issuance of the certificates; delegating the authority to certain city officials to execute certain documents relating to the sale of the certificates; approving and authorizing instruments and procedures relating to said certificates; enacting other provisions relating to the subject; and providing an effective date. The Public Utilities Board recommends approval (6-0).
- Attachments:** [1. Agenda Information Sheet](#)
 [2. Draft Preliminary Official Statement 2026 Series](#)
 [3. CO Ordinance](#)
 [4. Presentation](#)
- D. [ID 26-0990](#) Consider approval of a resolution to appoint a member to the Board of Directors of the Texas Municipal Power Agency, a Texas Joint Powers Agency, to represent the City of Denton, a Texas Home-Rule Municipal Corporation; and declaring an effective date.
- Attachments:** [Exhibit 1 - Agenda Information Sheet](#)
 [Exhibit 2 - Nominee Applications](#)
 [Exhibit 3 - Resolution 2026](#)
 [Exhibit 4 - Presentation](#)
- E. [ID 26-1036](#) Consider adoption of an ordinance of the City of Denton appointing three members to the Community Partnership Committee.
- Attachments:** [Exhibit 1 - Agenda Information Sheet](#)
 [Exhibit 2 - Resolution 26-1036](#)
 [Exhibit 3 - Presentation](#)
- F. [ID 26-1031](#) Consider adoption of an ordinance of the City of Denton, a Texas home-rule municipal corporation, authorizing the City Manager to execute a contract with SHI Government Solutions, Inc., through the Texas Department of Information Resources (DIR) Cooperative Contract No. DIR-CPO-5237, for the purchase of Microsoft Licensing, Products & Related Services for the Technology Services Department; providing for the expenditure of funds therefor; and providing an effective date (File 9068 - awarded to SHI Government Solutions, Inc., with a term ending September 30, 2031, in the not-to-exceed amount of \$7,001,117.00).
- Attachments:** [Exhibit 1 - Agenda Information Sheet](#)
 [Exhibit 2 - Cooperative Pricing](#)
 [Exhibit 3 - Presentation](#)
 [Exhibit 4 - Ordinance](#)
- G. [ID 26-0945](#) Consider approval of a resolution of the City Council of the City of Denton for the appointment of one member to the Board of Managers of the Denco Area 9-1-1 District for a two-year term beginning on October 1, 2026 and ending on September 30, 2028; and providing an effective date.

Attachments: [Exhibit 1 - Agenda Information Sheet.pdf](#)
[Exhibit 2 - Voting Packet](#)
[Exhibit 3 - Letter to Denco Municipalities](#)
[Exhibit 4 - Resolution](#)
[Exhibit 5 - Presentation.pdf](#)

- H. [ID 26-0982](#) Consider approval of a resolution of the City of Denton naming the park sites located at 700 block Congress St. and 500 block of Mounts Ave. to Congress Street Park; and providing an effective date. The Parks, Recreation, and Beautification Board voted to recommend approval (5-0).

Attachments: [Exhibit 1- Agenda Information Sheet](#)
[Exhibit 2- Resolution](#)
[Exhibit 3- Naming Application](#)
[Exhibit 4- Presentation](#)

- I. [ID 26-0983](#) Consider approval of a resolution of the City of Denton naming the park site located at 510 Hercules Lane to Hercules Park; and providing an effective date. The Parks, Recreation and Beautification board voted to recommend approval (5-0).

Attachments: [Exhibit 1- Agenda Information Sheet](#)
[Exhibit 2- Resolution](#)
[Exhibit 3- Naming Application](#)
[Exhibit 4- Presentation](#)

4. CONCLUDING ITEMS

A. Under Section 551.042 of the Texas Open Meetings Act, respond to inquiries from the City Council or the public with specific factual information or recitation of policy, or accept a proposal to place the matter on the agenda for an upcoming meeting AND Under Section 551.0415 of the Texas Open Meetings Act, provide reports about items of community interest regarding which no action will be taken, to include: expressions of thanks, congratulations, or condolence; information regarding holiday schedules; an honorary or salutary recognition of a public official, public employee, or other citizen; a reminder about an upcoming event organized or sponsored by the governing body; information regarding a social, ceremonial, or community event organized or sponsored by an entity other than the governing body that was attended or is scheduled to be attended by a member of the governing body or an official or employee of the municipality; or an announcement involving an imminent threat to the public health and safety of people in the municipality that has arisen after the posting of the agenda.

B. Possible Continuation of Closed Meeting topics, above posted.

C E R T I F I C A T E

I certify that the above notice of meeting was posted on the official website (<https://tx-denton.civicplus.com/242/Public-Meetings-Agendas>) and bulletin board at City Hall, 215 E. McKinney Street, Denton, Texas, on July 8, 2026, in advance of the three (3) business day posting deadline, as applicable, and in accordance with Chapter 551 of the Texas Government Code.

OFFICE OF THE CITY SECRETARY

NOTE: THE CITY OF DENTON'S DESIGNATED PUBLIC MEETING FACILITIES ARE ACCESSIBLE IN ACCORDANCE WITH THE AMERICANS WITH DISABILITIES ACT. THE CITY WILL PROVIDE ACCOMMODATION, SUCH AS SIGN LANGUAGE INTERPRETERS FOR THE HEARING IMPAIRED, IF REQUESTED AT LEAST TWO (2) BUSINESS DAYS IN ADVANCE OF THE SCHEDULED MEETING. PLEASE CALL THE CITY SECRETARY'S OFFICE AT 940-349-8309 OR USE TELECOMMUNICATIONS DEVICES FOR THE DEAF (TDD) BY CALLING 1-800-RELAY-TX SO THAT REASONABLE ACCOMMODATION CAN BE ARRANGED.



City of Denton

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

AGENDA INFORMATION SHEET

DEPARTMENT: City Secretary's Office

CM: Cassey Ogden, Interim

DATE: June 2, 2026

SUBJECT

[Meeting Questions, Responses & Handouts](#)

BACKGROUND

City Councilmembers direct questions related to items on the agenda to City staff. The questions are assigned to applicable departments and corresponding responses are compiled to a Question & Answer Report (Q&A) which is placed in a file directory for the applicable meeting. Selecting the link above will gain access to the final version of the Q&A for this meeting, which will be available prior to the start of the meeting.

Periodically during a meeting, handouts are distributed to members of the City council. Any information distributed at this meeting will also be added to the directory by 12:00 p.m. on the business day following the meeting.

EXHIBITS

Exhibit 1 – Agenda Information Sheet

Respectfully submitted:

Ingrid Rex
City Secretary



City of Denton

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

AGENDA INFORMATION SHEET

DEPARTMENT: City Manager's Office

CM: Cassey Ogden

DATE: July 14, 2026

SUBJECT

Receive a report, hold a discussion, and give staff direction regarding the nominations of Council members to standing and ad hoc boards, committees, and other internal/external groups, and the associated nomination and appointment processes.

BACKGROUND

The appointment of City Council Members to internal Council Committees and to other internal and external committees and boards occurs during the summer following each municipal election cycle. Internal Council Committees consist only of Denton City Council Members. City Council Members also serve on other internal committees and boards that include resident participation, and on external boards operating at the regional or county level.

To account for changes in City Council membership resulting from elections, these assignments are reviewed annually to determine any needed adjustments to existing member assignments as well as afford members the opportunity to identify any new or additional committees they may be interested in serving on.

Through Internal Staff Report No. 2026-040, Council Members were asked to identify and submit committees of interest to the City Secretary's Office by Friday, July 10, 2026. The attached information provides a listing of board or committee vacancies, and which Council Members have expressed interest in serving on various boards. The Work Session presentation will detail those committees that require appointments.

Council direction on nominations will be sought at the July 14, 2026, Work Session, with formal appointments scheduled for July 21, 2026, City Council Meeting.

Please note: Council nominations to the Community Partnership Committee, consisting of three Council Members, will be considered by Council on Individual Consideration the same evening, July 14, to accommodate a Special Called CPC Meeting on July 16.

EXHIBITS

- Exhibit 1 – Agenda Information Sheet
- Exhibit 2 – Informal Staff Report 2026-040
- Exhibit 3 – Presentation

Respectfully submitted:

Kristi Fogle
Chief of Staff, Interim City Secretary

INFORMAL STAFF REPORT TO MAYOR AND CITY COUNCIL

SUBJECT:

City Council Member Committee Appointment Process – 2026-27 Cycle

EXECUTIVE SUMMARY:

The appointment of City Council Members to internal Council Committees and to other internal and external committees and boards occurs during the summer following each municipal election cycle. Internal Council Committees consist only of Denton City Council Members. City Council Members also serve on other internal committees and boards that include resident participation, and on external boards operating at the regional or county level.

Council Members currently hold seats across 18 boards, commissions, and committees, summarized in Exhibit 1. Of these, 15 have one or more seats open for nomination or reappointment this cycle, and 3 require no action at this time.

Staff requests that Council Members notify the City Secretary's Office by Friday, July 10, 2026, of the bodies on which they wish to serve. Council direction on nominations will be sought at the July 14, 2026, Work Session, with formal appointments scheduled for July 21, 2026, City Council Meeting.

Please note: Council nominations to the Community Partnership Committee, consisting of three Council Members, will be considered by Council on Individual Consideration the same evening, July 14, to accommodate Special Called CPC Meetings on July 16 and 17.

BACKGROUND:

Participation by Council Members in City Council Committees supports the development of City policy and provides an opportunity to evaluate issues prior to consideration by the full Council. Council Member representation on other standing, ad-hoc, and external bodies ensures the voice of the City of Denton is heard by outside organizations. While several external boards dictate two-year term, committee membership assignments are reviewed by Council annually to allow for participation by new Council Members and to adjust assignments as needed.

City Council Committees

The City Council maintains three standing Council Committees:

- **Agenda Committee:** permanently composed of the Mayor, Mayor Pro Tem, and City Manager per the Council Rules of Procedure. No appointment action is required.
- **Committee on the Environment:** reviews, discusses, and makes recommendations to Council on environmental issues and any other matters delegated by Council. The Mayor nominates members, and the full Council confirms by resolution.
- **Community Partnership Committee:** monitors the allocation and use of hotel occupancy tax and sponsorship funds, ensuring funds are used for tourism promotion and community benefit, and recommends funding awards to Council. Any Council Member may submit a nomination.

Internal Hybrid (Council-Resident) Committees

City Council Members maintain seats on the following internal committees:

- **Mobility Committee:** provides information, advice, and recommendations to the Council pertaining to traffic safety, education, and publicity, ways and means of improving traffic conditions and safety for motor vehicles, bicyclists, and pedestrians. Membership consists of three Council Members and two residents.
- **Development Code Review Committee:** reviews proposed Denton Development Code amendments, makes recommendations to the Planning and Zoning Commission and the City Council regarding proposed amendments. Membership consists of three Council Members and three Planning & Zoning Members.
- **Economic Development Partnership Board:** provides economic development policy guidance and recommendations to the City Council and Chamber of Commerce. Two members of the board should be City Council Members. Members of the Economic Development Partnership Board also serve on the Tax Increment Reinvestment Board Two.
- **Tax Increment Reinvestment Zone Board One:** recommends to the Council concerning the administration of the Zone, prepares and adopts a project plan and Tax Increment Reinvestment Zone financing plan for the Zone, and submits the plans to the City Council for approval. Two members of the board should be City Council Members.
- **Tax Increment Reinvestment Zone Board Two:** recommends to the Council concerning the administration of the Zone, prepares and adopts a project plan and Tax Increment Reinvestment Zone financing plan for the Zone, and submits the plans to the City Council for approval. Members of the Economic Development Partnership Board also serve on the Tax Increment Reinvestment Board Two.

External Boards, Commissions, and Committees

City Council Members represent the City on the following external boards, commissions, and committees:

- **Dallas Regional Mobility Coalition:** a transportation advocacy group made up of cities, counties, and transportation agencies in a five-county region (Dallas, Denton, Collin, Rockwall, and Ellis) with a primary mission to advance critical mobility projects through advocacy efforts with state and federal elected officials and regional transportation agencies. Membership includes one City Council Member and an optional alternate.
- **Discover Denton Advisory Board:** guides the city's tourism, convention, and destination marketing efforts. Membership includes one City Council Member as an ex officio member.
- **North Texas Commission:** a public-private partnership of businesses, cities, counties, chambers of commerce, economic development entities, and higher education institutions dedicated to advancing the vibrancy of the North Texas region. The North Texas Commission provides the resources to carry out programs that benefit the entire region and to address regional problems and opportunities. Historically, the Mayor has served on this entity, with the City Manager serving as a proxy.
- **Denton County Leadership Teams:** coordinated by United Way Denton County, bring together leaders from education, government, corporate, and nonprofit industries.

-
- **Denton County Behavioral Health Team:** tasked with improving the planning, coordination, oversight, and implementation required to create systems change, for behavioral health services in Denton County. Membership includes one to two City of Denton representatives, who serve as Council Members, senior staff, or community members. Historically, one Council Member and one staff member have been appointed.
 - **Denton County Housing and Homelessness Leadership Team:** tasked with improving the planning, coordination, oversight, and implementation required to create systems change, for housing/homelessness initiatives in Denton County. Membership includes one to two City of Denton representatives, who serve as Council Members, senior staff, or community members. Historically, one Council Member and one staff member have been appointed.
 - **Denton County Workforce Success Leadership Team:** tasked with improving the planning, coordination, oversight, and implementation required to create systems change for workforce/employment initiatives in Denton County. Membership includes one City of Denton representative, who must be a Council Member, senior staff, or community member.
 - **Denton Community Shelter Advisory Board:** provides non-binding strategic advice to the board of directors and management of Denton Community Shelter. Membership includes one Council Member.
 - **Regional Transportation Council:** independent transportation policy body of the Metropolitan Planning Organization (NCTCOG) and oversees the metropolitan transportation planning process. Membership is one Council Member and one alternate. The position is shared with the Cities of Sanger, Corinth, and Lake Dallas.
 - **Lake Ray Roberts P&Z Commission:** hears requests for zoning changes, special use permits, recreational park permits, sign permits, planned development applications and variances. The Mayor must serve as the representative of the City of Denton.
 - **Denton County Transportation Authority:** adopts the annual operating budget and is responsible for setting policy. Each participating city has one member and one alternate designated by their respective governing bodies.

DISCUSSION:

Exhibit 1 provides a narrative for each committee, as well as the anticipated time commitment associated with the position.

The charts below summarize current assignments, the appointing authority, term expiration, and the seats open for appointment this cycle.

City Council Committees:

Committee	Appointing Authority	Previous Members	Term	Seats Available
Agenda Committee	City Code of Ordinances	Mayor Mayor Pro Tem City Manager	None	None
Committee on the Environment	Mayor, Council Confirmation	Beck Holland McGee	Annual	Three
Community Partnership Committee	Council	Holland (Chair) Byrd Beck	Annual	Three

Internal Hybrid (Council-Resident) Committees

Committee	Appointing Authority	Previous/Current Members	Term	Seats Available
Mobility Committee	Council	Beck Byrd Holland	Annual	Three
Development Code Review Committee	Council	Beck Byrd Rumohr	August 31, 2027	Two
Economic Development Partnership Board*	Council	Jester Byrd	September 30, 2026 September 30, 2027	Two
Tax Increment Reinvestment Zone Number One	Council	Beck Holland	August 31, 2026 August 31, 2027	One
Tax Increment Reinvestment Zone Number Two*	Council	Jester Byrd	September 30, 2026 September 30, 2027	Two

*Members of the Economic Development Partnership board must also serve on the Tax Increment Reinvestment Zone Two Board.

External Boards, Commissions, and Committees:

Committee	Appointing Authority	Previous/Current Members	Term	Seats Available
Dallas Regional Mobility Coalition	Mayor	Hudspeth Alternate - Vacant	None	One (alternate)
Discover Denton Advisory Board	Council	Holland	None	One
North Texas Commission	Council	Hudspeth City Manager (proxy)	September 30, 2026	Two
Denton County Behavioral Health Leadership Team	Council	Hudspeth Frank Dixon	June 30, 2026 None	One
Denton County Housing and Homelessness Leadership Team	Council	Hudspeth Jesse Kent	June 9, 2026 None	One
Denton County Workforce Success Leadership Team	Council	Byrd	June 30, 2026	One
Denton Community Shelter (Loop 288) Advisory Board	Council	Byrd Beck	April 30, 2026 April 30, 2026	Two
Regional Transportation Council	Council	Jester Hudspeth (alternate)	June 30, 2026 June 30, 2026	Two
Denton County Transportation Authority	Council	Rumohr Pat Smith (alternate)	November 12, 2027 November 12, 2027	None
Lake Ray Roberts P&Z Commission	State Code (must be Mayor)	Hudspeth	None	None

NEXT STEPS:

Staff requests that Council Members notify the City Secretary’s Office by Friday, July 10, 2026, of the bodies on which they wish to serve. Council direction on nominations will be sought at the July 14, 2026, Work Session, with formal appointments scheduled for July 21, 2026, City Council Meeting.

Please note: Council nominations to the Community Partnership Committee, consisting of three Council Members, will be considered by Council on Individual Consideration the same evening, July 14, to accommodate Special Called CPC Meetings on July 16 and 17.

ATTACHMENTS:

1. Council Boards, Commissions, and Committees Narratives

STAFF CONTACT:

Kristi Fogle
Chief of Staff, Interim City Secretary
Kristi.Fogle@cityofdenton.com
(940) 349-8565

REQUESTOR: Staff Initiated

STAFF TIME TO COMPLETE REPORT: 6 hours

PARTICIPATING DEPARTMENTS: City Secretary's Office

CITY COUNCIL COMMITTEES

AGENDA COMMITTEE

The Agenda Committee, per the City Council Rules of Procedure, is composed of the Mayor, the Mayor Pro Tem, and the City Manager. The Agenda Committee reviews the City Manager's proposed City Council agendas as to form and agenda content.

- Appointments are addressed in the City Council Rules of Procedure adopted by Council ordinance.
- Meets the first Thursday of each month for up to 1 hour.
- No appointments are necessary.

COMMITTEE ON THE ENVIRONMENT

The Committee on the Environment is composed of three Council Members. The duties of the Committee shall be to review, discuss, deliberate, and consider environmental issues and resources and make recommendations to the Council. The Committee will also deliberate and make recommendations regarding any other matter delegated to the Committee by the Council.

- Appointing authority: Mayor with City Council confirmation per Council resolution.
- Meets as needed on Tuesdays at 9:00 a.m. for up to 1 hour.
- Three appointments are needed.

COMMUNITY PARTNERSHIP COMMITTEE

The Community Partnership Committee is composed of three Council Members. The duties and purpose of the Committee shall be to monitor allocation and use of both the hotel occupancy tax and sponsorship funds, ensuring HOT funds are being used to directly enhance and promote tourism and the hotel/ convention industry, ensuring the sponsorship funds are being used to further a charitable cause, economic or community growth and serve a public purpose in the best interest of the general welfare of the City of Denton, and recommend organizations to receive funding to the City Council.

- Appointing authority: City Council per ordinance.
- Meets monthly at 9:00 a.m. for up to 1 hour.
- Three appointments are needed.

INTERNAL HYBRID (COUNCIL-RESIDENT) COMMITTEES

MOBILITY COMMITTEE

The Mobility Committee is composed of three Council Members and two residents. The duties and purpose of the Committee shall be to review, consider and make recommendations to the City Council regarding any changes to the Mobility Plan, local transportation policy, and any items concerning regional transportation policies and activities.

- Appointing authority: City Council per Council resolution.
- Meets monthly on Wednesdays at 10:00 a.m. for up to 2 hours.
- Three appointments are needed.

DEVELOPMENT CODE REVIEW COMMITTEE

The Development Code Review Committee is composed of three City Council members plus three Planning and Zoning Commissioners. The duties and purpose of the Committee shall be to review all proposed revisions to the Denton Development Code and make recommendation to the City Council regarding the proposed revisions.

- Membership: Per City ordinance, the Committee shall be comprised of three City Council Members (plus three Planning and Zoning Commissioners).
- Appointing authority: City Council per City ordinance.
- Meets second and fourth Monday from 3:00 p.m. – 5:00 p.m.
- Two appointments are needed.

ECONOMIC DEVELOPMENT PARTNERSHIP BOARD

The Economic Development Partnership Board consists of twelve members: (1) two members from City Council at the time of their appointment, (2) two members from the Denton Chamber of Commerce Board of Directors at the time of their appointment who reside or work in the City, (3) two members who will be, or must be currently employed by a top 20 City of Denton ad valorem or sales tax payer and who reside or work in the City, (4) the President of UNT or his/her designee who does not have a city residency requirement; (5) the Chancellor and President of TWU or his/her designee who does not have a city residency requirement; (6) a member with knowledge or experience in general aviation-related matters with no financial interest at the Denton Enterprise Airport and who resides or works in the City, (7) a citizen of Denton with specific knowledge, skills and abilities to assist in the functions of the Economic Development Partnership Board; (8) a member nominated by the Denton Black Chamber of Commerce Board of Directors who resides or works in the City; (9) a member nominated by the Denton Hispanic Chamber of commerce who resides or works in the City. The City Manager, or his designee, the President of the Chamber, and the Superintendent of the Denton Independent School District, will serve as ex-officio members of the Board.

The Board provides economic development policy guidance and makes recommendations to the City Council and Chamber of Commerce; reviews, considers and makes recommendations to the City Council regarding marketing and branding for the Denton Enterprise Airport; reviews, considers and makes recommendations to the City Council regarding Denton Enterprise Airport incentive policies as assigned by the City Council or requested by the City Manager; and acts as a recommending body to the City Council for specific airport economic development incentives as assigned by the City Council or requested by the City Manager and permitted by City and State law.

- Membership: Per City ordinance, two members of the Board shall be City Council Members.
- Appointing authority: City Council per City ordinance.
- Meets once a month on the second Wednesday at 11:00 a.m. for up to 1 hour.
- Two appointments are needed.

DOWNTOWN DENTON TAX INCREMENT REINVESTMENT ZONE NO. 1

The Downtown Denton Tax Increment Reinvestment Zone No. 1 Board is composed of seven members: two City Council members, two are either property owners of property located within the Tax Increment Reinvestment Zone or residents whose primary residence is located within the Tax Increment Reinvestment Zone, two are either business owners of businesses located within

the Tax Increment Reinvestment Zone or members of the Denton Chamber of Commerce Board of Directors, and one a qualified voter of the City of Denton.

The Board makes recommendations to the City Council concerning the administration of the Zone; prepares and adopts a project plan and Tax Increment Financing Reinvestment Zone financing plan for the Zone and submits the plans to the City Council for approval; prepares, implements, and monitors such project and financing plans for the Tax Increment Financing Reinvestment Zone as the City Council considers advisable including the submission of an annual report on the status of the Zone.

- Appointing authority: City Council per City ordinance.
- Meets every other month at 12:00 p.m. for up to 1.5 hours.
- One appointment is needed.

TAX INCREMENT REINVESTMENT ZONE NO. 2 (WESTPARK TIRZ NO. 2)

The Tax Increment Reinvestment Zone Number Two Board consists of fourteen members: twelve members of the Economic Development Partnership Board, one member appointed by the governing body of Denton County, and one member appointed by the “developer”, Rayzor Investments, LLP.

The Board makes recommendations to the City Council concerning the administration of the Zone; prepare and adopt a project plan and Tax Increment Reinvestment Zone financing plan for the Zone and submit the plans to the City Council for approval; prepare, implement, and monitor such project plan and financing plan for the Zone as the Council considers advisable, including the submission of an annual report on the status of the Zone.

- Appointing authority: City Council per City ordinance.
- Membership is the same as the Economic Development Partnership Board.
- Meets once or twice a year at 12:30 p.m. for up to 1 hour.
- Two appointments are needed.

EXTERNAL BOARDS, COMMISSIONS, AND COMMITTEES

DALLAS REGIONAL MOBILITY COALITION

The Dallas Regional Mobility Coalition is a transportation advocacy group made up of cities, counties, and transportation agencies in a five-county region (Dallas, Denton, Collin, Rockwall, and Ellis) with a primary mission to advance critical mobility projects through advocacy efforts with state and federal elected officials and regional transportation agencies.

The DRMC is governed by a 27-member board of directors representing cities, counties, and transportation agencies in the greater Dallas area. It consists of seven members, one each from the cities of Carrollton, Garland, Grand Prairie, Irving, Mesquite, Plano and Richardson being either the Mayor or another elected official designated by the City Council; four members, designated by the Mayor of Dallas, being either two or three elected officials from the City of Dallas and one or two community leaders who are non-elected officials; four members, one each from Collin, Dallas, Denton, and Ellis County, being either the County Judge or another elected official designated by the County Judge; elected officials from those cities not represented in either of the first two categories; one community leader (non-elected official) appointed by the Dallas County Judge; four ex-officio members being the Texas Department of Transportation District 18 District Engineer, the Executive Director of the Texas Turnpike Authority, the Executive Director of the Dallas Area

Rapid Transit Authority, the Staff Director of the Regional Transportation Council; and one business leader (non-elected official) appointed annually by the Legislative Coalition of the Dallas Area Chambers of Commerce.

- Membership: Must be the Mayor or another elected official.
- Appointments governed by the Dallas Regional Mobility Coalition Bylaws.
- Meets once a month on the first Friday of the month.
- Alternate appointment is needed.

DISCOVER DENTON ADVISORY BOARD

The Discover Denton Advisory Board (initially established as the Convention and Visitors Bureau Advisory Board) was initiated in 1976 by the Denton Chamber of Commerce to promote events and attractions, provide hospitality education, and ensure a positive experience to Denton visitors.

- Membership: One member of the Denton City Council will serve as an ex-officio member of the Discover Denton Advisory Board.
- Appointing authority is the City Council per the Discover Denton Advisory Board Policy and Guidelines.
- Meets monthly; date and time pending confirmation.
- One appointment is needed.

NORTH TEXAS COMMISSION

The North Texas Commission is a public-private partnership of businesses, cities, counties, chambers of commerce, economic development entities and higher education institutions dedicated to advancing the vibrancy of the North Texas region. The North Texas Commission provides the resources to carry out programs that benefit the entire region and to address regional problems and opportunities.

- Membership: Prefer it be an elected official (historically the Mayor) otherwise a City employee; can appoint a proxy (historically the City Manager).
- Appointing authority: City Council per the North Texas Commission Bylaws.
- Two appointments are needed.

DENTON COUNTY BEHAVIORAL HEALTH LEADERSHIP TEAM

The Denton County Behavioral Health Leadership Team (DCBHLT) is composed of fifteen to thirty-three members, including one to two appointees from Denton City Council. Per the DCBHLT bylaws, “Cities/Towns should identify a council member, senior staff, executive, or community member” to serve on the team. Appointees shall serve at least one two-year term and attend six meetings in the calendar year. The purpose of the Denton County Behavioral Health Leadership Team (DCBHLT) is to convene as a policy making team tasked with improving the planning, coordination, oversight, and implementation required to create systems change, for behavioral health services in Denton County.

- Membership: May be an elected official, senior staff, executive, or community member.
- Appointing authority is the City Council per the DCBHLT Bylaws.
- Meets monthly for the first six months, after which meeting frequency may be adjusted. Meetings held at United Way of Denton County. Third Thursday, 8:00–10:00 a.m.
- One appointment is needed.

DENTON COUNTY HOUSING AND HOMELESSNESS LEADERSHIP TEAM

The Denton County Housing and Homelessness Leadership Team (DCHHLT) is composed of seventeen to thirty-eight members, including one to two appointees from the City of Denton. Per the DCHLT bylaws, “Cities/Towns should identify a council member, senior staff, executive, or community member” to serve on the team. The team shall have one to two appointees from Law Enforcement. A member of city staff serves as an ex-officio member. Appointees shall serve at least one two-year term and attend six meetings in the calendar year. The purpose of the Denton County Homelessness Leadership Team is to convene as a policy making team tasked with improving the planning, coordination, oversight, and implementation required to create systems change, for housing/homelessness initiatives in Denton County.

- Membership: May be elected official(s), senior staff, executive, or community member.
- Appointing authority is the City Council per the DCHLT Bylaws.
- General meetings held every even-numbered month at United Way of Denton County. Second Thursday, 8:00–9:30 a.m.
- One appointment is needed.

DENTON COUNTY WORKFORCE SUCCESS LEADERSHIP TEAM

The Denton County Workforce Success Leadership Team (DCWSLT) is composed of twenty-seven to forty-two members, including one appointee from the City of Denton. Per the DCWSLT bylaws, “Cities/Towns should identify a council member, senior staff, executive, or community member” to serve on the team. The DCWSLT shall have one to two appointees from Economic Development Departments. Appointees shall serve at least one two-year term and attend twelve meetings in the calendar year. The purpose of the Denton County Workforce Success Leadership Team (DCWSLT) is to convene as a policy making team tasked with improving the planning, coordination, oversight, and implementation required to create systems change for workforce/employment initiatives in Denton County.

- Membership: May be an elected official, senior staff, executive, or community member.
- Appointing authority is the City Council per the DCWSLT Bylaws.
- Meets every even-numbered month at United Way of Denton County. Meeting time: 4:00–5:00 p.m. Hybrid option available.
- One appointment is needed.

DENTON COMMUNITY SHELTER (LOOP 288) ADVISORY BOARD

The purpose of the Denton Community Shelter Advisory Board is to provide non-binding strategic advice to the board of directors and management of Denton Community Shelter ("Facility") operated by Our Daily Bread ("Organization"). The Advisory Board is formed to offer expertise, guidance, and business insight to enhance the organization's growth, strategy, and operational effectiveness in connection with the operation and management of the Facility, the services provided at or from the Facility and the Organization's performance of its obligations under the Management Services and Operating Agreement with the City of Denton.

- Membership: One Council Member.
- Appointing authority: City Council per bylaws.
- Two appointments are needed.

LAKE RAY ROBERTS PLANNING AND ZONING COMMISSION

The Lake Ray Roberts Planning & Zoning Commission hears requests for zoning changes, special use permits, recreational park permits, sign permits, planned development applications and variances. The Mayor or his/her designee of each city for the territory extraterritorial jurisdiction of which includes any part of the Lake Ray Roberts lake area in the County.

- Membership: Must be the Mayor.
- Appointments governed by the Local Government Code, Title 7, Subtitle B, Chapter 31, Subchapter F.
- Meets the third Monday of the month at 12:00 p.m. for up to 1 hour.

REGIONAL TRANSPORTATION COUNCIL

The North Central Texas Council of Governments has served as the Metropolitan Planning Organization (MPO) for the Dallas-Fort Worth Metropolitan Area. The Regional Transportation Council is the independent transportation policy body of the Metropolitan Planning Organization. The RTC consists of 44 members which include local elected or appointed officials from the metropolitan area and representatives from each of the area's transportation providers. The RTC oversees the metropolitan transportation planning process. **This is a shared seat with the Cities of Sanger, Corinth, and Lake Dallas. Staff coordinates with these cities to determine if they wish to consider a representative of their own, or as in previous years, defer the appointment of the joint representative to the City of Denton.**

- Membership: Must be elected officials.
- Appointing authority is the City Council per the Regional Transportation Council Bylaws.
- This appointment includes designation as the voting member for the NCTCOG General Assembly and any other related meetings or hearings.
- Meets the second Thursday of the month at 1:00 p.m.
- Two appointments are needed.

DENTON COUNTY TRANSPORTATION AUTHORITY BOARD (DCTA)

The Denton County Transportation Authority is governed by a five (5) voting-member Board which includes a representative from Denton, Lewisville, Highland Village, and two members from Denton County serving two-year terms. Each member city is permitted to have a primary and alternate representative. Denton County is permitted to have two primary and two alternate representatives. The Board adopts the annual operating budget and is responsible for setting policy.

- Membership: Elected officials may serve as board members; includes an alternate. Board members must have professional experience in the field of transportation, business, government, engineering, or law.
- Appointing authority is the City Council per Texas Transportation Code.
- Meets once a month at 10 a.m. for up to 3 hours.
- No appointments are needed at this time.



City Council Member Appointments

Kristi Fogle
Interim City Secretary



Background

- The appointment of City Council Members to internal and external boards, committees, and commissions occurs annually following each municipal election cycle.
- Three types of committees that Council Members serve on:
 - **Internal Council Committees** : consist of only Denton City Council Members and operate internally
 - **Internal Hybrid (Council -Resident) Committees**: consist of both Council Members and residents, often nominated and appointed by Council
 - **External Boards, Commissions, and Committees**: include regional and county entities where City Council Members serve as representatives of the City of Denton
- While several external boards dictate a two year term, committee membership assignments are reviewed by Council annually to allow for participation by new Council Members and to adjust assignments as needed.

Process

- **Nomination paths:** The Mayor nominates members to the Committee on the Environment, confirmed by Council vote. For nearly all other committees, any Council Member can put forward their nomination.
- Informal Staff Report 26- 040, sent to Council on Thursday, July 2, requested Council Members submit preferred assignments by Friday, July 10.
- Today, Council should discuss preferences and provide direction on formal nominations to bring forward.
- CPC nominations will be considered on Individual Consideration tonight to accommodate a tight meeting turnaround, and all other nominations will be considered at the July 21 Council Meeting.

Internal Council Committees

- Council Committees are authorized by Council Rules of Procedures, Section 2 - 29(h)(1)
- Consist of three members serving at the pleasure of Council
- Committee Chairs are selected by the Committee
- Provide policy recommendations to Council

Committee	Appointing Authority	Current/Previous Members	Term	Seats Available	Indicated Interest
Agenda Committee	City Code of Ordinances	Mayor Mayor Pro Tem City Manager	None	None	N/A
Committee on the Environment	Mayor, Council confirms by resolution	Beck McGee Holland	Appointments made after each election cycle	1. _____ 2. _____ 3. _____	Holland _____ _____
Community Partnership Committee	Council	Holland (Chair) Beck Byrd	Appointments made after each election cycle	1. _____ 2. _____ 3. _____	Watts Holland Stevens Villarreal Ferrie

*Members listed in the “Indicated Interest” column will be updated as interest is received

Internal Hybrid Committees

- City Council Members hold seats on several City boards, commissions, and committees:

Committee	Appointing Authority	Current/Previous Members	Term	Seats Available	Indicated Interest	
Mobility Committee	Council	Beck Byrd Holland	Appointments made after each election cycle	1. _____ 2. _____ 3. _____	Rumohr Jester Holland	
Development Code Review Committee	Council	Beck Byrd Rumohr	August 31, 2027	1. _____ 2. _____	Rumohr Ferrie Villarreal	
Economic Development Partnership Board*	Council	Jester Byrd	September 30, 2026 September 30, 2027	1. _____ 2. _____	Stevens Ferrie Jester	Holland Villarreal
Tax Increment Reinvestment Zone Number One	Council	Beck Holland	August 31, 2026 August 31, 2027	1. _____	Watts Stevens Holland	Villarreal
Tax Increment Reinvestment Zone Number Two*	Council	Jester Byrd	September 30, 2026 September 30, 2027	1. _____ 2. _____	Stevens Ferrie Jester	Holland Villarreal

*Members of the Economic Development Partnership board must also serve on the Tax Increment Reinvestment Zone Two Board.

External Bodies

- City Council Members hold seats on several City boards, commissions, and committees:

Committee	Appointing Authority	Current/Previous Members	Term	Seats Available	Indicated Interest
Dallas Regional Mobility Coalition	DRMC Bylaws: Must be the Mayor	Hudspeth Alternate - Vacant	None	1. _____ (alternate)	Jester (alternate) _____ _____
Discover Denton Advisory Board	Council	Holland	None	1. _____	Holland _____ _____
North Texas Commission	Council (historically the Mayor)	Hudspeth City Manager (proxy)	September 30, 2026	1. _____ 2. _____	Watts Ferrie Jester
Denton Community Shelter (Loop 288) Advisory Board	Council	Byrd Beck	April 30, 2026 April 30, 2026	1. _____ 2. _____	Stevens Ferrie _____
Regional Transportation Council	Council	Jester Hudspeth (alternate)	June 30, 2026 June 30, 2026	1. _____ 2. _____	Rumohr (alternate) Jester _____

External Bodies

- United Way of Denton County operates three leadership teams consisting of local leaders in education, government, corporate, and nonprofit industries:

Committee	Appointing Authority	Current/Previous Members	Term	Seats Available	Indicated Interest
Denton County Behavioral Health Leadership Team	Council	Hudspeth Frank Dixon	June 30, 2026 None	1. _____	Ferrie _____ _____
Denton County Housing and Homelessness Leadership Team	Council	Hudspeth Jesse Kent	June 9, 2026 None	1. _____	Ferrie _____ _____
Denton County Workforce Success Leadership Team	Council	Byrd	June 30, 2026	1. _____ 2. _____	_____ _____ _____

No Action Required

- The following committees do not require action at this time:

Committee	Appointing Authority	Current/Previous Members	Term	Seats Available
Denton County Transportation Authority	Council	Rumohr Pat Smith (alternate)	November 12, 2027 November 12, 2027	None
Lake Ray Roberts P&Z Commission	State Code (Must be Mayor)	Hudspeth	None	None

Next Steps

- Confirm the Mayor's nominations to the Committee on the Environment
- Review Council Members' submitted preferences, and provide direction on formal appointments
- Formal appointments will be considered at the July 21, Council meeting
 - CPC appointments will be considered tonight to accommodate a tight meeting turnaround



Questions?





City of Denton

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

AGENDA INFORMATION SHEET

DEPARTMENT: Office of Strategy, Budget, and Performance

ACM: Christine Taylor, Assistant City Manager

DATE: July 14, 2026

SUBJECT

Receive a report, hold a discussion, and give staff direction regarding the current and forecasted budget.

BACKGROUND

The purpose of this work session is to provide the City Council with a foundational overview of the City's budget—focusing on Denton's fiscal environment, revenue structure, service pressures, and long-term operating considerations as we begin development of the FY 2026–27 budget. Unlike last year's session, which centered on the General Fund deficit and reduction strategies, this presentation is designed to build a shared understanding of the broader financial landscape and the factors shaping future budget decisions.

The session will cover Denton's growth trends, economic conditions, structural features of the City's revenue base, rising operating and workforce costs, community expectations, capital and debt considerations, and the major risks influencing financial sustainability. The discussion will provide a preliminary look at the General Fund for FY 2026–27, with detailed budget proposals to follow.

This overview is intended to equip Council with the context needed for upcoming policy discussions, establish common terminology and assumptions, and support informed direction as staff prepares the proposed budget for August consideration.

EXHIBITS

Exhibit 1 – Agenda Information Sheet

Exhibit 2 – Presentation

Respectfully submitted:

Aimée Kaslik

(940) 349-7899

Chief Str Officer

FY 2026-27 Budget Update

*Understanding Today's Budget
and Preparing for Tomorrow*

Aimée Kaslik
Chief Strategic Officer



Today's Goals

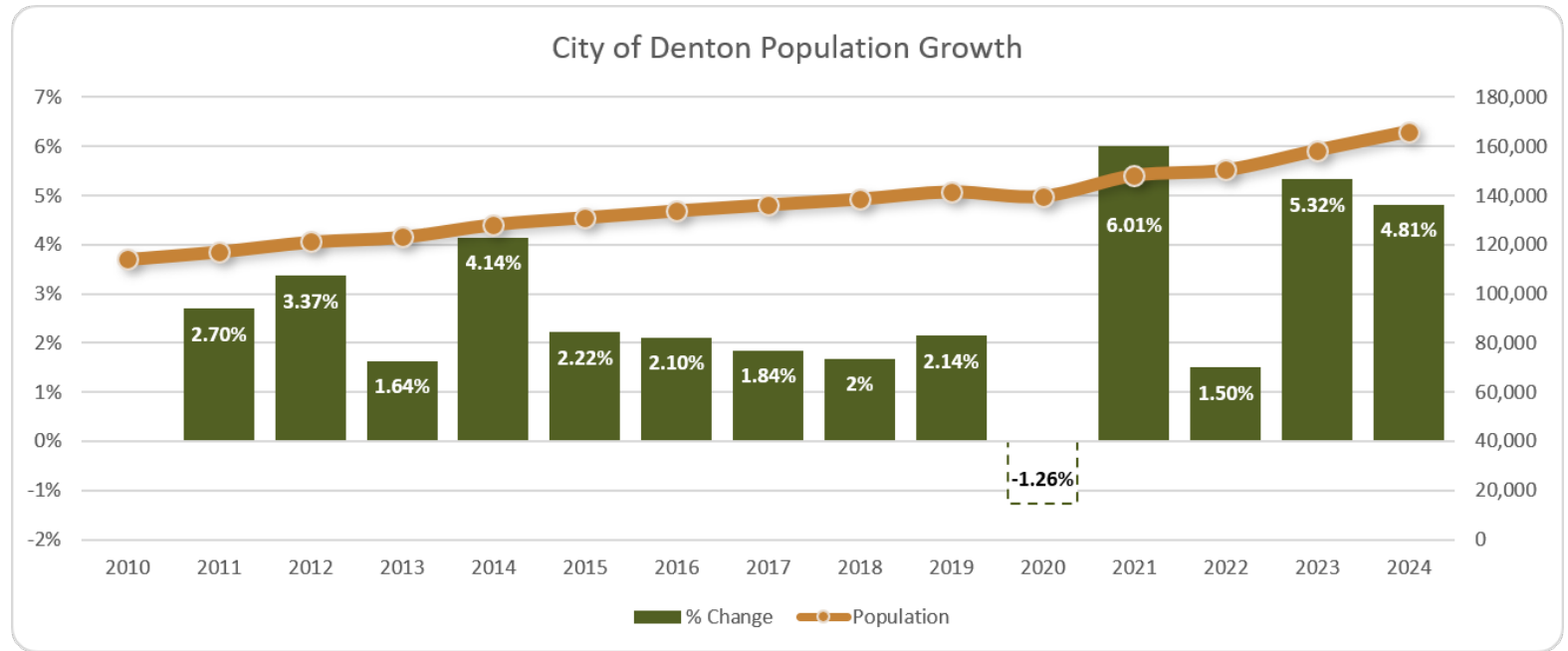
- Provide a high-level overview of how Denton's budget works
- Understand the General Fund's revenue structure and pressures
- Review FY 2025–26 budget decisions, approaches, and outcomes
- Discuss Denton's economic and demographic landscape
- Identify key financial and operational pressure points
- Review capital needs at a high level
- Understand risks and sensitivities
- Set the stage for FY 2026–27 budget discussions
- Preview the upcoming work sessions

Context: Denton Today

Denton at a Glance

By the numbers:

- 2026 Population: ~ 169,000
- Area: 97.95 sq. Mi.
- Total Households: ~ 66,900
- Projects Currently in Development: 59
- Projects Currently Under Construction: 102
- Businesses: 6,300+



Context: Denton Today

Economic Conditions

- Sales tax (FY 2026 adopted): **\$62.9M**, +4.62%
- Average unemployment: **4.2%**
- Strong development pipeline
- Inflation impacting supplies
- Competitive regional labor market

Why Context Matters

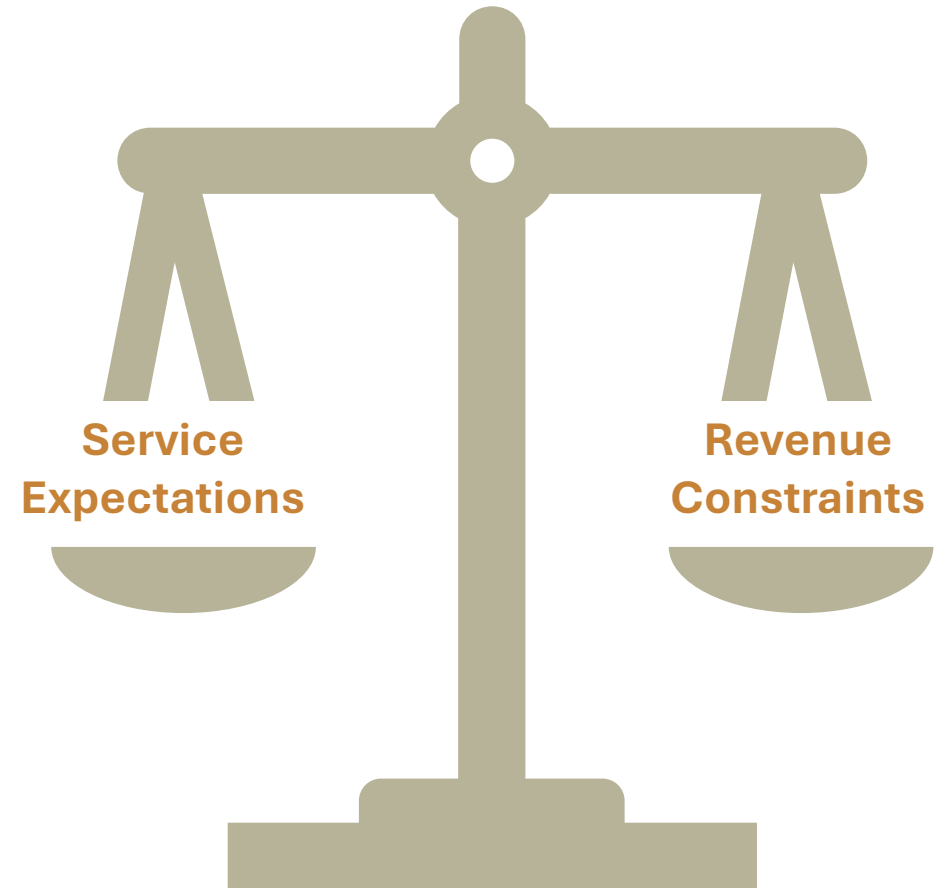
- More people = more calls for service
- Infrastructure demands accelerating
- Revenues react differently to economic cycles
- Community expectations rising faster than resources

How the Budget Works

A Balancing Act

Every budget decision ultimately answers three questions:

1. What services do we provide?
2. What level of service do we expect?
3. How do we sustainably pay for it?



How the Budget Works

Denton's Fund Structure

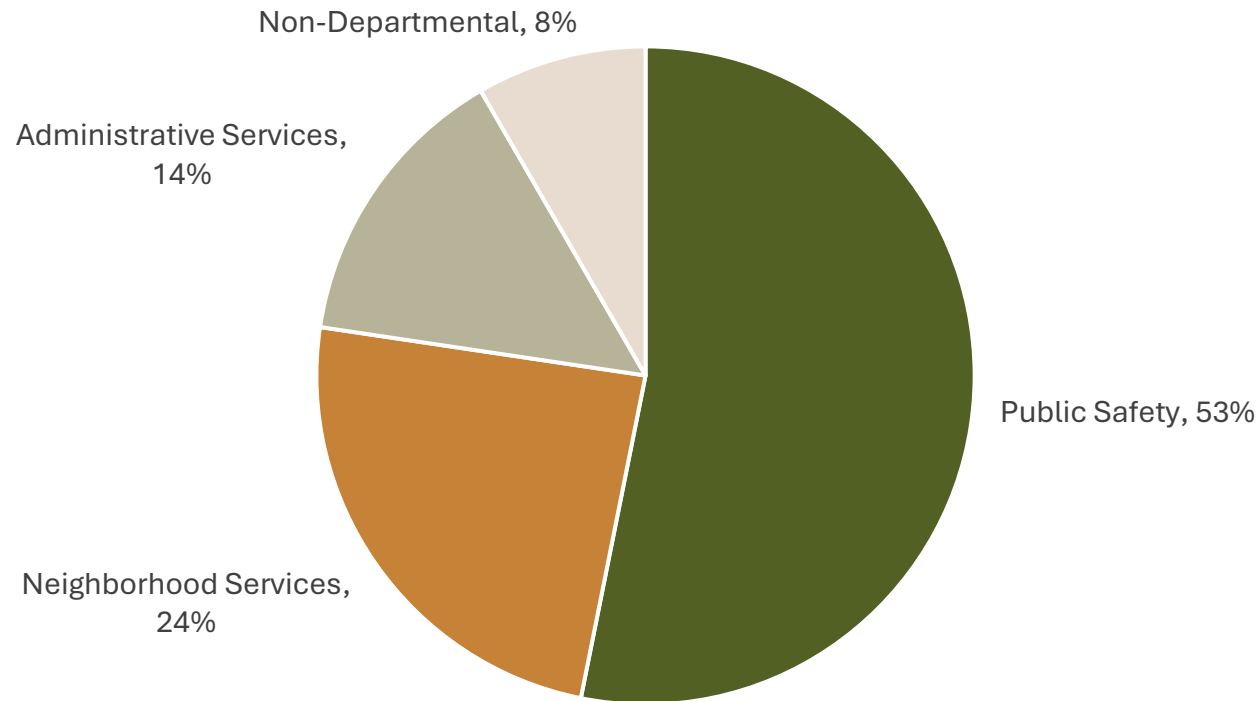
Different funds serve different purposes, and not all dollars are interchangeable.

- **Governed by Rules:** Our budget structure is guided by governmental accounting principles, regulations, and statutes.
- **Core Principle:** Fund accounting ensures that revenue and expenditures are tracked together in distinct "self-balancing" units.
- **Goal:** To demonstrate compliance with legal and regulatory restrictions on how funds can be used.

General	Enterprise	Debt Service	Special Revenue	Internal Service
<ul style="list-style-type: none"> • Flexible but Constrained • Personnel-Driven 	<ul style="list-style-type: none"> • Rate-Driven • Legally Self-Sustaining • Includes Water, Wastewater, Electric, Solid Waste, Airport 	<ul style="list-style-type: none"> • Tied to Tax-Supported Obligations • Legally Restricted 	<ul style="list-style-type: none"> • Legally Restricted to Specific Purposes • Includes Catalyst, Street Improvement, Roadway Impact Fee, TIRZ 	<ul style="list-style-type: none"> • Cost Allocation • Includes Customer Service, Engineering, Environmental Svcs, Facilities, Fleet, Technology

How the Budget Works

What the General Fund Supports



Note: FY 2025-26 Adopted Budget

Public Safety

- Police
- Fire/EMS,
- Animal Services
-
- 600 FTEs

Neighborhood Services

- Community Services
- Development Services
- Library
- Parks and Recreation
-
- 264.5 FTEs

Administrative Services

- City Manager's Office
- Finance
- Economic Development
- Human Resources,
- Internal Audit
- Legal
- Marketing and Communications
- Municipal Court
-
- 136.75 FTEs

Non-Departmental

How the Budget Works

What the General Fund Supports

8,047

FY 2024-25 Code Compliance Cases
11% ↑ from FY 2023-24

10,910

FY 2024-25 Permits Issued
11% ↑ from FY 2023-24

495,927

FY 2024-25 Library Visits
3% ↑ from FY 2023-24

27,365

FY 2024-25 Library Program Attendance
6% ↑ from FY 2023-24

630,374

FY 2024-25 Recreation Center Visits
5% ↑ from FY 2023-24

2,049

FY 2024-25 Recreation Center Programs/Classes Held
12% ↑ from FY 2023-24

7,461

FY 2024-25 Acres of Land Maintained
On Par with FY 2023-24

4,436

FY 2024-25 Animal Intakes at Shelter
24% ↓ from FY 2023-24

5,722

FY 2024-25 Calls for Animal Services
7% ↓ from FY 2023-24

24,436

FY 2024-25 Calls for Fire/EMS Services
8% ↑ from FY 2023-24

133,256

FY 2024-25 911 Calls for DPD Service Dispatched
5% ↓ from FY 2023-24

7,057

FY 2024-25 Open Records Requests Processed
25% ↑ from FY 2023-24

9,569

FY 2024-25 Financial Entries Processed
7% ↑ from FY 2023-24

21,769

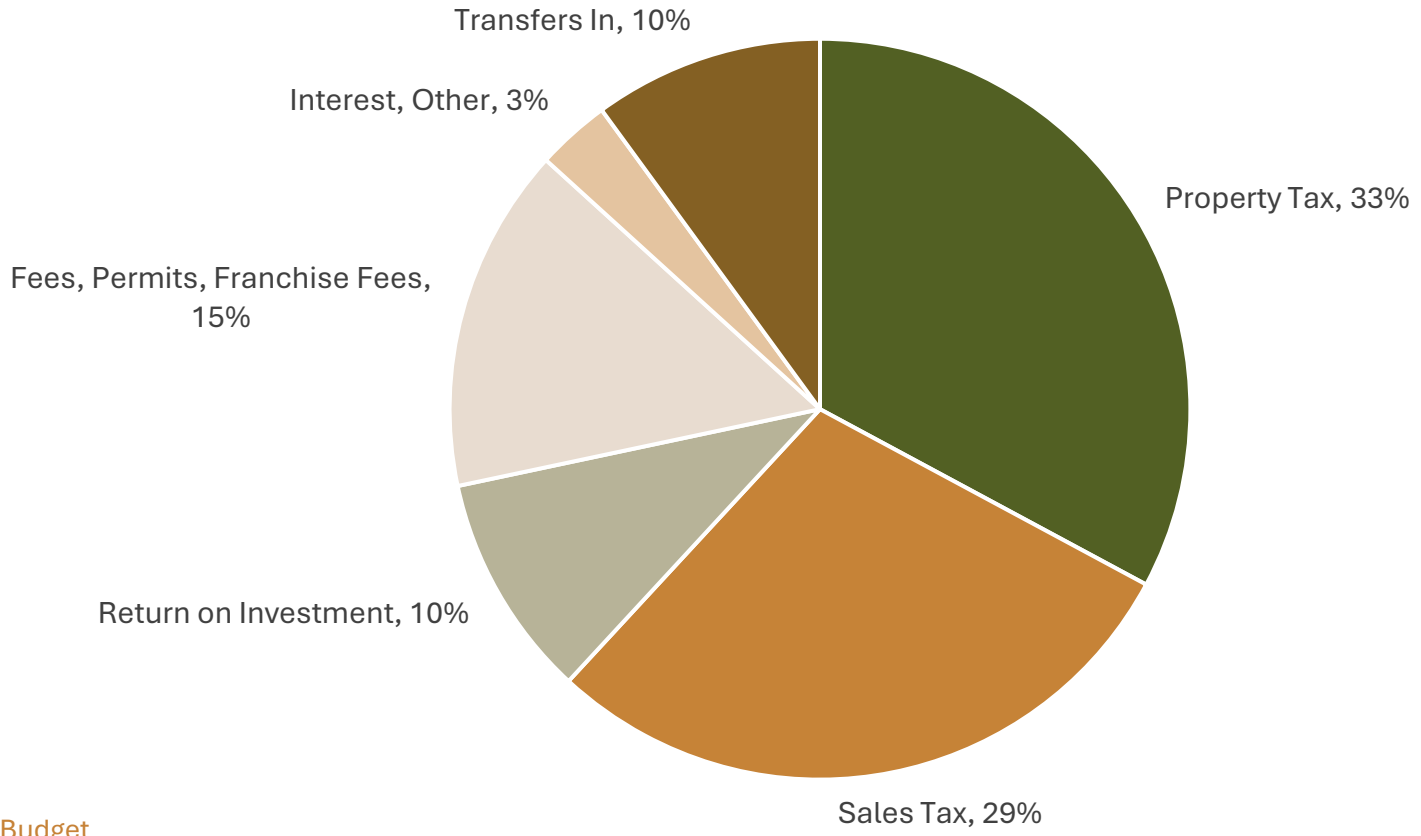
FY 2024-25 Municipal Court Cases Disposed
6% ↑ from FY 2023-24

947,403

FY 2024-25 Social Media Engagements
113% ↑ from FY 2023-24

General Fund Revenue Mix

General Fund Revenue Overview

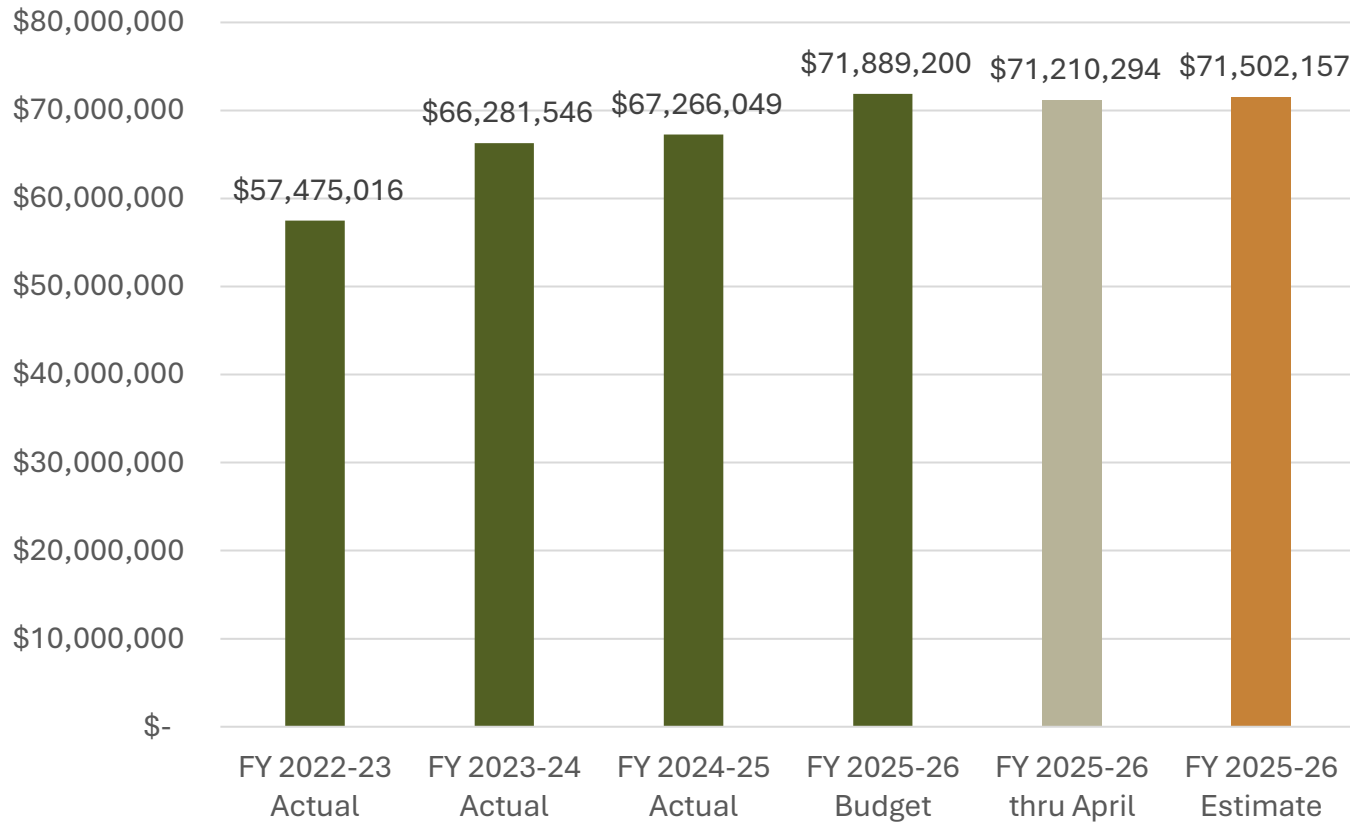


Note: FY 2025-26 Adopted Budget

General Fund Revenue Mix

Property Tax

Property Tax Collection



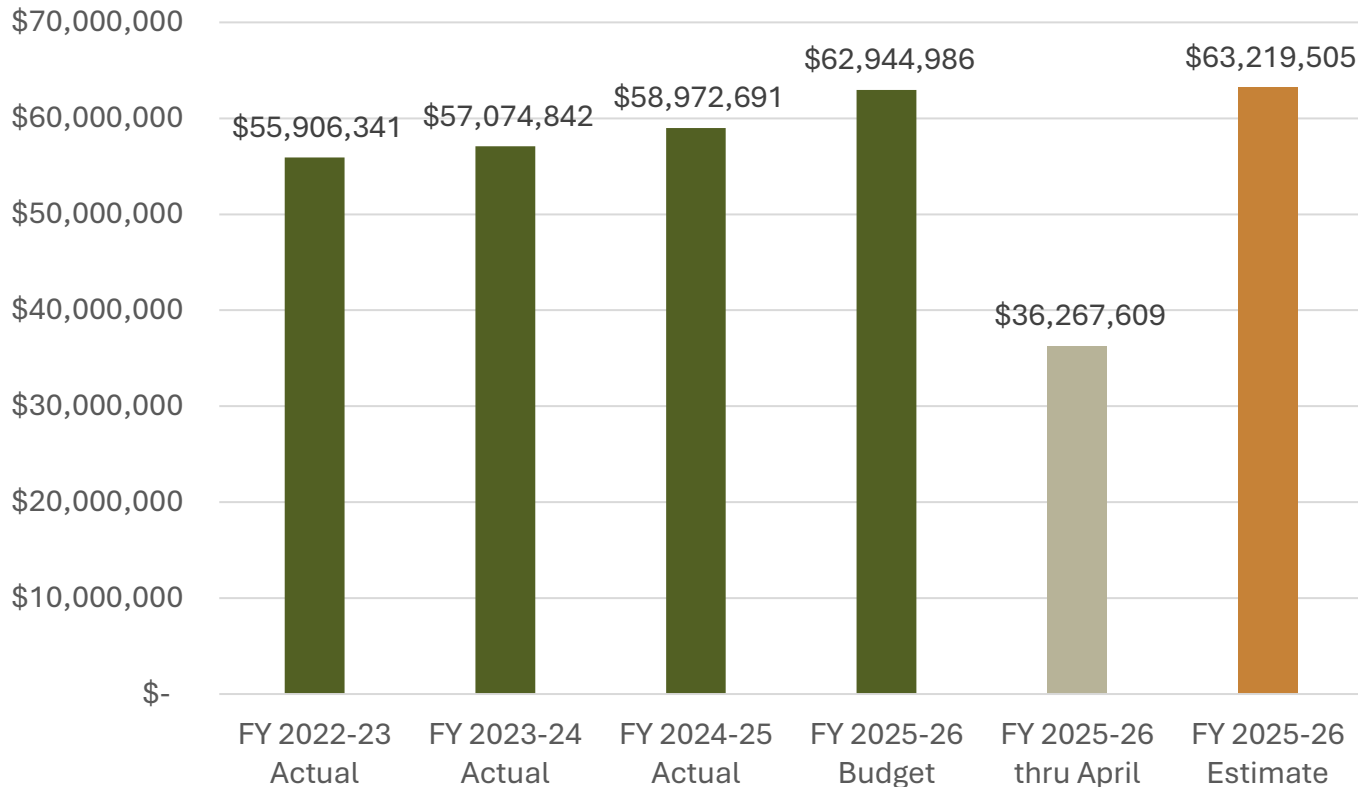
The City's most stable, predictable revenue source.

- Tied to appraisal values and the adopted tax rate
- Subject to state-imposed revenue caps
- Sensitive to exemptions
- Tax rate includes both:
 - Operations & Maintenance (O&M)
 - Debt Service (I&S) for bonds

General Fund Revenue Mix

Sales Tax

Sales Tax Collection

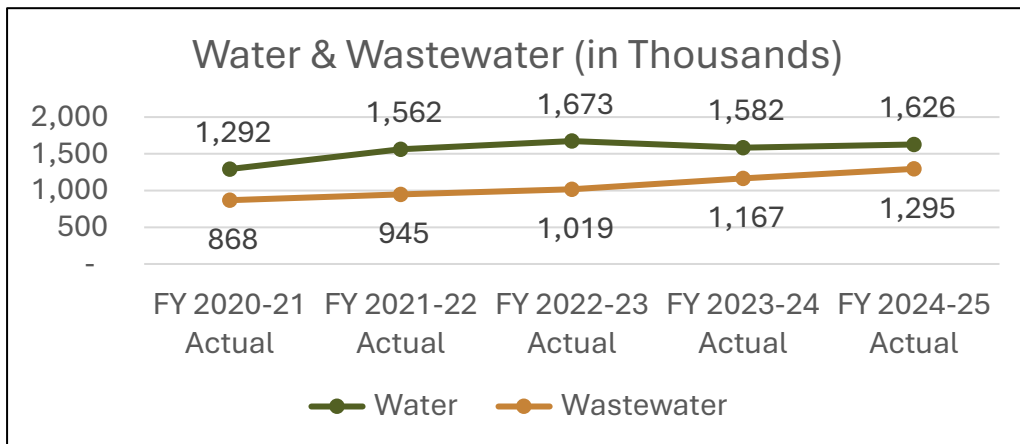
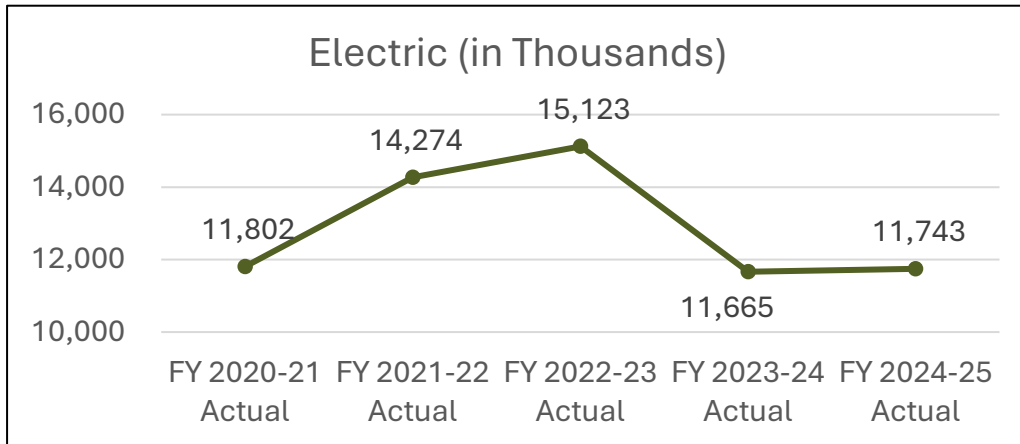


Highly impactful but volatile.

- Strong consumer economy → strong revenues
- Slows significantly during downturns
- Concentrated in key retail areas; dependent on regional competition
- Subject to shifts in consumer behavior (online vs. in-person)

General Fund Revenue Mix

Return on Investment (ROI)



One of the larger contributors to the General Fund -- and often misunderstood.

- ROI compensates the General Fund for: City’s investment in utility systems
- Use of City rights-of-way
- Administrative overhead
- Based on the City Charter
- Not a “profit transfer” — it is similar to a private utility paying a franchise fee
- Tied to utility revenues → if Electric or Water revenues drop, so does ROI

General Fund Revenue Mix

Fees, Permits, and Franchise Fees

Fees and Permits

Activity-based revenue with natural limits.

- Support important services but fluctuate with development patterns and service usage
- Fees can only cover **cost of service** (cannot be used as a general revenue-raising tool)

Franchise Fees

Payments by utilities for use of the City's rights of way.

- Some categories are declining due to “cord-cutting”
- State regulations limit local control
- Electric franchise fees are linked to consumption and market-wide shifts

General Fund Revenue Mix

Why the General Fund is Structurally Tight

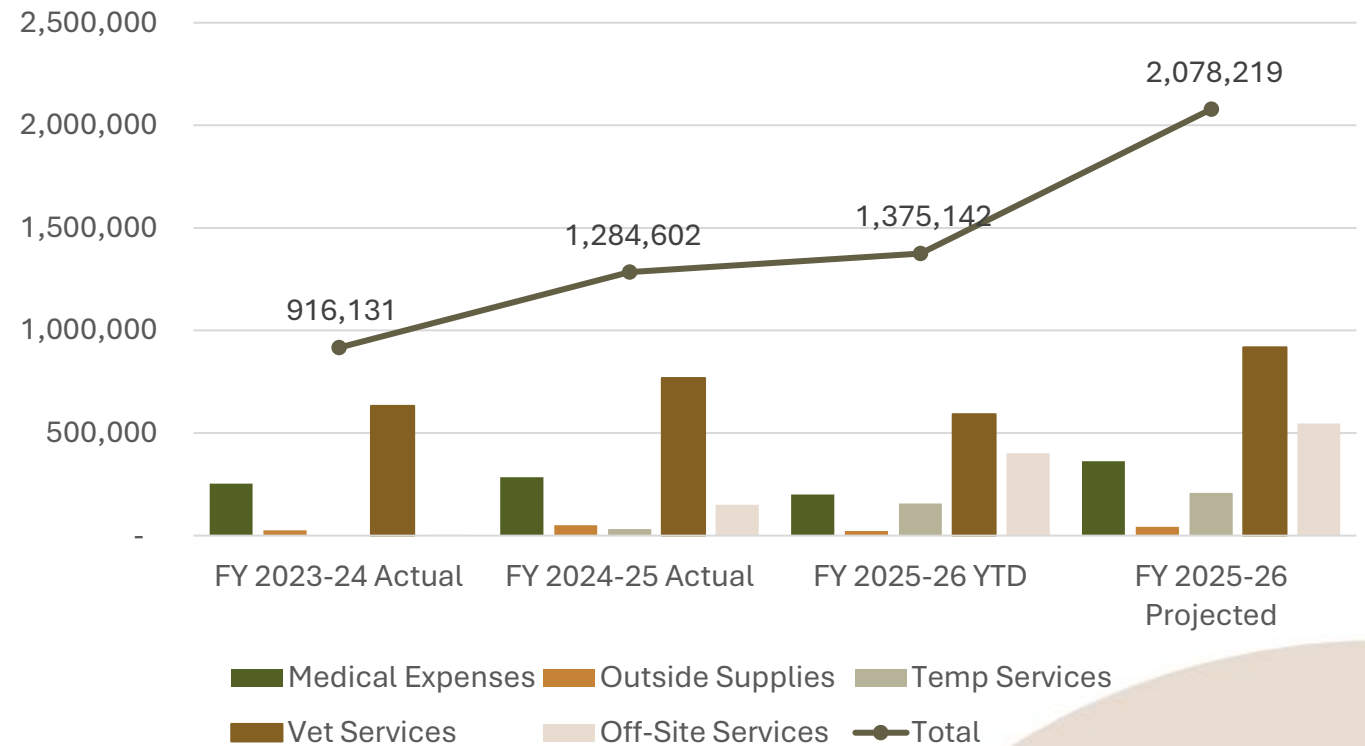
- Revenue growth limited by state caps
- Demand growth outpacing population growth
- Increasing pressure on essential service departments
- Reliance on two volatile sources: sales tax + ROI

Financial Pressure Points

Operating Cost Pressures

- Rising animal care costs
- Fire/EMS medical supply inflation and lower reimbursements
- Fuel, utilities, chemicals
- Technology costs

Animal Care Costs

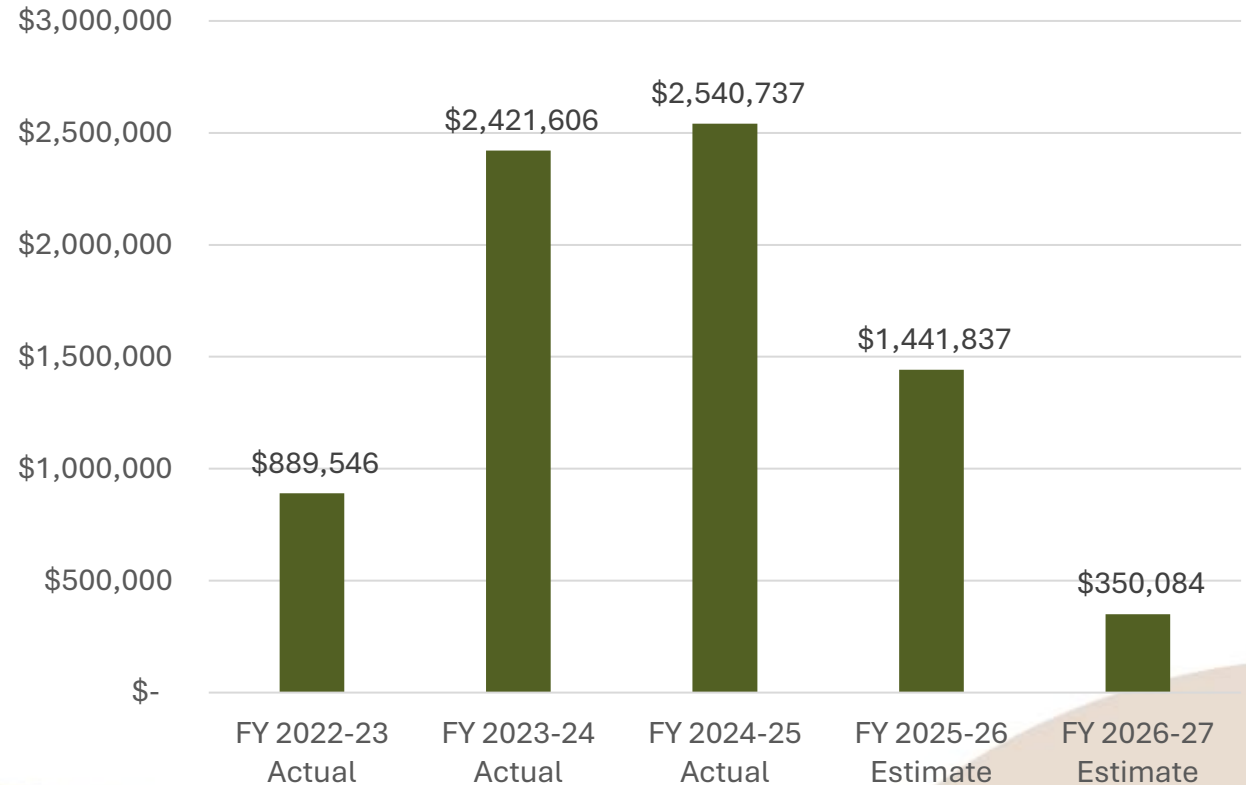


Financial Pressure Points

Workforce Pressures

- Employee turnover
- Police staffing challenges
- SAFER grant expiration
- Limited COLA/merit
- Competitive DFW labor market

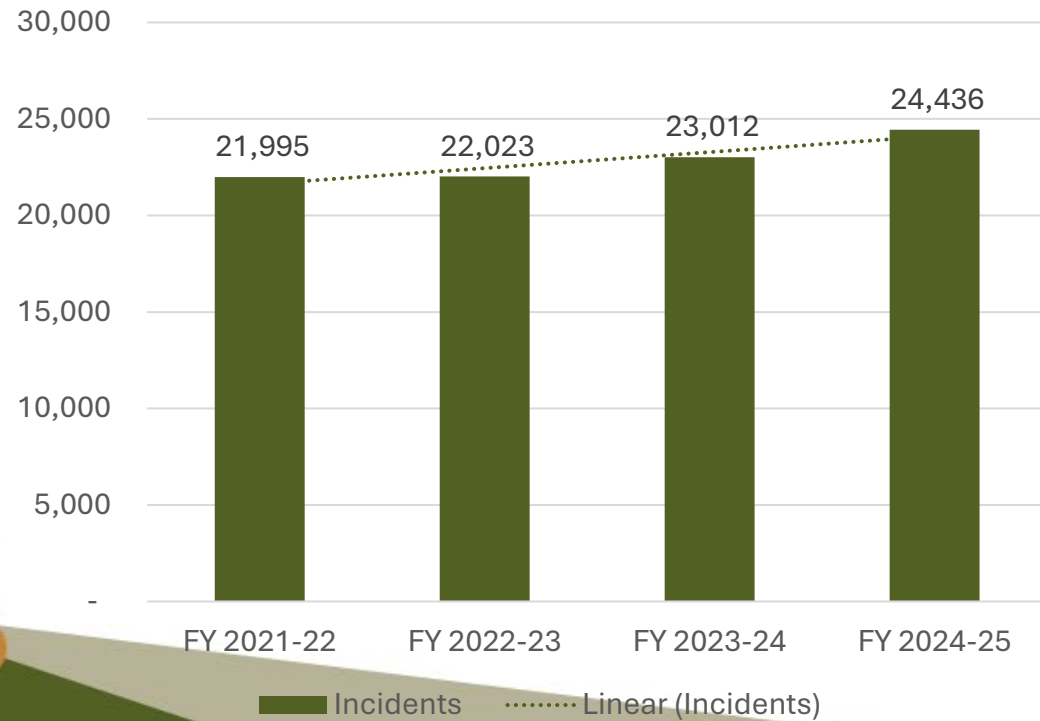
SAFER Grant Disbursements



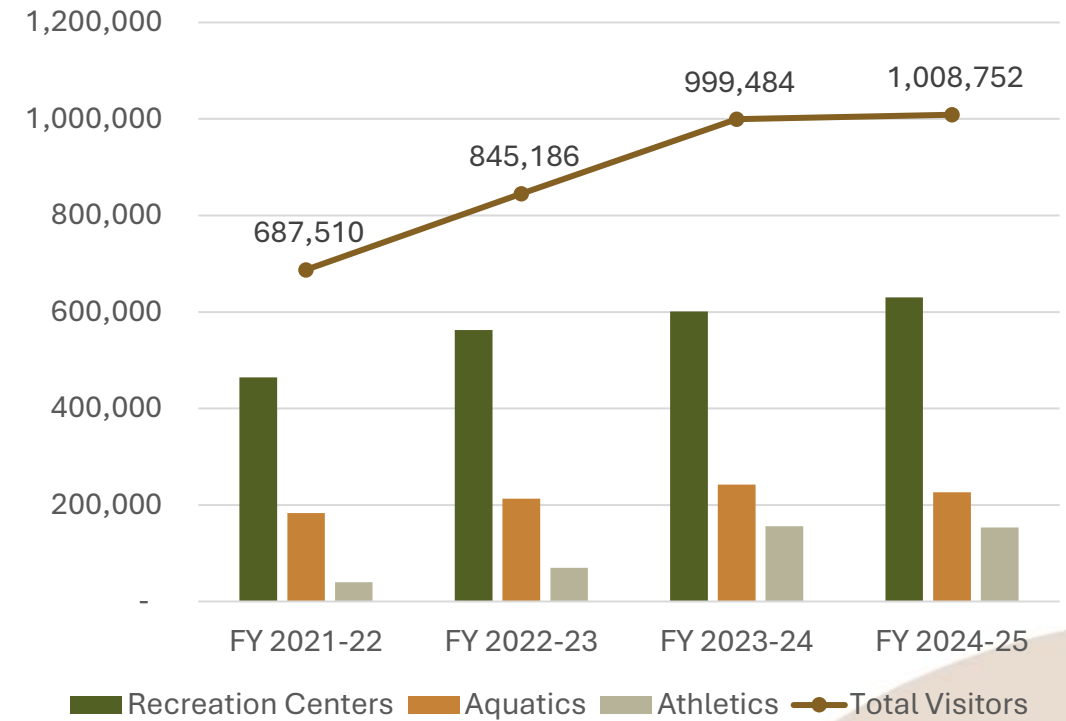
Financial Pressure Points

Service Demand Growth

Fire Department Responses

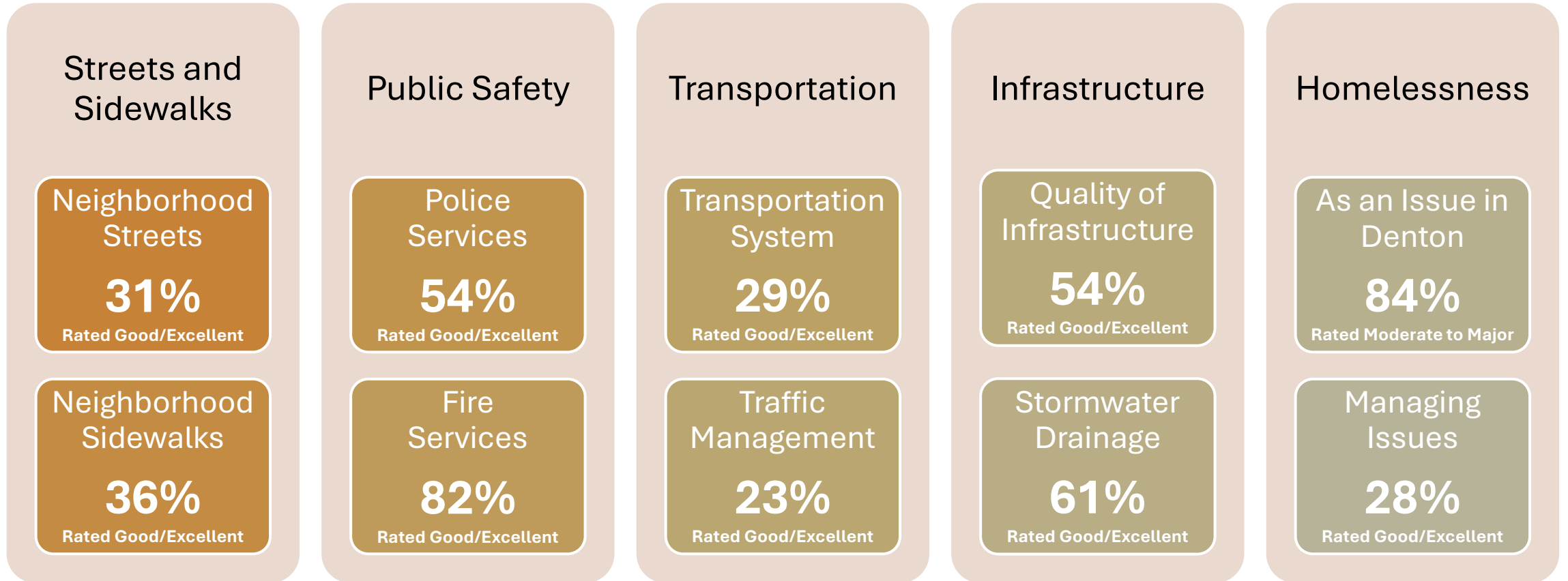


Visitors at Parks Facilities



Community Priorities

Community Survey Results



Community Priorities

Alignment with Budget Realities

What Residents Want Most

What the Budget Must Address

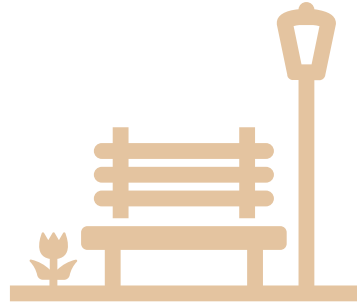
- Streets and sidewalks → High cost of maintenance and reconstruction
- Transportation system → Growth-driven demand outpacing system capacity
- Public safety services → Operational costs for police, fire, and EMS
- Infrastructure reliability → Capital reinvestment in utilities
- Homelessness response → Resource-intensive homelessness services
- Economic opportunity → Limited municipal leverage over job market conditions

Capital Needs

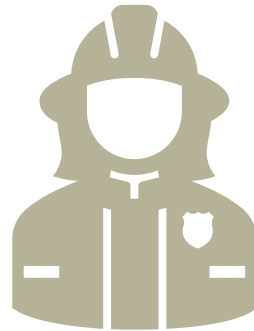
Overview



Streets and
Transportation



Parks



Public Safety



Facilities



Infrastructure

Capital Needs

FY 2025-26 CIP Snapshot

The FY 2026 Capital Improvement Program (CIP) included \$552.8 million in planned new funding for FY 2026

- \$127.0 million - General Government (Bond Programs, Streets, Parks, Public Safety Facilities)
- \$64.0 million - Electric Utility
- \$94.9 million - Water Utility
- \$243.0 million - Wastewater Utility
- \$21.7 million - Solid Waste
- \$2.2 million - Airport

Funding Sources

- Current Year Revenue
- General Obligation (GO) Bonds
- Certificate of Obligation (CO) Bonds
- Federal and State Loan Programs
- Impact Fees

Capital Needs

Debt Rate

FY 2026 debt rate: \$0.260640



Capital Needs

Operating Impact of Capital

- New facilities create long-term operating costs (staffing, utilities, maintenance)
- Renovations delay, but don't eliminate future needs
- Long-term cost commitments
- Lifecycle replacement obligations

Risks and Sensitivities

Revenue Sensitivities

- Sales tax volatility
- ROI fluctuations
- Business Personal Property (BPP) valuation
- Development cycles

Costs Sensitivities

- Health insurance volatility
- Public safety pay competitiveness
- Contract escalation clauses
- Unpredictable supply chain costs

External Risks

- Legislative changes
- Market-driven shifts (retail, utilities)
- Development slowdowns or surges

Risks and Sensitivities

Implications for FY 2026-27

- Legislative impacts
 - HB 9, effective January 1, 2026
- Structural constraints persist
- Reserves remain critical
- Service expectations vs. fiscal reality
- Importance of early direction

Key Decision Points for FY 2026-27

Strategic Questions

- What service levels must be protected?
- What revenue strategies should be considered?
- How should we invest in our workforce?
- Which programs should we evaluate for realignment?
- What long-term priorities should guide our decisions?

Key Decision Points for FY 2026-27

Why Early Decisions Matter

Workforce

Public Safety

Maintenance
Needs

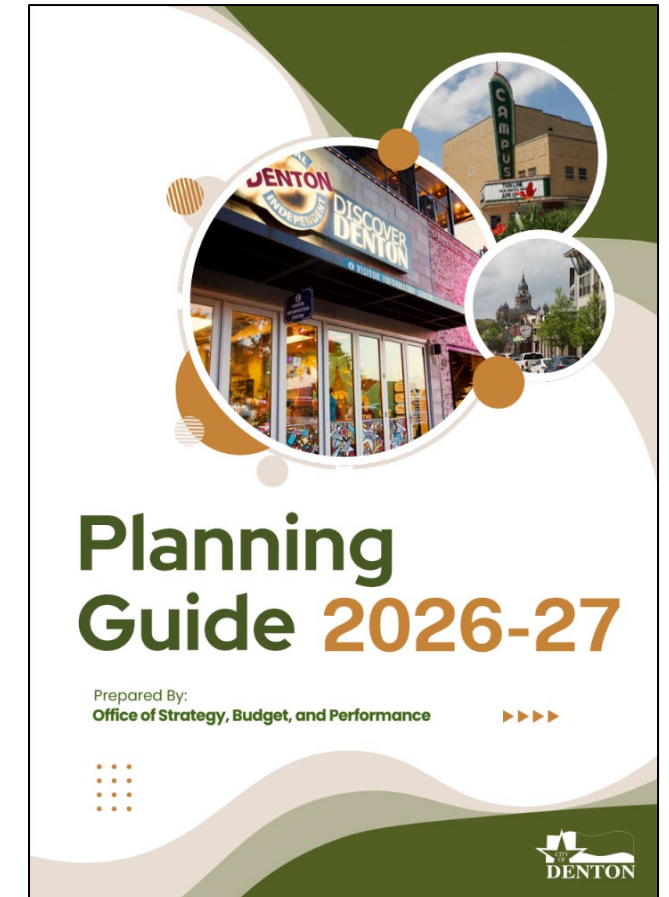
Capital
Timing

Community-
Facing
Services

FY 2026-27 Budget Development

City Management Strategic Focus and Priorities

- Priorities and Directives
 - Invest in talent for long-term competitiveness
 - Conduct Workforce Planning Study to align resources with service delivery
 - Support Police Meet and Confer negotiations that reflect sustainability and shared goals
 - Maintain current service levels
 - Include no supplemental requests



FY 2026-27 Budget Development

Key Drivers and Considerations

1. Revenue Reality

Economic conditions determine what resources are available.

2. Service Demand

Community needs define the level of service required.

3. Workforce Costs

People are the primary cost of delivering services.

4. Cost Pressures

Inflation and market factors increase the cost to operate.

5. Policy Decisions

Leadership priorities determine where resources go.

**The budget is
where resources,
service
expectations, and
priorities come
together.**

FY 2026-27 Budget Development

Strategic Alignment

Ensures alignment with citywide priorities.



Pursue Organizational Excellence and Collaborative and Respectful Leadership

Optimizes resources for the greatest impact.



Enhance Infrastructure and Mobility



Foster Economic Opportunity and Affordability

Provides transparency and accountability



Strengthen Community and Quality of Life



Support Healthy and Safe Communities

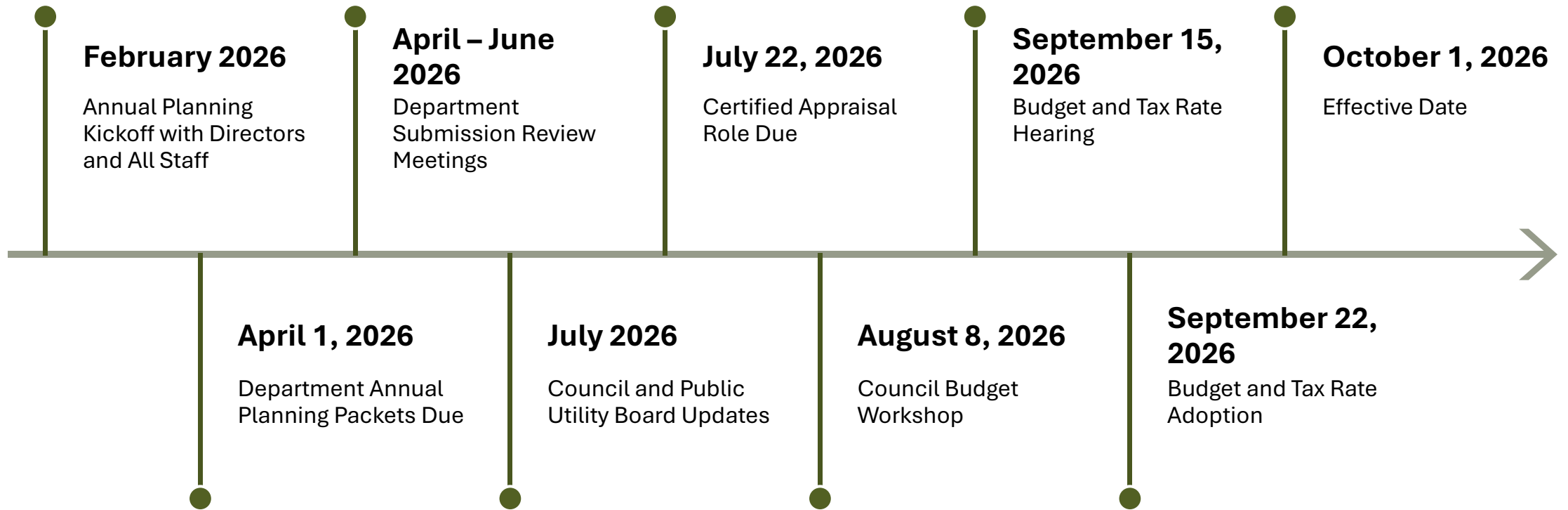
Helps us adapt to changing needs while maintaining focus.



Promote Sustainability and the Environment

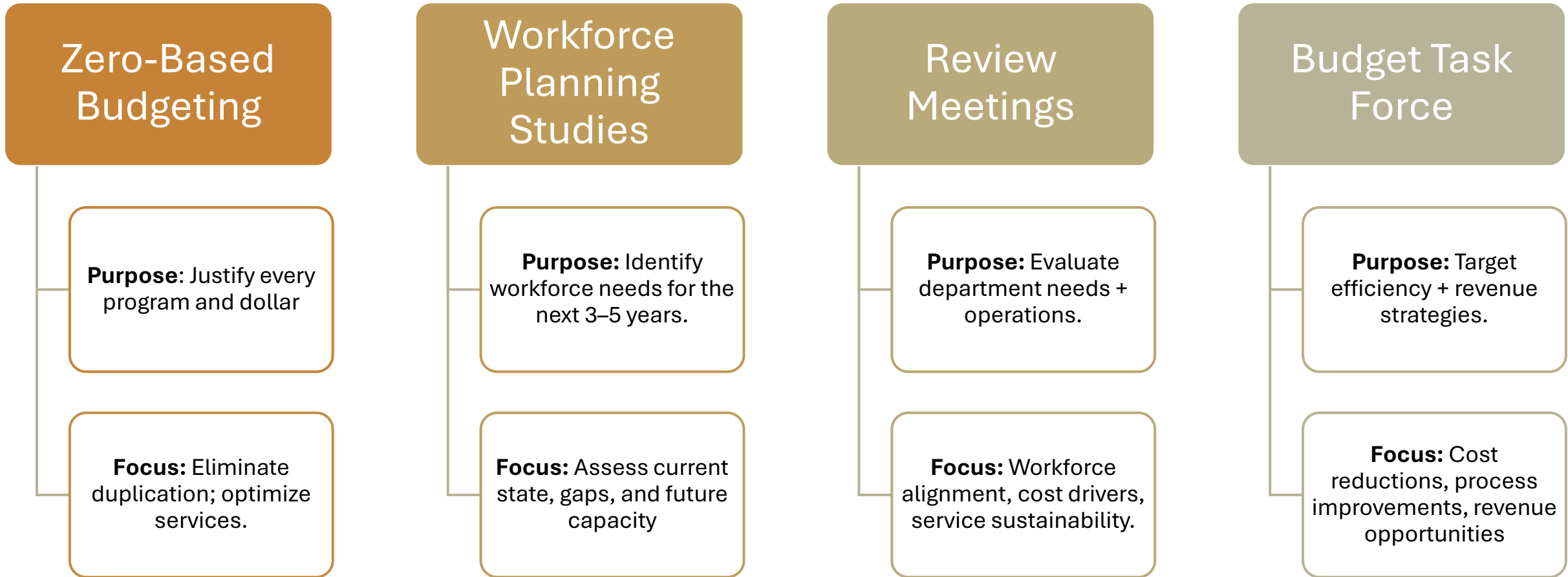
FY 2026-27 Budget Development

Annual Planning Calendar



FY 2026-27 Budget Development

Strategic Approaches



FY 2026-27 Budget Development

Strategic Approaches

Office of Strategy, Budget, and Performance

- **Purpose:** Integrated strategy, data, and budget.
- **Impact:** Supports alignment, informed decisions, and future-ready planning

Innovation Grant

- **Purpose:** Empower employees to pilot innovative ideas that help build Denton's future.
- **Impact:** Ideas may receive up to \$25,000 to pilot concepts that demonstrate value.

Community Engagement and Transparency

- **Purpose:** Increase understanding and participation in the budget.
- **Impact:** 5-part video series + combined budget simulator and survey + expanded community-based engagement.

FY 2026-27 Budget Development

Next Steps

- July 21: Capital Projects, Utility Budgets and Rates
- August 8: Budget Workshop
- August 18: Budget Workshop Follow-Up
- September 15: Budget and Tax Rate Hearing
- September 22: Budget and Tax Rate Adoption



Questions?





City of Denton

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

AGENDA INFORMATION SHEET

DEPARTMENT: Capital Projects

ACM: Frank Dixon

DATE: July 14, 2026

SUBJECT

Receive a report, hold a discussion, and give staff direction regarding the 2023 Bond Program.

BACKGROUND

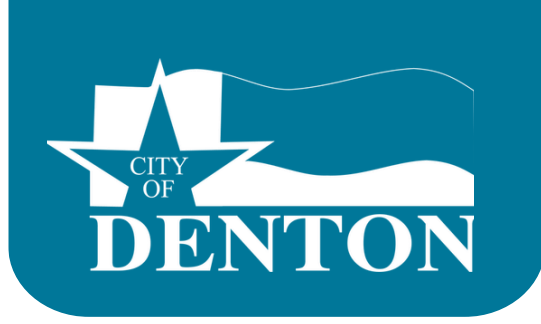
The purpose of this work session is to provide City Council with an update of the 2023 Bond Program and receive direction on priorities and issuance timeline.

EXHIBITS

Exhibit 1 – Agenda Information Sheet

Exhibit 2 – Presentation

Respectfully submitted:
Seth Garcia, PMP
Director of Capital Projects
940-349-8938



2023 Bond Program

Finance & Capital Projects



Seth Garcia, Director of Capital Projects
Matt Hamilton, Chief Financial Officer

2023 Bond Program Background

- **2023 Special Citizen’s Bond Advisory Committee**

On April 4, 2023, City Council established a Special Citizens Bond Advisory Committee comprised of 40 residents to evaluate proposed projects and make a recommendation to the Council for a potential 2023 Bond Election. The committee met a total of seven times between May and July 2023 and provided a recommendation for Council consideration.

- **Committee’s Recommendation**

Project	Total Cost	% in Support
Fire Station #5	\$12,671,116	100%
Fire Station #6	\$12,671,116	100%
Oakland Drainage & Upstream Detention	\$32,595,000	97%
PEC Phases 3 & 4 Drainage	\$26,265,896	100%
Affordable Housing	\$15,000,000	92%
Active Adult Center	\$46,429,380	78%
South Branch Library	\$38,000,000	61%
Linda McNatt Animal Care Expansion	\$15,849,396	72%
Mingo Roadway & Quiet Zones	\$35,000,000	69%
Inclusive Playground	\$3,450,000	75%
City Hall West	\$17,875,698	72%
Trail Development	\$15,000,000	86%
Aquatics	\$15,000,001	56%
Public Art	\$2,109,934	72%
GRAND TOTAL	\$287,917,537	



2023 Bond Program Background

- **City Council Approved Program**

Project	Total Cost
Fire Station #5	\$12,671,116
Fire Station #6	\$12,671,116
Oakland Drainage & Upstream Detention	\$32,595,000
PEC Phases 3 & 4 Drainage	\$26,265,896
Affordable Housing	\$15,000,000
Active Adult Center	\$46,429,380
South Branch Library	\$48,575,961
Linda McNatt Animal Care Expansion	\$15,849,396
Mingo Roadway & Quiet Zones	\$45,125,615
Inclusive Playground	\$3,450,000
City Hall West	\$17,875,698
Trail Development	\$15,000,000
Aquatics	\$15,000,001
Public Art 2% of Vertical Projects	\$3,080,000
GRAND TOTAL	\$309,590,000

- **City Council Modifications**

- Increased South Branch Library to new facility not remodel and expansion on existing site
- Increased Ruddell, Mingo Roadway & Quiet Zone to include the Ruddell scope in the project



2023 Bond Program Background

- **City Council Approved Propositions**

Propositions	Total	% in Support
Proposition A: Streets	\$45,125,000	69.73%
Proposition B: Drainage and Flood Control	\$58,860,000	70.93%
Proposition C: Park System	\$33,450,000	64.65%
Proposition D: Public Safety	\$42,015,000	68.05%
Proposition E: Affordable Housing	\$15,000,000	58.38%
Proposition F: Active Adult Center	\$47,360,000	55.57%
Proposition G: South Branch Library	\$49,545,000	55.86%
Proposition H: City Hall West	\$18,235,000	48.68%
<u>GRAND TOTAL</u>	<u>\$309,590,000</u>	

- **Propositions A – G were approved by voters on Nov. 7, 2023 for \$291,355,000**



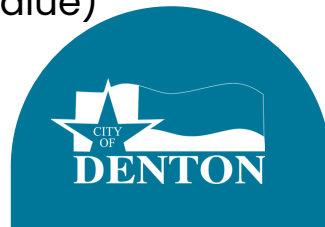
2023 Bond Issuance Timeline

- Bond Program Timeline**

PROGRAM DESCRIPTION	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	Total
Proposition A - Street Improvements	\$5,000,000	\$2,000,000	\$18,125,000	\$20,000,000	\$ -	\$ -	\$45,125,000
Proposition B - Drainage & Flood Control	10,000,000	6,268,000	25,595,000	16,997,000	-	-	58,860,000
Proposition C - Park System Improvements	9,450,000	1,000,000	-	17,000,000	3,000,000	3,000,000	33,450,000
Proposition D - Public Safety Facilities	26,170,000	15,342,000	503,000	-	-	-	42,015,000
Proposition E - Affordable Housing	-	-	-	5,000,000	5,000,000	5,000,000	15,000,000
Proposition F - Active Adult Center	-	-	-	5,930,000	25,000,000	16,430,000	47,360,000
Proposition G - South Branch Library	2,500,000	-	-	5,000,000	18,000,000	24,045,000	49,545,000
TOTAL - 2023 BOND ELECTION	\$53,120,000	\$24,610,000	\$44,223,000	\$69,927,000	\$51,000,000	\$48,475,000	\$291,355,000

- 2023 Bond Program Tax Rate Impact**

- Estimated total tax rate increase with 2023 Program was forecasted at ~5.7 cents (\$0.05764/\$100 in value)



Project Updates – Proposition A

- **Mingo Ruddell Quiet Zones**

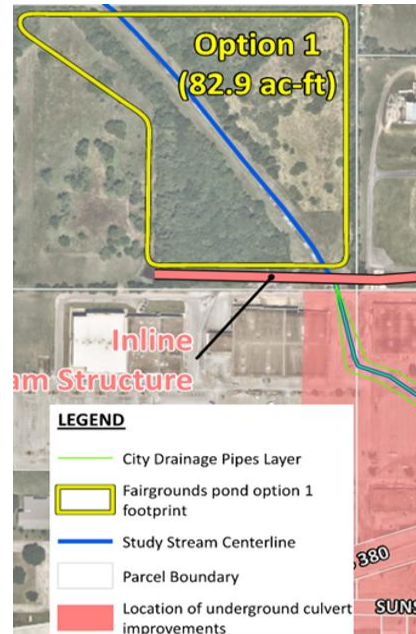
- Currently at 90% design
- Working through coordination/agreements with Union Pacific Railroad
- Right of Way acquisition underway
- Franchise utility relocations to begin Q3 2026
- Construction duration 2-years



Project Updates – Proposition B

- **Oakland Drainage & Upstream Detention**

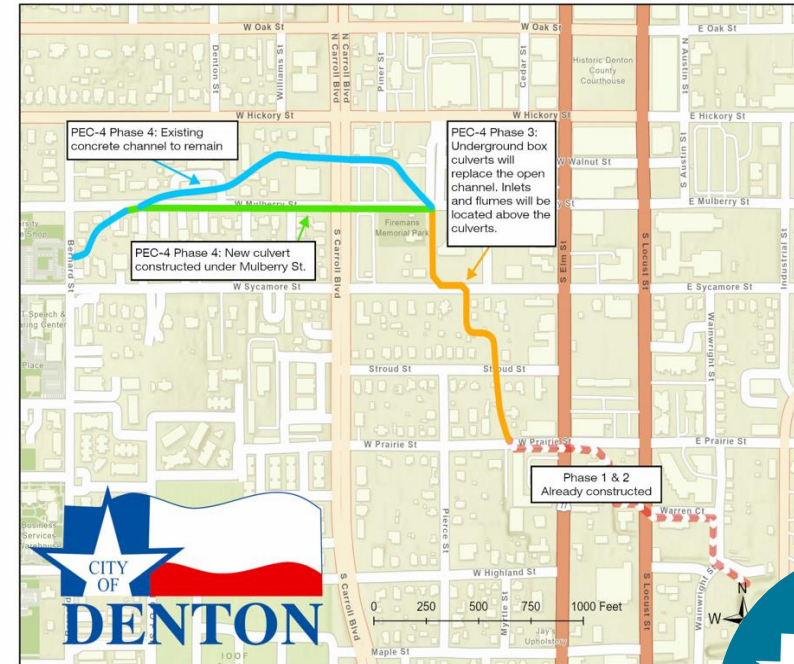
- Currently at 90% Design
- Pond tract acquired April 15, 2026. Other parcels in acquisitions
- Franchise utility coordination underway
- Construction duration 2-years



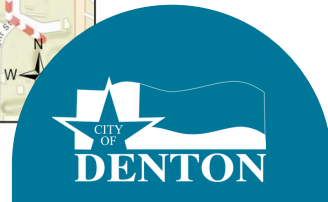
ID 26-0968

- **Pecan Creek Phases 3 & 4 Drainage Improvements**

- Design 100% complete
- Right of Way nearing completion. One parcel outstanding
- Franchise utility relocation underway
- Construction duration 2-years



July 14, 2026



Project Updates – Proposition C

- **Trail Development**

- Projects under design: Hickory Creek Trail, Pecan Creek Trail
- Projects under construction: Villages of Carmel, Bowling Green, Briercliff Park
- Projects completed: Joe Skiles Park, North Lakes Dog Park, Denia Park
- Remaining 11M to be issued between FY27 – FY29



- **Inclusive Playground**

- Design contract under negotiation
- Awarded grant of 750K from Texas Parks and Wildlife in support of the project
- Construction estimated to begin in mid 2027



Project Updates – Proposition C

- **Water Works Park**

- Design 100% complete
- Permitting to be completed prior to construction
- Awaiting construction funding 12M.

DECK & STAIR COLOR	SLIDE COLOR
5015 SKY BLUE	9000 BRIGHT LIME
	9004 MELON YELLOW
STEEL COLOR	4010 TELEMAGENTA
9000 BRIGHT LIME	5002 ULTRAMARINE BLUE
4010 TELEMAGENTA	5005 SIGNAL BLUE
5002 ULTRAMARINE BLUE	5015 SKY BLUE
5005 SIGNAL BLUE	6006 BRIGHT TURQUOISE
5015 SKY BLUE	9016 TRAFFIC WHITE
9000 BRIGHT LIME	
9016 TRAFFIC WHITE	



SLIDE C - ENCLOSED AQUATUBE
2 SECTIONS OF AQUALUCENT POLKA DOTS
(AQUALUCENT EFFECT SHOWN ABOVE)

Project Updates – Proposition D

- **Fire Station # 5**

- Design 100% complete
- Construction contract executed July 22, 2025. Estimated completion date April 2027



- **Fire Station # 6**

- Design 100% complete
- Construction contract executed July 22, 2025. Estimated completion date November 2026



Project Updates – Proposition D

- **Linda McNatt Animal Shelter**

- Design 100% complete
- Construction contract executed May 19, 2026. Estimated completion date November 2027



Project Updates – Proposition E

- **Affordable Housing**

- Staff recommendations will be brought for Council consideration late 2026
- Preliminary plans include funding to be issued in FY 26-27 – FY 30-31 to address affordable home ownership opportunities for residents in line with Council’s goals from the Affordable Housing Strategic Toolkit.



Project Updates – Propositions F & G

- **Active Adult Center**

- Construction of a new Active Adult Center
- Location TBD – synergies if constructed on Ryan Rd with South Branch Library
- Funding to be issued in FY26/27 – FY28/29

- **South Branch Library**

- Construction of a new 40,000 sq/ft facility
- 14.434 acres acquired on Ryan Rd on October 18, 2024
- Funding to be issued in FY26/27 – FY28/29



Debt Overview

- Credit Ratings**

- Denton benefits from AA+/AA+ credit ratings
- Denton leverages its high credit ratings to lower its borrowing cost on certain revenue supported debt (water, wastewater and electric)
 - More cost-effective approach than issuing separate bonds backed by revenues

- Outstanding Debt**

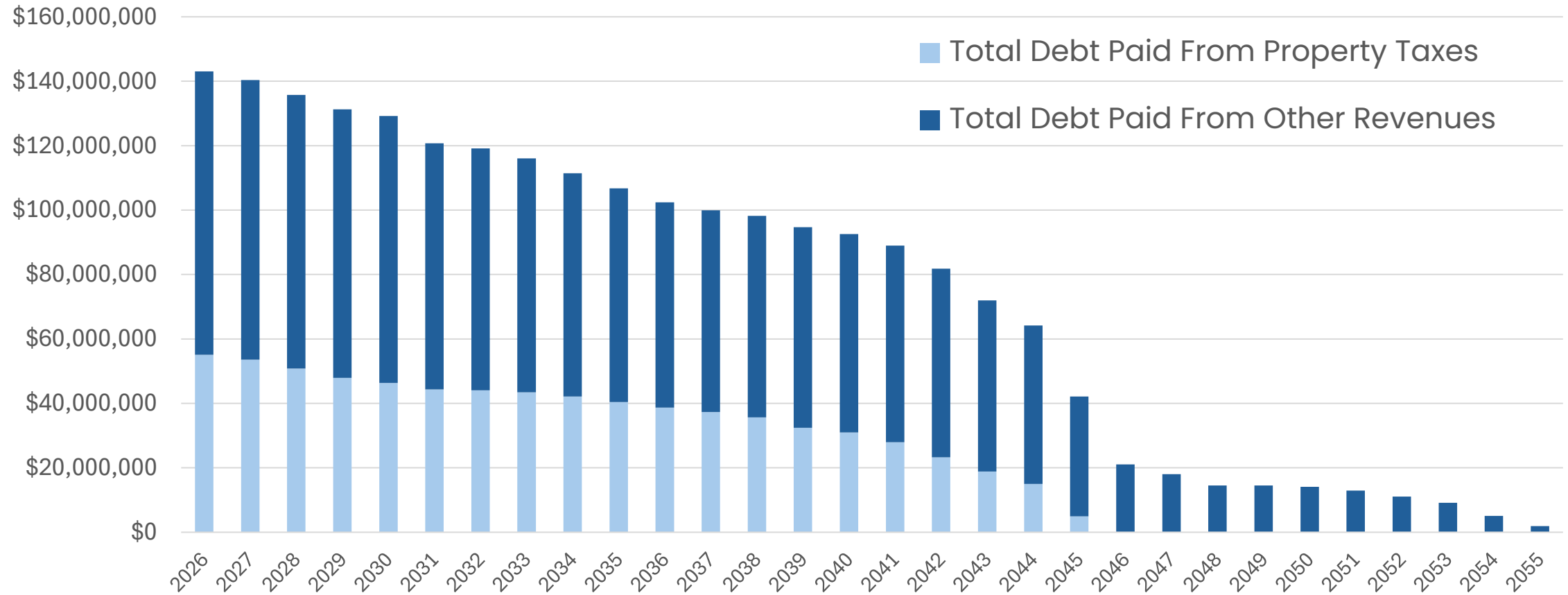
Total Debt with Property Tax Pledge	\$ 2,212,955,887
<u>Less Revenue Supported Debt</u>	<u>\$ 1,479,738,376</u>
Net Tax Supported Debt	\$ 733,217,511

As of 9/30/25

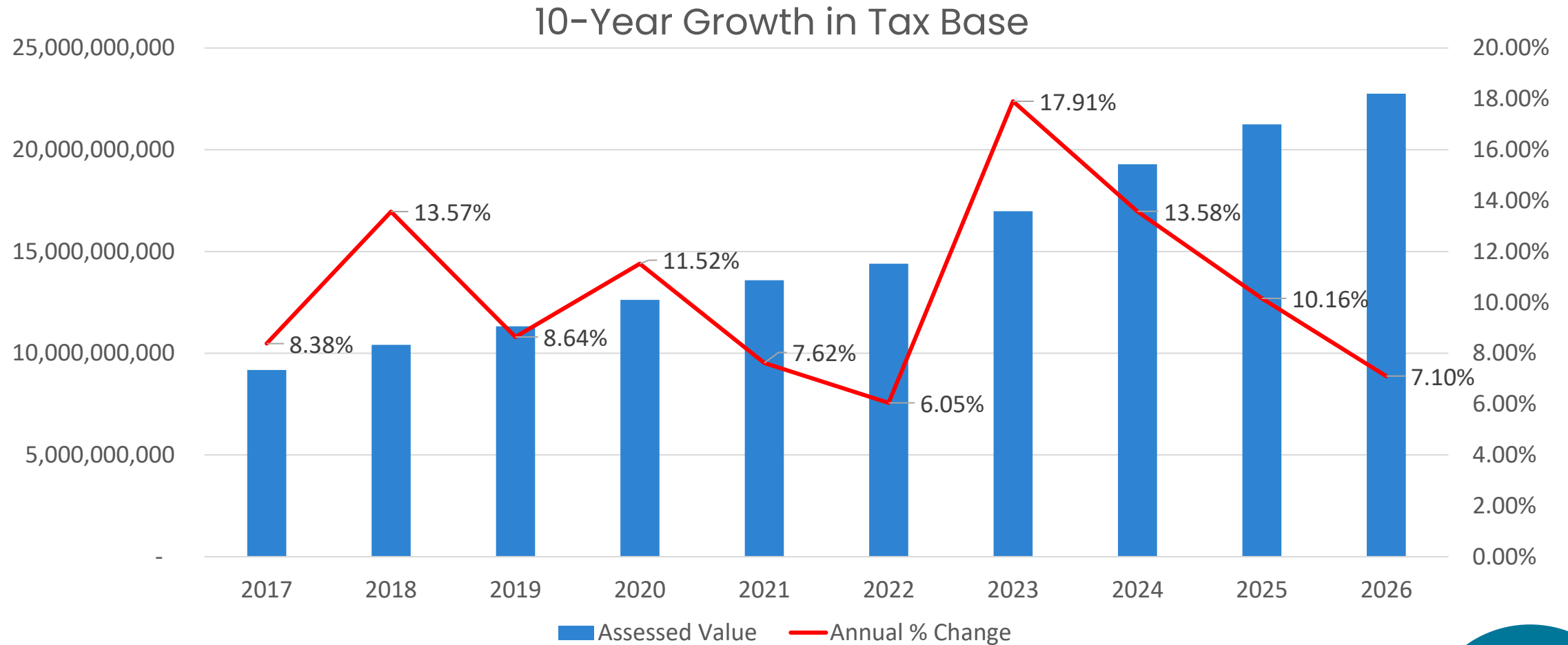
	<u>S&P</u>	<u>Fitch</u>	
	AAA	AAA	Prime Grade
	AA+	AA+	
Investment Grade	AA	AA	High Grade
	AA-	AA-	
	A+	A+	
	A	A	Upper Medium Grade
	A-	A-	
	BBB+	BBB+	
	BBB	BBB	Lower Medium Grade
	BBB-	BBB-	



Outstanding Debt Profile



Historical Assessed Values



Historical Tax Rates

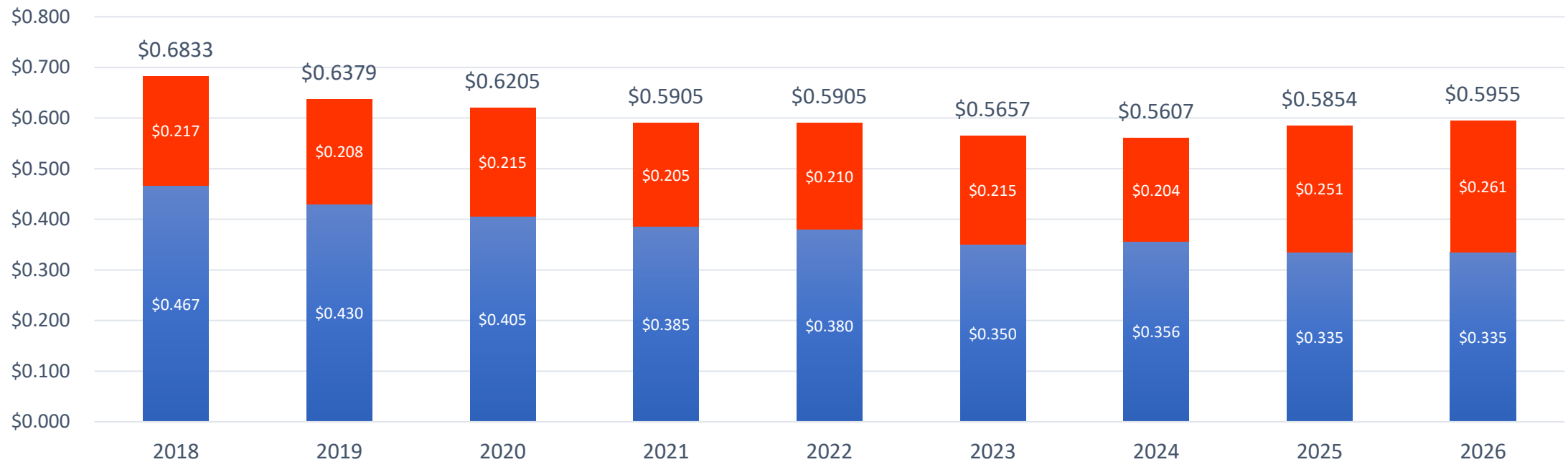
FY2023 Debt Tax Rate – 0.20425

FY2026 Debt Tax Rate – 0.26064

Annually, the City sets two tax rates:

- **M&O**: Maintenance and Operations- used for daily operations of the City including salaries, programs, etc.
- **I&S**: Interest and Sinking- used for the annual debt service on outstanding property tax supported bonds.

Historical Tax Rates



■ M&O Rate ■ I&S Rate

Projected Debt Tax Rate

Propositions	Total	Unissued	% in Support
Streets	\$45,125,000	\$20,000,000	69.73%
Drainage and Flood Control	\$58,860,000	\$16,997,000	70.93%
Park System	\$33,450,000	\$23,000,000	64.65%
Public Safety	\$42,015,000	-	68.05%
Affordable Housing	\$15,000,000	\$15,000,000	58.38%
Active Adult Center	\$47,360,000	\$47,360,000	55.57%
South Branch Library	\$49,545,000	\$47,045,000	55.86%
GRAND TOTAL	\$291,335,000	\$169,402,000	

Debt Tax Rate (Fiscal Year)	2023 Tax Rate Forecast	2026 Tax Rate Actuals / Forecast
2023	0.20425	0.20425
2024	0.21338	0.20590
2025	0.23826	0.25064
2026	0.25387	0.26064
2027	0.25954	0.27087
2028	0.26189	0.29314
2029	0.25421	0.30350
2030	0.25749	0.31892

- **Current I&S Rate = \$0.26064**

- 2023 Program represents \$0.029 of the tax rate.
- Current variance to 2023 forecast = \$0.00677
- Total I&S rate increase from 2023 = \$0.05639 (\$0.05764 forecast)

2023 Assumptions	2026 Assumptions
5% AV Growth	4% AV Growth
\$0 CO Issuance 2027+	\$45M CO Issuance 2027+



Council Direction

- Certified values, tax rates, and updated forecasts will be presented at the Budget Workshop on August 8th.
- To prepare for the presentation, staff requests direction regarding the 2023 Bond Program:
 - 1. Is Council interested in staff preparing financial scenarios regarding the potential savings associated with a co-located library & active adult center?**
 - 2. Is Council interested in staff preparing scenarios to extend the bond program to reduce the annual tax rate impact? If so, is there a prioritization of projects?**
 - Parks Trails – \$11 million
 - Water Works Park – \$12 million
 - Affordable Housing – \$15 million
 - Active Adult Center – \$47.3 million
 - South Branch Library – \$49.5 million

QUESTIONS?





City of Denton

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

AGENDA INFORMATION SHEET

DEPARTMENT: Human Resources
ACM: Frank Dixon
DATE: July 14, 2026

SUBJECT

Receive a report, hold a discussion, and give staff direction regarding the appointment and employment of the City Manager, including discussion of recruitment strategy, desired candidate profile, and national search process.

STRATEGIC ALIGNMENT

This action supports Key Focus Area: Pursue Organizational Excellence and Collaborative and Respectful Leadership.

INFORMATION/BACKGROUND

The purpose of this item is to receive City Council's direction regarding the City's approach to recruiting the next City Manager.

Staff will provide background regarding the City Manager recruitment, including Council's previous direction, the status of the recruitment effort, and an overview of the recruitment process.

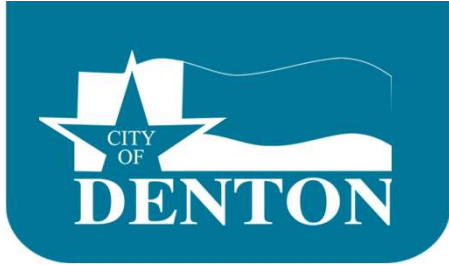
Staff is seeking City Council direction on whether to:

- Proceed with a national executive recruitment
- Pause the recruitment process to allow for additional discussion or evaluation; or
- Pursue an alternative approach to filling the City Manager position.

EXHIBITS

Exhibit 1: Agenda Information Sheet
Exhibit 2: Presentation

Respectfully submitted:
Megan Gilbreath, 940-349-8357
Director of Human Resources



City Manager Recruitment



Megan Gilbreath
Director of Human Resources

Background

- December 2, 2025, Council direction to move forward with Interim placement and to start the City Manager recruitment process as soon as possible and for Human Resources to evaluate and select a firm
- Interim City Manager, Cassey Ogden effective April 1
- May 2026 – Contract executed with Strategic Government Resources (SGR) for City Manager placement services – Not-to-Exceed Fixed Fee: \$28,419
- May 2026 – Decision to postpone process due to pending election



City Manager Recruitment Process

Overall Timeline: 4 – 6 Months; current timeline closer to 4-Months

1. Organization/Position Insight and Analysis: Stakeholder Interviews, listening sessions, develop brochure, develop timeline
2. Recruitment Campaign and Communication with Candidates
3. Initial Screening and Review by Executive Recruiter
4. Search Committee Briefing to Review Applicant Pool and Select Semifinalists
5. Evaluation of Semifinalists: Written Questionnaires, Recorded Semifinalist Interviews, Media Searches
6. Search Committee Briefing to Select Finalists
7. Evaluation of Finalists: Background reports, DiSC Assessments (optional), First Year Plan, Press Release Announcing Finalists
8. Interview process: Face-to-Face interviews, Stakeholder Engagement, Deliberations, Reference Checks
9. Negotiations and Hiring Process



Council Direction

Option 1: Proceed with Executive Recruitment

- Authorize the launch of a national executive recruitment through the City's selected recruitment firm

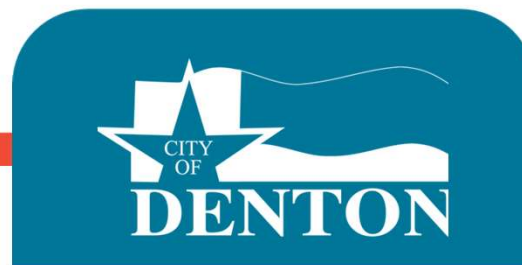
Option 2: Pause Recruitment

- Delay the executive recruitment while Council evaluates organizational priorities, desired qualifications, etc

Option 3: Alternative Direction

- In-House Recruitment
- Direct Appointment without Executive Recruitment
- Identifying an Alternate Approach

QUESTIONS?





City of Denton

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

AGENDA INFORMATION SHEET

DEPARTMENT: Human Resources

ACM: Frank Dixon

DATE: July 14, 2026

SUBJECT

Receive a report, hold a discussion, and give staff direction regarding the appointment and employment of the Municipal Judge, including discussion of recruitment strategy, desired candidate profile, and national search process.

STRATEGIC ALIGNMENT

This action supports Key Focus Area: Pursue Organizational Excellence and Collaborative and Respectful Leadership.

INFORMATION/BACKGROUND

The purpose of this item is to receive City Council's direction regarding the City's approach to recruiting the next Municipal Judge.

Staff will provide background regarding the Municipal Judge recruitment, including Council's previous direction and the status of the recruitment effort.

Staff is seeking City Council direction on whether to:

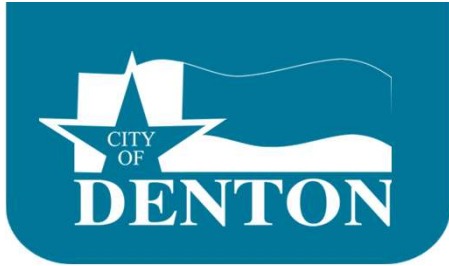
- Proceed with a national executive recruitment
- Pause the recruitment process to allow for additional discussion or evaluation; or
- Pursue an alternative approach to filling the Municipal Judge position.

EXHIBITS

Exhibit 1: Agenda Information Sheet

Exhibit 2: Presentation

Respectfully submitted:
Megan Gilbreath, 940-349-8357
Director of Human Resources



Municipal Judge Recruitment

Megan Gilbreath
Director of Human Resources



Background

- Presiding Municipal Judge Tyler Atkinson last day with City of Denton May 17, 2026
- Interim Municipal Judge Hon. Cynthia Burkett effective May 18, 2026
- May 2026 - Decision to postpone discussions due to pending election



Municipal Judge Recruitment Process

- Timeframe: 3 – 5 Months depending on Council’s desired process
- No executive recruitment firm has been selected, and staff has not solicited proposals or cost estimates pending Council direction. Industry standards for specialized legal positions estimates costs are approximately 20-25% of first year annual compensation, plus possible advertising and related expenses.
- Candidate Expenses – Potential travel, lodging, and relocation reimbursement for finalist candidates
- Internal Staff Commitment – HR, Legal, Communications, City Manager’s Office



Council Direction

Option 1: Proceed with Executive Recruitment

- Authorize the launch of a national executive recruitment

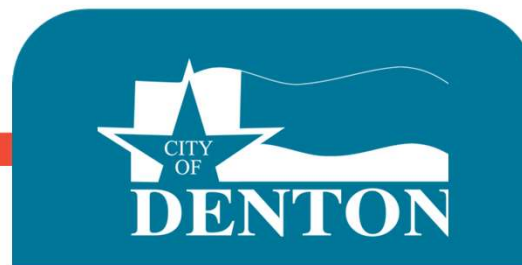
Option 2: Pause Recruitment

- Delay the executive recruitment while Council evaluates organizational priorities, desired qualifications, etc

Option 3: Alternative Direction

- In-House Recruitment
- Direct Appointment without Executive Recruitment
- Identifying an Alternate Approach

QUESTIONS?





City of Denton

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

AGENDA INFORMATION SHEET

DEPARTMENT: City Manager's Office

CM: Cassey Ogden

DATE: July 14, 2026

SUBJECT

Receive a report, hold a discussion, and give staff direction on pending City Council requests for:

- 1) City Council Member disclosure of private meetings with developers
- 2) Structural changes to Section 2-279 of the City's Ethics Ordinance
- 3) Temporary moratorium on new permit applications for multifamily development

[Estimated Presentation/Discussion Time: 25 minutes]

BACKGROUND

The following items will be discussed during this work session:

1) City Council Member disclosure of private meetings with developers

- a. **Requestor:** Mayor Pro Tem Stevens
- b. **Council Member Request:** I am requesting a two minute pitch to have a work session on developing a policy that would require city councilors to disclose private meetings with developers that have pending matters before Council. This new policy is intended to promote greater transparency for our community. Priority Level: Medium.
- c. **Date Requested:** June 24, 2026
- d. **Format for Response:** Informal Staff Report

2) Structural changes to Section 2-279 of the City's Ethics Ordinance

- a. **Requestor:** Council Member Ferrie
- b. **Council Member Request:** To keep things as streamlined as possible ahead of the work session discussions, my first 2-minute pitch will focus squarely on asking Council to direct staff to execute three core structural changes to Section 2-279 of the Ethics Ordinance:
 - **Authorize Anonymous Complaints:** Amend Section 2-279 to explicitly allow for anonymous reporting, closing the legal gap that currently leaves staff vulnerable to retaliation under the Texas Whistleblower Act.
 - **Shift the Burden of Proof:** Eliminate the requirement for employees to personally prosecute their own complaints at public hearings. Instead, establish an independent investigatory role (such as the City Auditor) to evaluate evidence behind closed doors and handle prosecution before the ethics commission.
 - **Implement a Secure Hotline:** Contract with a neutral, third-party vendor to launch a secure, 24/7 confidential reporting hotline that scrubs digital footprints to guarantee anonymity.

Priority Level: High

c. **Date Requested:** July 1, 2026

d. **Format for Response:** Informal Staff Report

3) Temporary moratorium on new permit applications for multifamily development

a. **Requestor:** Mayor Watts

b. **Council Member Request:** I would like to submit a two minute pick to discuss temporary moratorium on new permit applications for multifamily development.

c. **Date Requested:** July 2, 2026

d. **Format for Response:** Informal Staff Report

EXHIBITS

Exhibit 1 – Agenda Information Sheet

Exhibit 2 – Ordinance No. 24-1725

Exhibit 3 – Presentation

Respectfully Submitted:
Kristi Fogle
Chief of Staff, Interim City Secretary

ORDINANCE NO. 24-1725

AN ORDINANCE OF THE CITY OF DENTON AMENDING CHAPTER 2, ARTICLE II, SECTION 2-30 OF THE CODE OF THE CITY OF DENTON (CITY COUNCIL REQUESTS FOR INFORMATION OR AGENDA ITEMS), TO PROVIDE FOR A REVISED POLICY MAKING PROCESS THAT PROVIDES BETTER INFORMATION, INCREASED COMMUNITY ENGAGEMENT, ELEVATED INVOLVEMENT OF BOARDS AND COMMISSIONS, AND BUDGET ALIGNMENT; PROVIDING A REPEALER CLAUSE; PROVIDING A SEVERABILITY CLAUSE, PROVIDING A SAVINGS CLAUSE; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, on August 27, 2019 by Ordinance No. 19-2026, the City Council adopted Section 2-30 of the City of Denton Code of Ordinances to provide procedures to ensure there is a consensus of the City Council regarding the use of staff time when responding to requests from elected officials; and

WHEREAS, on September 28, 2021 by Ordinance No. 21-1837 the City Council amended the City Council request procedures to increase the time for the requesting councilmember to speak from one minute to two minutes and change the section title to more accurately reflect the response types may include agenda items; and

WHEREAS, on July 25, 2023, by Ordinance No. 23-1431, the City Council amended the City Council request procedures to require a 3/4 supermajority consensus to have a request go directly to a resolution or ordinance on a future City Council agenda; and

WHEREAS, on September 17, 2024, by Ordinance No. 24-1725 the City Council now desires to amend the City Council request procedures to provide for a revised policy making process that provides better information, increased community engagement, elevated involvement of boards and commissions, and budget alignment; NOW THEREFORE,

THE COUNCIL OF THE CITY OF DENTON HEREBY ORDAINS:

SECTION 1. The findings and recitations contained in the preamble of this Ordinance are incorporated herein by reference to the body of this Ordinance as if fully set forth herein.

SECTION 2. Chapter 2, Article II, Section 2-30 of the City of Denton Code of Ordinances, entitled “City Council Requests for Information or Agenda Items,” is hereby amended in its entirety to now read as follows:

Chapter 2 - ADMINISTRATION

ARTICLE II. – ADMINISTRATIVE ORGANIZATION

Sec. 2-30. - City Council Requests for Information or Agenda Items.

(a) Definitions.

- (1) For purposes of Section 2-30 the following definitions apply:
 - a. "Request for Information" – Requests made by a member of the City Council to seek clarification on Board, Commission, Committee or City Council agenda items; address perceived service issues, infrastructure maintenance, or construction concerns caused by or impacting City operations and/or the quality of life for Denton residents; and requests for policy-related research to evaluate policies implemented by other agencies and/or assess the impact a new policy or potential program may have if implemented by the City of Denton.
 - b. "City Staff" – Includes employees of the City of Denton consisting of, or reporting to, the City Manager or the City Attorney.

(b) City Council Requests for Information from City Staff.

- (1) All City Council requests for information from City Staff, must be submitted to the City Manager's Office via email and include at a minimum, the following details:
 - a. Request Type;
 - b. Purpose;
 - c. Time Sensitivity; and
 - d. Preferred Response Format.
- (2) The City Manager's Office and/or the City Attorney's Office will estimate the amount of time required to respond to each request.
- (3) Requests estimated to take more than a total of two hours to complete will be brought forward within the next 30 calendar days, to a City Council work session to seek consensus from the full City Council regarding the use of City Staff time to fulfill the request. Requests for information referred to a work session will follow the procedures provided in sub-section (b) of Section 2-30.

(c) City Council Requests for Information Referred to a Work Session.

- (1) A standing work session item will be added to each City Council agenda for City Council requests to be considered.
 - a. The requesting Council Member will be required to provide a clear, written explanation describing the reason for the information requested. This description will be included as an attachment to the work session agenda materials and must be provided to the City Secretary in time to fully comply with Texas Open Meeting Act requirements.
- (2) During the work session, the requesting Council Member will have a maximum of two minutes to describe and justify their request.

- a. Remaining Council Members will then have a maximum of one minute each to provide feedback and indicate their support for the use of City Staff time to respond to the request.
- (3) Staff will respond to all requests where a consensus of at least four elected officials is established with an Informal Staff Report (ISR) and/or Legal Status Report (LSR), determined by the City Manager and the City Attorney, that outlines, as it was presented, the estimated cost to implement, the estimated timeline for implementation of, and a determination of the strategic alignment of, the request.
- (4) Upon receipt of the ISR and/or LSR, the Council Member who initiated the request will inform the City Manager if their request has been satisfied. If the requesting Council Member's request is satisfied by the ISR or LSR, the request is concluded with no further action. If the Council Member who initiated the request is not satisfied by the information provided in the ISR or LSR, or otherwise requests a City Council work session, ordinance, resolution or other action on the request, they may submit it to the Agenda Committee to enter the Council Committee Process as defined in Sec 2-30(c)(5). If there is a consensus of six (6) Council Members, a resolution or ordinance may be placed on a future City Council agenda without going through the Council Committee Process defined in Sec 2-30(c)(5).
- (5) The Council Committee Process is the procedural movement of a request through the steps outlined in this subsection.
 - a. The Agenda Committee will use the ISR or LSR to determine if, to the extent possible, there are any existing committees, boards, or commissions whose defined scope includes the request. If any such committee, board, or commission exists, the Agenda Committee will direct the staff liaison(s) for any appropriate committees, boards, or commissions to find the soonest feasible date and add the request to agenda for the for committees, boards, or commissions for consideration and feedback.
 - b. After review by committees, boards, or commissions, if funding is available to implement the request, as determined by the City Manager, the request will proceed to a City Council work session.
 - c. After review by committees, boards, or commissions, a request without available funding will be scheduled for discussion by the City Manager at the next City Council Budget Workshop or Strategic Retreat. The request will either be included in the City Manager's proposed budget for the next fiscal year or concluded with no further action, at the direction of City Council. A request that is funded in the budget will proceed to a City Council work session.

- (d) City staff time will not be allowed to work on any request that is concluded with no further action in accordance with the procedures of Sec 2-30(c) unless the request is resubmitted in accordance with Sec 2-30(c).

SECTION 3. Ordinance No. 23-1431 is hereby repealed and replaced by this Ordinance. To the extent not otherwise provided, this Ordinance shall repeal every prior ordinance in conflict herewith, but only insofar as the portion of such ordinance shall be in conflict; and as to all other sections of the ordinance not in direct conflict herewith, this Ordinance shall be and is hereby made cumulative except as to such prior ordinances or portions thereof as are expressly repealed hereby.

SECTION 4. It is hereby declared to be the intention of the City Council that the phrases, clauses, sentences, paragraphs, and sections of this Ordinance are severable, and if any phrase, clause, sentence, paragraph, or section of this Ordinance shall be declared unconstitutional by the valid judgment or decree of any court of competent jurisdiction, such unconstitutionality shall not affect any of the remaining phrases, clauses, sentences, paragraphs, and sections of this Ordinance, since the same would have been enacted by the City Council without the incorporation in this Ordinance of any such unconstitutional phrase, clause, sentence, paragraph, or section.

SECTION 5. The City Secretary is hereby directed to record and publish the above regulations in the City's Code of Ordinances.

SECTION 6. This Ordinance shall become effective immediately upon its passage and approval.

The motion to approve this Ordinance was made by Gerard Hudspeth and seconded by Vicki Byrd; this Ordinance was passed and approved by the following vote [5 - 2]:

	Aye	Nay	Abstain	Absent
Mayor Gerard Hudspeth:	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Vicki Byrd, District 1:	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Brian Beck, District 2:	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Paul Meltzer, District 3:	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Joe Holland, District 4:	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Brandon Chase McGee, At Large Place 5:	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Jill Jester, At Large Place 6:	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

PASSED AND APPROVED this the 17th day of September, 2024.



 GERARD HUDSPETH, MAYOR

ATTEST:
LAUREN THODEN, CITY SECRETARY

BY: *Lauren Thoden*

APPROVED AS TO LEGAL FORM:
MACK REINWAND, CITY ATTORNEY

Mack Reinwand

BY: _____





City Council Pending Requests for Information

Two-Minute Pitch



Work Session Processes

- Up to seven requests will be reviewed per meeting (one per Council Member)
- Staff will introduce each request
- The requesting Council Member will have up to two minutes to describe and justify their request
- Remaining Council Members will then have a maximum of one minute each to provide feedback and indicate their support for the use of City staff time to respond to the request
- Staff will respond to all requests where a consensus of at least four elected officials is established
- A consensus of six (6) Council Members is required for a resolution or ordinance to be placed on a future City Council agenda prior to a work session on the request.

Work Session Process

- The Agenda Committee will assist in scheduling items receiving consensus based upon priority offered by Council Members, work session availability, and readiness of the item.
- As guidelines for Council Members to note and offer their priority while supporting an item, the following general categorization could be used to indicate any Council Member's support to assist staff and the Agenda Committee:
 - **High** – Time-sensitivity of the item is significant; the item is critical to the community or organization; and/or the item is of such importance that it should take precedence over other scheduled priorities, projects, or items.
 - **Moderate** – The item is somewhat time-sensitive; the item has a valuable impact to the community or organization; and/or the item is important but should be integrated into work plans accordingly.
 - **Low** – The item is not time-sensitive; the item has an impact, but it is limited; and/or the item should be scheduled into work plans where possible but should not affect or delay other scheduled work.

Two - Minute Pitch

City Council Member disclosure of private meetings with developers

Requestor: Mayor Pro Tem Stevens

Council Member Request: I am requesting a two minute pitch to have a work session on developing a policy that would require city councilors to disclose private meetings with developers that have pending matters before Council. This new policy is intended to promote greater transparency for our community. Priority Level: Medium.

Date Requested: June 24, 2026

Format for Response: Informal Staff Report

Two - Minute Pitch

Structural changes to Section 2-279 of the City's Ethics Ordinance

Requestor: Council Member Ferrie

Council Member Request: To keep things as streamlined as possible ahead of the work session discussions, my first 2-minute pitch will focus squarely on asking Council to direct staff to execute three core structural changes to Section 2-279 of the Ethics Ordinance:

- **Authorize Anonymous Complaints:** Amend Section 2-279 to explicitly allow for anonymous reporting, closing the legal gap that currently leaves staff vulnerable to retaliation under the Texas Whistleblower Act.
- **Shift the Burden of Proof:** Eliminate the requirement for employees to personally prosecute their own complaints at public hearings. Instead, establish an independent investigatory role (such as the City Auditor) to evaluate evidence behind closed doors and handle prosecution before the ethics commission.
- **Implement a Secure Hotline:** Contract with a neutral, third-party vendor to launch a secure, 24/7 confidential reporting hotline that scrubs digital footprints to guarantee anonymity.

Priority Level: High

Date Requested: July 1, 2026

Format for Response: Informal Staff Report

Two - Minute Pitch

Temporary moratorium on new permit applications for multifamily development

Requestor: Mayor Watts

Council Member Request: I would like to submit a two minute pick to discuss temporary moratorium on new permit applications for multifamily development.

Date Requested: July 2, 2026

Format for Response: Informal Staff Report



City of Denton

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

AGENDA INFORMATION SHEET

DEPARTMENT: City Secretary's Office

ICM: Cassey Ogden

DATE: July 14, 2026

SUBJECT

Consider approval of the minutes of the June 16, 2026, Regular Meeting and the June 23, 2026, Special Called Runoff Canvassing Meeting.

BACKGROUND

The minutes drafts are provided for review and formal approval by the City Council.

EXHIBITS

Exhibit 1 – Agenda Information Sheet

Exhibit 2 – June 16, 2026 Regular Meeting Minutes

Exhibit 3 – June 23, 2026 Special Called Runoff Canvassing Meeting Minutes

Respectfully submitted:
Kristi Fogle
Interim City Secretary

CITY OF DENTON CITY COUNCIL MINUTES

June 16, 2026

After determining that a quorum was present, the City Council of the City of Denton, Texas convened in a Work Session on Tuesday, June 16, 2026 at 04:02 p.m. in the Council Work Session Room at City Hall, 215 E. McKinney Street, Denton, Texas.

PRESENT: Mayor Gerard Hudspeth, Mayor Pro Tem Suzi Rumohr and Council Members Joe Holland, Jill Jester, Nick Stevens, and Jordan Villarreal

ABSENT: Council Member Brandon Chase McGee

Also present were Interim City Manager Cassey Ogden and City Attorney Mack Reinwand.

The posted agenda noted the registration process for in-person and public participation at this meeting. While citizen commentary received via the online registration process was not read, each member for the City Council received each online commentary as it was submitted. In-person and online comments received are reflected in the exhibit to the minutes of this meeting.

WORK SESSION

1. Citizen Comments on Consent Agenda Items

None

2. Requests for clarification of agenda items listed on this agenda for public hearing and individual consideration.

A. ID 26-0067 Meeting Questions, Responses & Handouts

2. Requests for clarification of agenda items listed on this agenda.

None

• Pulled For Individual Consideration:

o Council Member Stevens: Item 26-0793

3. Work Session Reports

A. ID 26-0625 Receive a report, hold a discussion, and give staff direction on pending City Council requests for:

1)EMS Lieutenant Positions

[Estimated Presentation/Discussion Time: 30 minutes]

Following discussion, City Council consensus was as follows:
26-0625 (1) EMS Lieutenant Positions
o Consensus for an Informal Staff Report (ISR).

The work session ended at 4:10 p.m.

CLOSED MEETING

1. The City Council convened into a Closed Meeting at 4:10 p.m. consistent with Chapter 551 of the Texas Government Code, as amended, or as otherwise allowed by law, as follows:

- A. ID 26-0939 Consultation with Attorneys - Under Texas Government Code Section 551.071. Consult with the City's attorneys regarding the City's protest of Texas Pollutant Discharge Elimination System Permit No.WQ0016632001, where public discussion of these legal matters would conflict with the duty of the City's attorneys to the City of Denton and the Denton City Council under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas or would jeopardize the City's legal position. This agenda item is related to Consent Agenda item ID 26-0794 and will be a placeholder if Council members have questions requiring confidential discussion as allowed by law.

DELIBERATED

The item related to Consent Agenda Item 4.H (26-0794) scheduled for consideration at the Regular Meeting to follow.

- B. ID 26-0950 Consultation with Attorneys - Under Texas Government Code Section 551.071 Consult with the City's attorneys on the legal status, strategy, and options for responding to Public Information Requests, reference number R000466-030926, related to Police Department records. Consultation with City's attorney regarding issues associated with the aforementioned matter where public discussion of these legal matters would conflict with the duty of the City's attorneys to the City of Denton under Texas Disciplinary Rule of Professional Conduct of the State Bar of Texas or would jeopardize the City's legal position in any administrative or potential litigation.

DELIBERATED

- C. ID 26-0954 Consultation with Attorneys - Under Texas Government Code Section 551.071. Consult with the City's attorneys on the legal status, strategy and options for resolution of litigation in Cause No. 24-41979-elm-7 styled "In Re: Seis Peliculas, LLC Roddrick Newhouse vs. City of Denton, Texas" pending in the United States Bankruptcy Court for the Northern District of Texas, Fort Worth Division; where public discussion of these legal matters would conflict with the duty of the City's attorneys to the City of Denton and the Denton City Council under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas, or otherwise compromise the City's legal position in pending litigation. This agenda item is related to Consent Agenda item ID 26-0955 and will be a placeholder if Council members have questions requiring confidential discussion as allowed by law.

NOT DELIBERATED

The item related to Consent Agenda Item 4.X (26-0955) scheduled for consideration at the Regular Meeting to follow.

The closed meeting started at 4:11 p.m. and ended at 5:10 p.m. No votes or actions were taken during the closed meeting.

REGULAR MEETING

After determining that a quorum was present, the City Council of the City of Denton, Texas convened in a Regular Meeting on Tuesday, June 16, 2026, at 6:30 p.m. in the Council Chambers at City Hall, 215 E. McKinney Street, Denton, Texas.

PRESENT: Gerard Hudspeth, Joe Holland, Jill Jester, Suzi Rumohr, Nick Stevens, and Jordan E. Villarreal.

ABSENT: Brandon Chase McGee.

Also present were Interim City Manager Cassey Ogden and City Attorney Mack Reinwand.

The posted agenda noted the registration process for in-person and public participation at this meeting. While citizen commentary received via the online registration process was not read, each member for the City Council received each online commentary as it was submitted. In-person and online comments received are reflected in the exhibit to the minutes of this meeting.

1. PLEDGE OF ALLEGIANCE

- A. U.S. Flag
- B. Texas Flag

2. PROCLAMATIONS/PRESENTATIONS

- A. ID 26-0868 Proclamation: Juneteenth Day
PRESENTED
- B. ID 26-0919 Proclamation: Complex Neuro-Connective Tissue Conditions Awareness Month
PRESENTED
- C. ID 26-0837 Proclamation: Waste and Recycling Workers Week
PRESENTED

3. PRESENTATIONS FROM MEMBERS OF THE PUBLIC

1) Scheduled Citizen Reports from Members of the Public.

- A. ID 26-0958 Tracy Duckworth regarding homelessness.

PRESENTED

- B. ID 26-0959 Prudence Sanchez regarding mowing lanes and homelessness.

PRESENTED

- C. ID 26-0960 Alfredo Sanchez regarding mowing lanes and homelessness.

PRESENTED

2) Additional Citizen Reports (Open Microphone)

Citizen comments received are noted on Exhibit A.

4. CONSENT AGENDA

During the Work Session held earlier in the day, no items were pulled for Individual Consideration.

Council Member Villarreal moved to adopt the Consent Agenda, consisting of Items 4.A-Y. Motion seconded by Council Member Jester.

Motion carried.

AYES (6): Mayor Hudspeth, Mayor Pro Tem Rumohr and Council Members Holland, Jester, Stevens, and Villarreal

NAYS (0): None

ABSENT (1): Council Member McGee

- A. ID 26-0041 Consider approval of the minutes of the May 19, 2026, and June 2, 2026, Regular Meetings, and the June 5, 2026, Special Called Meeting.

APPROVED

- B. ID 26-0878 Consider a nomination/appointment to the City of Denton Health and Building Standards Commission.

APPROVED

APPOINTMENTS LISTED ON EXHIBIT B.

- C. ID 26-0858 Consider adoption of an ordinance by the City of Denton authorizing the City Manager, or designee, to execute an Advance Funding Agreement for funding under the North Central Texas Council of Governments' Surface Transportation Block Grant Program, providing financial assistance of 80% of the estimated construction costs for the City's Western Blvd. (US 380/University Drive to Jim Christal Road) Project; CSJ 0918-46-358, through the Texas Department of Transportation (TxDOT).

ASSIGNED ORDINANCE NO. 26-0858

- D. ID 26-0941 Consider adoption of an ordinance of the City of Denton, a Texas Home-Rule Municipal Corporation, authorizing the City Manager, or their Designee, to execute an Amended and Restated Water and Wastewater Utilities Oversize Cost Participation Agreement with Meritage Homes of Texas, LLC, for the design and construction of a 30" wastewater main, 1.9 MGD lift station, wastewater force main, gravity wastewater main, and 12" potable water main; providing for the expenditure of funds therefore; and providing an effective date (Meritage Homes of Texas, LLC, in the amount not-to-exceed amount of \$8,988,869.36). The Public Utilities Board approves (5-0).

ASSIGNED ORDINANCE NO. 26-0941

- E. ID 26-0413 Consider adoption of an ordinance of the City of Denton providing for the abandonment, relinquishment and quitclaim a public utility easement (approximately 0.377 acres), situated in the H.H. Haygood Survey, Abstract Number 517, of the Real Property Records of Denton County, Texas, granted to the City of Denton by Carmen Investments, Inc., in County Clerk File No. 2003-R0023064; providing for the quitclaim thereof to Carmen Investments, Inc., a Texas Corporation; providing for the terms and conditions of the abandonment, relinquishment, and quitclaim made herein; providing for the indemnification of the City of Denton against damages arising out of the abandonment herein; providing for consideration to be paid to the City of Denton; providing for severability and an effective date.

ASSIGNED ORDINANCE NO. 26-0413

- F. ID 26-0463 Consider adoption of an ordinance of the City of Denton providing for the abandonment, relinquishment, and quitclaim of a portion of various: (I) permanent water easements, (II) permanent wastewater easements, (III) permanent electric easements, and (IV) temporary construction easements, generally located along Interstate 35 North, U.S. Highway 380 (University Drive) to U.S. Highway 77 to Milam Road, situated in the BBB & C RR Co Survey, Abstract No. 141, Ignacio De-Los-Santos Coy Survey, Abstract No. 212, S. Johnson Survey, Abstract No. 683, Alexander White Survey, Abstract No. 1406, John Ayers Survey, Abstract No. 2, Francis Batson Survey, Abstract No. 43, Nathan Wade Survey, Abstract No.1407, Eugene Puchalski Survey, Abstract No. 996, BBB & C RR Co Survey, Abstract No. 192, all in the City and County of Denton, Texas, and more particularly described in the attached Exhibit "A" (collectively, the "Property Interests") to be recorded by Denton County Clerk, Real Property Records, Denton County, Texas granted to the State of Texas Department of Transportation ("TxDOT") by the City of Denton; providing for the quitclaim thereof to TxDOT; providing for the terms and conditions of the abandonment, relinquishment, and quitclaim made herein; providing for the conveyance of easements to the TxDOT; providing for the indemnification of the City of Denton against damages arising out of the abandonment herein; providing for consideration to be paid to the City of Denton; providing for severability and an effective date.

ASSIGNED ORDINANCE NO. 26-0463

- G. ID 26-0762 Consider adoption of an ordinance of the City of Denton, a Texas home-rule municipal corporation, authorizing the City Manager, or their designee, to execute a

development agreement with JSC-CCI DENTON I, LLC and JSC-CCI DENTON II, LLC for removal of an existing sewer line; construction and removal of a temporary sewer line to serve the Summit35 Development, generally located north of Loop 288 and east of North I-35 within the city limits of Denton, Texas; the Developers' grant of a 40 foot water easement for future use by the City; the abandonment of related easements; and providing an effective date.

ASSIGNED ORDINANCE NO. 26-0762

- H. ID 26-0794 Consider adoption of an ordinance of the City of Denton, Texas, a home-rule municipal corporation, authorizing the City Manager, or their designee, to execute a facilities agreement with 636 Denton Dev Company, LLC, wherein the Developer will plan, design, and construct a temporary wastewater treatment plant, city water line, and other water and wastewater facilities necessary to serve the Sundance Development generally located west of the intersection of Farm-to-Market Road 2164 and Milam Road East; requiring the City's withdrawal of its protest of Texas Pollutant Discharge Elimination System Permit No. WQ0016632001; providing for the City's ownership and operation of water and wastewater facilities, including the wastewater treatment plant; requiring transfer of Texas Pollutant Discharge Elimination System Permit No. WQ0016632001, when issued, from the developer to the City; providing a capacity reservation to the developer; and providing an effective date. The Public Utilities Board recommends approval (5 - 0).

ASSIGNED ORDINANCE NO. 26-0794

- I. ID 26-0807 Consider adoption of an ordinance of the City of Denton granting JPI Construction, LLC a noise exception pursuant to section 17-20(c)(3)(f) of the City of Denton Code of Ordinances with respect to sound levels and hours of operation for approximately 62 concrete alleys, parking lot, and foundation pours utilizing concrete pumps, generators, and lights related to the construction of a new amenity center and townhomes located at 901 N Loop 288; granting an increase in sound levels and a variance in the hours of operation which may be affected by weather, from 3:00 a.m. To 7:00 a.m., with sound not to exceed 75 decibels; and providing an effective date.

ASSIGNED ORDINANCE NO. 26-0807

- J. ID 26-0809 Consider adoption of an ordinance of the City of Denton granting JPI Construction, LLC a noise exception pursuant to section 17-20(c)(3)(f) of the City of Denton Code of Ordinances with respect to sound levels and hours of operation for approximately 23 concrete parking lot, and foundation pours utilizing concrete pumps, generators, and lights related to the construction of a new amenity center and townhomes located at 3005 N Locust St; granting an increase in sound levels and a variance in the hours of operation which may be affected by weather, from 3:00 a.m. to 7:00 a.m., with sound not to exceed 70 decibels; and providing an effective date.

ASSIGNED ORDINANCE NO. 26-0809

- K. ID 26-0813 Consider approval of a resolution of the City of Denton amending policy no. 505.03 "Social Media" for both personal and official social media accounts; and providing an effective date.

ASSIGNED RESOLUTION NO.

- L. ID 26-0886 Consider adoption of an ordinance of the City of Denton, a Texas home-rule municipal corporation, authorizing the City Manager to execute a contract extension between the City of Denton and FX5 Utility Construction LLC through November 18, 2027, for Underground Electric Installation for Denton Municipal Electric; and declaring an effective date (RFP 7633 - extending a contract with FX5 Utility Construction LLC, to November 18, 2027). The Public Utilities Board recommends approval (5 - 0).
ASSIGNED ORDINANCE NO. 26-0886
- M. ID 26-0887 Consider adoption of an ordinance of the City of Denton, a Texas home-rule municipal corporation, authorizing the City Manager to execute Change Order No. 5 to the contract between the City of Denton and Sundt Construction, Inc., for the construction of the Bonnie Brae Phase 3 Widening and Reconstruction Project for the Capital Projects Department; providing for the expenditure of funds therefor; and providing an effective date (CSP 8094-1 - Change Order No. 5 in the not-to-exceed amount of \$1,048,785.81, for a total contract award aggregated to \$43,755,993.44). The Public Utilities Board recommends approval (5 - 0).
ASSIGNED ORDINANCE NO. 26-0887
- N. ID 26-0888 Consider adoption of an ordinance of the City of Denton, a Texas home-rule municipal corporation, rejecting any and all competitive proposals under RFP 8989 for the maintenance, repair, and rental of heavy-duty John Deere construction equipment for the Fleet Services Department; and providing an effective date (RFP 8989). The Public Utilities Board recommends approval (5 - 0).
ASSIGNED ORDINANCE NO. 26-0888
- O. ID 26-0889 Consider adoption of an ordinance of the City of Denton, a Texas home-rule municipal corporation, authorizing the City Manager to execute a contract with Open Systems International, Inc., for continued maintenance and support of the Supervisory Control and Data Acquisition (SCADA) system for Denton Municipal Electric, which is the sole provider of this software, in accordance with Texas Local Government Code 252.022, which provides that procurement of commodities and services that are available from one source are exempt from competitive bidding, and if over \$50,000, shall be awarded by the governing body; providing for the expenditure of funds therefor; and providing an effective date (File 9041 - awarded to Open Systems International, Inc., in the three (3) year not-to-exceed amount of \$791,693.00). The Public Utilities Board recommends approval (5 - 0).
ASSIGNED ORDINANCE NO. 26-0889
- P. ID 26-0890 Consider adoption of an ordinance of the City of Denton, a Texas home-rule municipal corporation, authorizing the approval of a second amendment to a Professional Services Agreement between the City of Denton and Kimley-Horn and Associates, Inc., amending the contract approved by the City Council on May 3, 2022, in the not-to-exceed amount of \$312,000.00; amended by Amendment 1 approved by Purchasing; said second amendment to provide grant submission support for construction funding through the Federal Railroad Administration Consolidated Rail Infrastructure and Safety Improvements Program of the Grade Crossing Improvements of the Downtown UPRR Quiet Zone Project for Capital Projects; providing for the expenditure of funds therefor; and providing an effective date

(RFQ 7292-006 - providing for an additional second amendment expenditure amount not-to-exceed \$65,000.00, with the total contract amount not-to-exceed \$425,500.00).

ASSIGNED ORDINANCE NO. 26-0890

- Q. ID 26-0891 Consider adoption of an ordinance of the City of Denton, a Texas home-rule municipal corporation, authorizing the approval of a first amendment to a Professional Services Agreement between the City of Denton and Innovative Transportation Solutions, Inc., amending the contract approved by City Council on May 2, 2023, in the not-to-exceed amount of \$630,000.00; said first amendment to continue to provide additional transportation consulting services for the Development Services Department; providing for the expenditure of funds therefor; and providing an effective date (RFQ 8179 - providing for an additional first amendment expenditure amount not-to-exceed \$108,000.00, with the total contract amount not-to-exceed \$738,000.00).
- ASSIGNED ORDINANCE NO. 26-0891**
- R. ID 26-0892 Consider adoption of an ordinance of the City of Denton, a Texas home-rule municipal corporation, authorizing the City Manager to execute a Professional Services Agreement with Freese and Nichols, Inc., for design services for the D26 Denton A-Train Rail Trail Extension (aka Mayhill-DCTA Trail Extension) for the Capital Projects Department as set forth in the contract; providing for the expenditure of funds therefor; and providing an effective date (RFQ 8377-020 - Professional Services Agreement for design services awarded to Freese and Nichols, Inc., in the not-to-exceed amount of \$249,660.00).
- ASSIGNED ORDINANCE NO. 26-0892**
- S. ID 26-0893 Consider adoption of an ordinance of the City of Denton, a Texas home-rule municipal corporation, authorizing the City Manager to execute a contract with Mario Sinacola & Sons Excavating, Inc., for the construction of the Robson Ranch Roadway Expansion Project for the Capital Projects Department; providing for the expenditure of funds therefor; and providing an effective date (IFB 8916 - awarded to Mario Sinacola & Sons Excavating, Inc., in the not-to-exceed amount of \$3,290,980.72).
- ASSIGNED ORDINANCE NO. 26-0893**
- T. ID 26-0894 Consider adoption of an ordinance of the City of Denton, a Texas home-rule municipal corporation, authorizing the City Manager to execute a contract with DiVal Safety Equipment, Inc., for the acquisition of self-contained breathing apparatuses for the Fire Department; providing for the expenditure of funds therefor; and providing an effective date (RFP 8998 - awarded to DiVal Safety Equipment, Inc., for three (3) years, with the option for two (2) additional one (1) year extensions, in the total five (5) year not-to-exceed amount of \$1,053,000.00).
- ASSIGNED ORDINANCE NO. 26-0894**
- U. ID 26-0895 Consider adoption of an ordinance of the City of Denton, a Texas home-rule municipal corporation, authorizing the City Manager to execute a contract with CBS Mechanical Services, Inc. dba CMS Mechanical Services, Inc., for plumbing services, including maintenance, repairs, and replacements for the Facilities Management Department; providing for the expenditure of funds therefor; and providing an effective date

(RFP 9034 - awarded to CBS Mechanical Services, Inc. dba CMS Mechanical Services, Inc., for one (1) year, with the option for four (4) additional one (1) year extensions, in the total five (5) year not-to-exceed amount of \$3,334,756.00).

ASSIGNED ORDINANCE NO. 26-0895

- V. ID 26-0909 Consider adoption of an ordinance of the City of Denton, a Texas home-rule municipal corporation, authorizing the City Manager to execute a contract with Ben E. Keith Company, for the supply of food and concessions at the Water Works Park, Civic Center Pool, and Denton Independent School District Natatorium concession stands for the Parks and Recreation Department; providing for the expenditure of funds therefor; and providing an effective date (RFP 8943 - awarded to Ben E. Keith Company, for three (3) years, with the option for two (2) additional one (1) year extensions, in the total five (5) year not-to-exceed amount of \$1,500,000.00).

ASSIGNED ORDINANCE NO. 26-0909

- W. ID 26-0938 Consider adoption of an ordinance of the City of Denton authorizing the Interim City Manager to execute an Interlocal Cooperation Contract in the form of a Memorandum of Understanding (MOU) between the City of Denton and the Denton Independent School District (DISD), for reimbursement to the City in the estimated amount of \$511,111 for compensation and benefits of six Student Resource Officers (SROS) assigned at DISD for the initial period of July 1, 2026, through June 30, 2027; automatically renewing the MOU for the periods of July 1, 2027, through June 30, 2028, and July 1, 2028, through June 30, 2029; authorizing the Superintendent of DISD and the Interim City Manager (or their successor) to amend the MOU without DISD Board of Trustee or City Council approval to reflect future changes in the amount of reimbursement from DISD to the City only if the increase is not greater than ten (10) percent from the preceding school year's reimbursement; and providing an effective date.

ASSIGNED ORDINANCE NO. 26-0938

- X. ID 26-0955 Consider adoption of an ordinance of the City of Denton approving a Settlement Agreement and Release implementing the terms of the settlement in litigation styled "In Re: Seis Peliculas, LLC Roddrick Newhouse vs. City of Denton, Texas" Cause No. 24-41979-elm-7 pending in the United States Bankruptcy Court for the Northern District of Texas, Fort Worth Division; and directing the City Manager or designee and the City's attorneys to effectuate as necessary and appropriate the terms of a Settlement Agreement and Release to effectuate this approval; and declaring an effective date.

ASSIGNED ORDINANCE NO. 26-0955

- Y. ID 26-0963 Consider adoption of an ordinance of the City of Denton approving and authorizing the execution of a City Council Contingency fund donation agreement between the City of Denton and University of North Texas (UNT) Foundation in support of the UNT African Ensemble (\$800), a nonprofit organization located within the City of Denton and designated for donation by the mayor; amending and replacing the agreement previously authorized in, and attached as Exhibit A to, ordinance 26-0539; providing a severability clause; and providing an effective date. The Community Partnership Committee recommends the donation (2-0).

ASSIGNED ORDINANCE NO. 26-0963

5. PUBLIC HEARINGS

- A. Z26-0005a Hold a public hearing and consider adoption of an ordinance of the City of Denton, Texas, regarding a change in the zoning district and use classification from Residential 2 (R2) district to Light Industrial (LI) district on approximately 2 acres of land generally located on the south side of FM 377, approximately 1,025 feet east of the intersection of FM 377 and North Trinity Road in the City of Denton, Denton County, Texas; adopting an amendment to the City's Official Zoning Map; providing for a penalty in the maximum amount of \$2,000.00 for violations thereof; providing for a severability clause and an effective date. The Planning and Zoning Commission voted (6-1) to recommend approval. Motion for approval by Commissioner Dyer and second by Commissioner Ketchersid (Z26-0005a, Winston-Cox Waterworx, Sean Jacobson).

ASSIGNED ORDINANCE NO. Z26-0005a

There were no online registrations or call-ins on the item.

The item was presented and discussion followed.

The public hearing was opened and with no callers in the queue, the public hearing was closed.

Following discussion, Council Member Jester moved to adopt the item as presented. Motion seconded by Mayor Hudspeth.

Motion carried.

AYES (4): Mayor Hudspeth, Mayor Pro Tem Rumohr and Council Members Holland and Jester

NAYS (2): Council Members Stevens and Villarreal

ABSENT (1): Council Member McGee

- B. DCA26-0002b Hold a public hearing and consider adoption of an ordinance of the City of Denton, Texas regarding proposed revisions to the Denton Development Code; specifically by amending Subchapter 4 - Overlay and Historic Districts, to establish Section 4.11, Southeast Denton Area Plan Overlay Districts, including the Southeast Denton Residential Overlay Subdistrict (SEDRO), the Southeast Denton Height Overlay Subdistrict (SEDHO), and the Southeast Denton Live/Work Overlay Subdistrict (SEDLWO), and providing applicability, dimensional standards, design standards, allowed uses, and/or use-specific standards for each district. The Southeast Denton Residential Overlay Subdistrict includes 375.94 acres generally bounded by East McKinney Street to the north; North Bradshaw Street, East Prairie Street and the MKT Railroad to the west; Smith Street, Kerly Street, and Morse Street to the south; and South Woodrow Lane to the east; the Southeast Denton Height Overlay Subdistrict includes 39.77 acres generally bounded by East McKinney Street to the north, Exposition Street to the west, East Sycamore Street to the south, and North Bradshaw Street to the east; and the Southeast Denton Live/Work Overlay Subdistrict encompasses 27.58 acres and generally includes properties along the north and south sides of East Prairie

Street between Oakwood Cemetery and the MKT Railroad, properties along the west side of Skinner Street, properties along the north and south side of Robertson Street situated between Wye Street and the Stream PEC 4 drainage channel, and properties along the east and west sides of Cook Street north of Wye Street in the City of Denton, Denton County, Texas; adopting an amendment to the City's official zoning map; providing for a penalty in the maximum amount of \$2,000.00 for violations thereof; providing a severability clause and an effective date. The Planning and Zoning Commission voted 7-0 to recommend approval of the request with a revision to extend the hours of operation for the Live/Work Overlay District. Motion for approval by Commissioner McDade and second by Commissioner Riggs. (DCA26-0002b, Julie Wyatt and Mia Hines)
ASSIGNED ORDINANCE NO. DCA26-0002b

There were no online registrations or call-ins on the item.

The item was presented and discussion followed.

The public hearing was opened and citizen comments received are noted on Exhibit A.

With no other callers on queue, the public hearing was closed.

Following discussion, Council Member Villarreal moved to adopt the item as presented with the recommendation from the Planning and Zoning and the specification that all hours must occur indoors. Motion seconded by Council Member Jester.

Motion carried.

AYES (6): Mayor Hudspeth, Mayor Pro Tem Rumohr and Council Members Holland, Jester, Stevens, and Villarreal

NAYS (0): None

ABSENT (1): Council Member McGee

C. ID 26-0906 Hold a public hearing inviting citizens to comment on the 2026 Action Plan for the 2023-2027 Consolidated Plan for Housing and Community Development.

There were no online registrations or call-ins on the item.

The item was presented and discussion followed.

The public hearing was opened and with no callers in the queue, the public hearing was closed.

Note: There was no action taken as the item was only a public hearing.

6. ITEMS FOR INDIVIDUAL CONSIDERATION

A. ID 26-0317 Consider adoption of an ordinance of the City of Denton establishing a Main Street Advisory Board to advise the City Council on matters relating to the City of Denton

Main Street Program including downtown revitalization, economic development, design improvements, promotion strategies, and preservation efforts; providing for its purpose, powers, and duties; and providing an effective date.

ASSIGNED ORDINANCE NO. 26-0317

The item was presented, and discussion followed.

There were no online registrations or call-ins on the item.

Following discussion, Council Member Holland moved to adopt the item as presented. Motion seconded by Mayor Pro Tem Rumohr.

Motion carried.

AYES (6): Mayor Hudspeth, Mayor Pro Tem Rumohr and Council Members Holland, Jester, Stevens, and Villarreal

NAYS (0): None

ABSENT (1): Council Member McGee

- B. ID 26-0664 Consider adoption of an ordinance of the City of Denton, a Texas home-rule municipal corporation, authorizing the City Manager to execute a Professional Services Agreement with Carollo Engineers, Inc., for engineering services for Clear Creek Water Reclamation Plant for the Water Utilities Department as set forth in the contract; providing for the expenditure of funds therefor; and providing an effective date (RFQ 8213-019 - Professional Services Agreement for engineering services awarded to Carollo Engineers, Inc., in the not-to-exceed amount of \$45,528,839.00). The Public Utilities Board recommends approval (5 - 0).

ASSIGNED ORDINANCE NO. 26-0664

The item was presented, and discussion followed.

There were no online registrations or call-ins on the item.

Following discussion, Council Member Jester moved to adopt the item as presented. Motion seconded by Council Member Rumohr.

Motion carried.

AYES (6): Mayor Hudspeth, Mayor Pro Tem Rumohr and Council Members Holland, Jester, Stevens, and Villarreal

NAYS (0): None

ABSENT (1): Council Member McGee

- C. ID 26-0724 Consider adoption of an ordinance of the City of Denton, a Texas home-rule municipal corporation, authorizing the City Manager to execute a contract with Rush Truck Centers of Texas, L.P., through the Buy Board Cooperative Purchasing Network Contract

No. 723-23, for the acquisition, repairs, and maintenance of Peterbilt Trucks for the Fleet Services Department; providing for the expenditure of funds therefor; and providing an effective date (File 9009 - awarded to Rush Truck Centers of Texas, L.P., for one (1) year, with the option for four (4) additional one (1) year extensions, in the total five (5) year not-to-exceed amount of \$14,679,000.00). The Public Utilities Board recommends approval (5 - 0).

ASSIGNED ORDINANCE NO. 26-0724

There were no online registrations or call-ins on the item.

The item was presented, and discussion followed.

Following discussion, Mayor Pro Tem Rumohr moved to adopt the item as presented. Motion seconded by Council Member Villarreal.

Motion carried.

AYES (6): Mayor Hudspeth, Mayor Pro Tem Rumohr and Council Members Holland, Jester, Stevens, and Villarreal

NAYS (0): None

ABSENT (1): Council Member McGee

7. CONCLUDING ITEMS

Council Members expressed items of interest.

With no further business, the meeting was adjourned at 8:41 pm.

CHRIS WATTS
MAYOR
CITY OF DENTON, TEXAS

KRISTI FOGLE
INTERIM CITY SECRETARY
CITY OF DENTON, TEXAS

MINUTES APPROVED ON: _____

EXHIBIT A - June 16, 2026 City Council Regular Meeting

**Speaker Commentaries/Registrations
Online, Email, Phone**

Name	Address	City	Agenda Item	Position	Method	Comments
Sean W Blackwood	8709 Swan Park Dr.	Denton	Open Mic	Support	In Person	See video for comment.
Rev. Reginald Logan	705 Park Lane	Denton	DCA26-0002	Support	In Person	Spoke in support.
Zelinda Pegram	1501 Val Verde Ct	Denton	DCA26-0002	Support	In Person	Submitted comment card.

BOARDS & COMMISSIONS - APPOINTMENTS
June 16, 2026

(EXHIBIT B)

BOARD/COMMITTEE/COMMISSION	COUNCIL PLACE	NOMINATED BY CCM	APPOINTED	TERM INFO	TERM DATES	STATUS; SPECIFIC REQUIREMENT/ QUALIFICATION IF ANY
Health and Building Standards Commission	2	Stevens	Chris Grieshaber	New	July 1, 2026 - June 30, 2028	1 - Associated with Construction, Development or Real Estate

CITY OF DENTON CITY COUNCIL MINUTES
June 23, 2026

After determining that a quorum was present, the City Council of the City of Denton, Texas convened in a Special Called meeting on Tuesday, June 22, 2026, at 3:00 p.m. in the Council Chambers at City Hall, 215 E. McKinney Street, Denton, Texas.

PRESENT: Mayor Gerard Hudspeth, Mayor Pro Tem Suzi Rumohr and Council Members Joe Holland, Jill Jester, Brandon Chase McGee, Nick Stevens, and Jordan Villarreal

ABSENT: None

Also present were Interim City Manager Cassey Ogden and City Attorney Mack Reinwand.

There were no online registrations or call ins on any items on the agenda.

NOTE: Items are listed in the order they were heard and acted upon.

1. PLEDGE OF ALLEGIANCE

A. U.S. Flag

B. Texas Flag

3. ITEMS FOR INDIVIDUAL CONSIDERATION

A. ID 26-0792 Consider adoption of an ordinance of the City of Denton canvassing the returns and declaring the results of the municipal runoff election held on Saturday, June 13, 2026; and providing an effective date.

ASSIGNED ORDINANCE NO. 26-0792

There were no online registrations or call-ins on the item.

The item was presented, and discussion followed.

Following discussion, Council Member McGee moved to adopt the item as presented. Motion seconded by Council Member Stevens.

Motion carried unanimously.

AYES (7): Mayor Hudspeth, Mayor Pro Tem Rumohr and Council Members Holland, Jester, McGee, Stevens, and Villarreal

NAYS (0): None

2. PROCLAMATIONS/PRESENTATIONS

- A. ID 26-0770 Proclamation: Brandon Chase McGee Appreciation
PRESENTED

3. ITEMS FOR INDIVIDUAL CONSIDERATION

- B. ID 26-0793 Issue the following to newly Elected Council Members:
- Certificate of Election
 - Statement of Officer
 - Oaths of Office

Certificates of Election were presented to Council Members George Ferrie and Chris Watts by Mayor Gerard Hudspeth. The Texas Statement of Officer, Texas State Oath of Office and City of Denton Oath of Office were administered to Council Member George Ferrie - Place 5, and Chris Watts Place 7 by Interim City Secretary, Kristi Fogle.

No action was taken as the item was for presentation purposes only.

4. PROCLAMATIONS/PRESENTATIONS

- A. ID 26-0797 Proclamation: Gerard Hudspeth Appreciation
PRESENTED

3. ITEMS FOR INDIVIDUAL CONSIDERATION

- C. ID 26-0791 Election of Mayor Pro Tem.
MAYOR PRO TEM STEVENS ELECTED

Council Member Stevens made a motion nominating himself for Mayor Pro Tem.

Council Member Jester made a motion nominating Council Member Holland for Mayor Pro Tem.

Mayor Watts closed the nominations.

Mayor Watts called for a hand vote to nominate Council Member Stevens as Mayor Pro Tem.

Motion passed.

AYES (7): Mayor Watts, Mayor Pro Tem Rumohr and Council Members Ferrie, Holland, Jester, Stevens, and Villarreal

NAYS (0): None

5. CONCLUDING ITEMS

Council Members expressed items of interest.

With no further business, the meeting was adjourned at 4:10 p.m.

CHRIS WATTS
MAYOR
CITY OF DENTON, TEXAS

KRISTI FOGLE
INTERIM CITY SECRETARY
CITY OF DENTON, TEXAS

MINUTES APPROVED ON: _____



City of Denton

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

AGENDA INFORMATION SHEET

DEPARTMENT: City Secretary's Office

ICM: Cassey Ogden

DATE: July 14, 2026

SUBJECT

Consider a nomination/appointment to the City of Denton Airport Advisory Board.

BACKGROUND

This item provides for the appointment or reappointment of a member to a City board/commission/committee whose term ended resulting in the existing member holding over from a previous term, or for appointment to an existing vacancy on the board resulting from a resignation.

Only nominees who have been fully vetted and qualified are presented for appointment.

The nomination of Craig O'Rourke was received from Council Member Holland (District 4) to serve a second term on the Airport Advisory Board.

EXHIBIT

Exhibit 1 – Agenda Information Sheet

Respectfully submitted:
Kristi Fogle
Interim City Secretary



City of Denton

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

AGENDA INFORMATION SHEET

DEPARTMENT: Economic Development

CM: Cassey Ogden, Interim City Manager

DATE: July 14, 2026

SUBJECT

Consider adoption of an ordinance of the City of Denton, a Texas home-rule municipal corporation authorizing a contract between the City of Denton and the Denton Chamber of Commerce in the not-to-exceed amount of \$150,000 providing for the expenditure of funds therefore; and providing for an effective date.

BACKGROUND

The City of Denton and the Denton Chamber of Commerce established an economic development partnership in 1986 to jointly promote local economic growth. On April 15, 2025, the City Council approved a one-year agreement with a one-year renewal option. However, the approved agreement in 2025 inadvertently listed the "not-to-exceed" funding amount for only the first year and omitted the renewal funding. Consequently, the original contract allowed for a time extension but lacked the intended funding.

This current agreement serves as a correction to provide the necessary funding for the Fiscal Year 2025–26 renewal period. A new agreement for Fiscal Year 2026–27 will be presented to the City Council in the fall of 2026.

The current scope of the partnership agreement includes:

City Primary	Chamber Primary
<ul style="list-style-type: none"> • Business Recruitment & Attraction • Marketing • Incentive negotiation, policy, and administration • Development districts • Fiscal & Economic Impact Analysis • Labor and Data Analytics • Business Community Engagement in City Initiatives 	<ul style="list-style-type: none"> • Business Retention & Expansion • Business Recruitment & Attraction - Site Visits & Tours & Meet with Business Leaders • Relationship building with developers, brokers, local industry, and businesses • Business-to-Business Networking • Private Investor Relations • Small Business Development Center

Joint- City Led	Joint-Chamber Led
<ul style="list-style-type: none"> • Technical & Advisory Support 	<ul style="list-style-type: none"> • Business Training and Education
Cooperative Efforts	
<ul style="list-style-type: none"> • Strategic Plan Implementation • Workforce & Talent Development • Community Engagement 	

RECOMMENDATION

Staff recommends approval.

PRIOR ACTION/REVIEW (Council, Boards, Commissions)

On April 15, 2025, the Economic Development Partnership Board recommended approval (8-0).

On April 15, 2025, the City Council Board recommended approval (7-0).

FISCAL INFORMATION

The Economic Development Partnership agreement is funded by the Economic Development, Water Utilities, and Denton Municipal Electric Operating Budgets.

EXHIBITS

Exhibit 1; Agenda Information Sheet

Exhibit 2: Ordinance and Agreement

Exhibit 3: Economic Development Partnership Report

Respectfully submitted:
Christine Taylor
Assistant City Manager

ORDINANCE NO. _____

AN ORDINANCE OF THE CITY OF DENTON, A TEXAS HOME-RULE MUNICIPAL CORPORATION, AUTHORIZING A CONTRACT BETWEEN THE CITY OF DENTON AND THE DENTON CHAMBER OF COMMERCE IN THE NOT-TO-EXCEED AMOUNT OF \$150,000, PROVIDING FOR THE EXPENDITURE OF FUNDS THEREFORE; AND PROVIDING FOR AN EFFECTIVE DATE

WHEREAS, the City Council of the City of Denton (“City”) and the Denton Chamber of Commerce (“Chamber”) entered into an economic development program agreement on May 5, 2025 for the purpose of providing for a program to promote economic development through joint efforts; and

WHEREAS, the 2025 agreement between the City and the Chamber expired on September 30, 2025; and

WHEREAS, the City deems it is in the public interest and serves a municipal and public purpose to enter into a new Economic Development Program Agreement with the Chamber, the form of which is attached hereto as Exhibit A, for the purpose of providing for a program to promote economic development through the joint effort of the City and Chamber (the "Agreement"); and

WHEREAS, the City and the Chamber’s program to promote economic development supports the City’s economic development strategic initiatives; and

WHEREAS, the City and Chamber agree that the Agreement shall include a work plan for the Chamber Office of Economic Development for Fiscal Year 2025-26 that updates and improves upon the previously approved responsibilities to better align with the goals and mission of each organization; NOW THEREFORE,

THE COUNCIL OF THE CITY OF DENTON HEREBY ORDAINS:

SECTION 1. The findings and recitations contained in the preamble of this ordinance are found to be true and are incorporated herein by reference.

SECTION 2. The City Council finds that the Economic Development Program Agreement between the City and the Chamber attached hereto and made a part hereof by reference serves a valid municipal and public purpose and is in the public interest.

SECTION 3. The City Manager or their designee is hereby authorized to execute the Agreement on behalf of the City of Denton. The City manager is hereby authorized to carry out the City’s rights and duties under the Agreement including the expenditure of funds provided for in the Agreement.

SECTION 4. The City Manager or their designee is hereby authorized, at their discretion and in a form approved by the City Attorney, to consent to a one-year extension of the Agreement pursuant to its terms; provided, however, that no modification to the terms of the Agreement or amount of

funds to be paid pursuant to the Agreement shall be made.

SECTION 5. This Ordinance shall become effective upon its passage and approval.

The motion to approve this ordinance was made by _____ and seconded by _____, the ordinance was passed and approved by the following vote [___ - ___]:

	Aye	Nay	Abstain	Absent
<i>Marcella Lunn</i> Mayor Chris Watts:	_____	_____	_____	_____
Jordan Villarreal, District 1:	_____	_____	_____	_____
Nick Stevens, District 2:	_____	_____	_____	_____
Suzi Rumohr, District 3:	_____	_____	_____	_____
Joe Holland, District 4:	_____	_____	_____	_____
George Michael Ferrie Jr., At Large Place 5:	_____	_____	_____	_____
Jill Jester, At Large Place 6:	_____	_____	_____	_____

PASSED AND APPROVED this the _____ day of _____, 2026.

CHRIS WATTS, MAYOR

ATTEST:
KRISTI FOGLE, INTERIM CITY SECRETARY

BY: _____

APPROVED AS TO LEGAL FORM:
MACK REINWAND, CITY ATTORNEY

BY: _____

ECONOMIC DEVELOPMENT PROGRAM AGREEMENT BETWEEN THE CITY OF DENTON AND THE DENTON CHAMBER OF COMMERCE

This Agreement is made between the City of Denton, Texas, (“City”) and the Denton Chamber of Commerce (“Chamber”) for the purpose of providing for a program to promote economic development through the joint efforts of the parties hereto, who in consideration of the mutual promises, agree as follows:

- A. Chamber Office of Economic Development (“Office”).** During the term of this Agreement, the Chamber shall maintain an Office of Economic Development managed by the Director of Strategic Partnerships, who shall perform the duties of the office.
- B. Support Services.** The Chamber shall provide the office space, equipment, and support staff necessary for the operations of the Office.
- C. Funding.** The City shall provide funding to the Chamber in the amount of \$150,000 on or before July 31, 2026. The balance of any unused City funds shall be returned to the City at the end of the term of this Agreement.

If at any time during the term of this Agreement the need arises for additional funds as determined by both the City Manager and the Chamber, a request to amend this Agreement may be submitted to the City for consideration. The City has discretion to accept, deny, or negotiate changes to the Chamber’s request.

Any funds provided by the City pursuant to this Agreement shall be retained in an account separate and segregated from the Chamber’s general operating fund and shall only be used for the purpose provided for in this Agreement. The Chamber and the Office shall keep current and accurate records of all funds received and expended, as well as deliverables and metrics specified herein, which shall be subject to inspection and audit by the City at all reasonable times. All such records shall be subject to the Texas Public Information Act, Tex. Gov’t Code Ch. 552.

- D. Use of City Funds and Scope of Work.** As a condition of the receipt of City funds, the Chamber hereby agrees to use and expend all funds pursuant to:
 - 1. All applicable federal, state, and local laws;
 - 2. The Chamber’s proposed budget for the Office is attached hereto and incorporated by reference as Exhibit A, provided, however, that the Chamber and the City may, by mutual written consent, reallocate funds for any line-item in the proposed budget to another line-item; and
 - 3. The agreed-upon scope of work as outlined in the Economic Development Work Plan, attached hereto and incorporated by reference as Exhibit B.
 - i. The parties agree that the attached Economic Development Work Plan is a planning tool, and the City and the Chamber reserve the right to revise the Work Plan with the written consent of both parties and approval from the Economic Development Partnership Board.

- ii. The parties agree and acknowledge that if the Chamber anticipates a delay or disruption to any tasks outlined in the 2024-25 Economic Development Work Plan the Chamber President or Director of Strategic Partnerships will communicate this via email or through the informal monthly progress reports to the Economic Development Director and Assistant City Manager. However, any anticipated delays or disruption related to the Chamber's performance of any tasks in the Work Plan must be communicated to the City in advance of such delay or disruption.
- iii. The parties further agree and acknowledge that the City's performance of any tasks on the Economic Development Work Plan is voluntary and the City's failure to perform any tasks allocated to the City on the Economic Development Work Plan shall not be a breach of this agreement.

E. Reporting Requirements. The Chamber shall provide written reports to the City as follows:

1. A copy of the Chamber's Profit and Loss Budget Performance Statement shall be provided via email from the Chamber President to the City's Director of Economic Development or Assistant City Manager quarterly for the periods ending December 31, March 31, June 30, and September 30 during the term of this Agreement.
2. A copy of the Chamber's annual audited financial reports within 6 months of the end of the Chamber's fiscal year shall be provided via email from the Chamber President to the City's Director of Economic Development or Assistant City Manager;
3. A copy of the Chamber's most recent annual Form 990 shall be provided via email from the Chamber President to the City's Director of Economic Development or Assistant City Manager.
4. An informal monthly progress report that includes information, status, and updates on the goals, metrics, key activities, and deliverables as established in the Economic Development Work Plan shall be provided monthly via email from the Chamber President or Director of Strategic Partnerships to the City's Director of Economic Development or Assistant City Manager to be shared with the Economic Development Partnership Board; and
5. A formal quarterly report, based on fiscal quarters ending December 31, March 31, June 30, and September 30 during the term of the Agreement, shall be provided via email from the Chamber President to the City's Director of Economic Development or Assistant City Manager to be delivered to the City Council, City Manager, Economic Development Partnership Board, and other relevant stakeholders as needed by each of the later of 45 days after the Chamber receives any payment under this Agreement or 45 days after the end of the reported quarter.
6. A comprehensive annual report and presentation that includes information, status, and updates on the goals, metrics, key activities, and deliverables as established in the Economic Development Work Plan shall be provided via email from the Chamber President to the Economic Development Director and Assistant City Manager to subsequently be shared with City Council by August 31

F. Quarterly Reviews. The City and the Chamber will conduct joint quarterly reviews of the efforts of Chamber staff to execute on the Economic Development Work Plan. These meetings may include the City Manager, Deputy City Manager, Assistant City Manager/Chief Financial

Officer, Director of Economic Development, Chamber President, Director of Strategic Partnerships any relevant City or Chamber Economic Development department staff, and the Chair of the Economic Development Partnership Board. The reviews will include, but are not limited to:

1. Discussion and evaluation of the previous quarter's monthly reports;
2. Discussion and evaluation of the status of any and all major recruitments or ongoing projects;
3. Discussion and evaluation of any resources or assistance needed from the City to achieve the shared goals outlined in the Economic Development Work Plan; and
4. Discussion and evaluation of the key activities and targets outlined in the Economic Development Work Plan.

G. Monthly Meetings. The City and the Chamber will conduct monthly staff meetings to review the implementation of the Work Plan, ongoing projects, and any projects associated with the City's Economic Development Strategic Plan or any action plans. These meetings may include the City Manager, Deputy City Manager, Assistant City Manager/Chief Financial Officer, Director of Economic Development, Chamber President, Director of Strategic Partnerships, and any relevant City or Chamber Economic Development department staff.

H. Independent Status of Office. The Office shall be under the direct supervision and control of the Chamber and all personnel of the Office shall be considered employees or agents of the Chamber and not of the City. The Chamber shall be responsible for the processing of all benefits or payment liabilities of such employees or agents, including the withholding or payment of personal income or social security taxes, as provided by applicable law, and the payment of worker's compensation premiums.

I. Insurance. The Chamber shall maintain policies of insurance for the duration of the Agreement, as outlined in Exhibit C, to protect against liability arising from the operation of the Office. The Chamber must provide a copy of the Certificate of Insurance showing the City added as an insured within a reasonable time of execution of this Agreement and each time there is a change in coverage or carrier, a copy must be provided to the City of Denton's Director of Economic Development or Assistant City Manager.

J. INDEMNITY. THE CHAMBER AGREES TO DEFEND, INDEMNIFY, AND HOLD HARMLESS THE CITY, ITS ELECTED OFFICIALS, OFFICERS, AGENTS, EMPLOYEES, AND REPRESENTATIVES FROM ANY AND ALL CLAIMS, SUITS, OR LIABILITIES ARISING FROM OR RELATED TO ANY ACT OR OMISSION OF THE CHAMBER, ITS OFFICERS, DIRECTORS, OFFICIALS, EMPLOYEES, OR REPRESENTATIVES IN THE PERFORMANCE OF THIS AGREEMENT. THIS INCLUDES PROPERTY DAMAGE, PERSONAL INJURY OR DEATH AND ALSO COVERS COSTS OF SUIT AND ATTORNEYS FEES.

K. Term of Agreement. This Agreement shall be effective from July 14, 2026 through September 30, 2026, unless extended pursuant to this section.

L. Termination. Either party may terminate this Agreement by giving written notice to the other party thirty (30) days in advance of the termination date, in which case any unexpended funds

provided by the City shall be returned to the City within fifteen (15) days from the date the written notice is mailed to the Chamber. If the Chamber fails to meet the deliverables or metrics required under this Agreement, and it results in termination of the Agreement by the City, then the Chamber will not be eligible for any future funding from the City for a one (1) year period.

M. Entire Agreement. This Agreement constitutes the entire agreement between the parties and supersedes any previous agreements, oral or written. This Agreement may only be modified by the subsequent mutual written agreement executed by the City and the Chamber.

N. Waiver. Any waiver by the City of any provision or condition of this Agreement shall not be construed to be a waiver of any other provisions or conditions of this Agreement.

O. Governing Law. This Agreement shall be governed by the laws of the State of Texas. The City expressly does not waive any defenses to any claims of any sort by virtue of this Agreement, including its Sovereign Immunity, and states that this is an economic incentive only and not subject to the provisions of Chapter 271 Tex. Loc. Gov't Code, Subchapter I.

P. Severability. Should any provision of this Agreement be adjudged illegal, invalid or unenforceable, such illegality, invalidity or unenforceability shall not affect the legality, validity of enforceability of the Agreement as a whole or any sections, subsections, sentences, or clauses herein.

[Signature page follows]

EXECUTED this the 8 day of July, 2026.

CITY OF DENTON

DENTON CHAMBER OF COMMERCE

BY: _____
CASSEY OGDEN,
INTERIM CITY MANAGER
Marcella Lynn

Signed by:
BY: *Erin Carney*
ERIN CARNEY, PRESIDENT
3387418C90F58431

ATTEST:
KRISTI FOGLE, INTERIM CITY SECRETARY

BY: _____

THIS AGREEMENT HAS BEEN
BOTH REVIEWED AND APPROVED
As to financial and operational
Obligations and business terms.

DocuSigned by:
Christine Taylor
2B3E02ECE3184D8...

Signature

Assistant City Manager

Title

City Manager's Office

Department

Date Signed: 7/8/2026

APPROVED AS TO LEGAL FORM:
MACK REINWAND, CITY ATTORNEY

BY: _____

EXHIBIT "A"
CHAMBER BUDGET

Denton Chamber - Economic Development Partnership
BUDGET FY 25/26 - Combined
Approved by Board: 10/07/25

Approved
FY 25/26

Income

City of Denton Contract	150,000.00
EDP Investor Membership Revenue	150,000.00
EDP Interest Income	600.00
Total Income	<u>300,600.00</u>

Expenditures

Salaries/Benefits

Salaries	153,950.00
Auto Allowance	5,400.00
Cell Phone/PR ACH fees	902.00
Payroll Taxes	13,985.00
Medical, Dental, Life, & Disability Insurance	17,977.00
Worker's Comp Insurance	435.00
Retirement	1,667.00
Total	<u>194,316.00</u>

Operating Expenses

Accounting & Audit	10,360.00
Computer/Technical Services	15,372.00
Occupancy Expenses	7,275.00
CC Processing Fees	1,000.00
Miscellaneous Expense	0.00
Office Supplies	750.00
Postage	1,200.00
Total	<u>35,957.00</u>

Marketing

Meetings/Client/Prospect Relations	4,500.00
Ad Placement	0.00
Travel & Professional Development	5,000.00
Marketing Materials/Activities/Digital Marketing	12,500.00
Site Visits	2,500.00
Website & Social Media	12,000.00
Total	<u>36,500.00</u>
SBDC	0.00
ED Investor Relations & Fundraising	15,000.00
Denton County Days 2025	0.00

Total Expenditures **281,773.00**

Net Income **18,827.00**

**EXHIBIT “B”
ECONOMIC DEVELOPMENT WORK PLAN**

**Denton Economic Development Partnership
Responsibility Overview**

City Primary	Chamber Primary
<ul style="list-style-type: none"> • Business Recruitment & Attraction • Marketing • Incentive negotiation, policy, and administration • Development districts • Fiscal & Economic Impact Analysis • Labor and Data Analytics • Business Community Engagement in City Initiatives 	<ul style="list-style-type: none"> • Business Retention & Expansion • Business Recruitment & Attraction - Site Visits & Tours & Meet with Business Leaders • Relationship building with developers, brokers, local industry, and businesses • Business-to-Business Networking • Private Investor Relations • Small Business Development Center
Joint- City Led	Joint-Chamber Led
<ul style="list-style-type: none"> • Technical & Advisory Support 	<ul style="list-style-type: none"> • Business Training and Education
Cooperative Efforts	
<ul style="list-style-type: none"> • Strategic Plan Implementation • Workforce & Talent Development • Community Engagement 	

Economic Development Work Plan

Focus Area: Relationship building with developers, brokers, local industry and business	
<i>Relationship to Strategic Plan</i>	Goal 2. Foster Growth Strategic Growth Area 2A. Connected Denton Strategy 2A.2 Attract New Investment
<p>Chamber Lead</p> <ul style="list-style-type: none"> • Host quarterly forums with developers, brokers, and prospective companies for the business community • Create an annual impact report that demonstrates the value of corporate community investment. • Present to five community organizations about the value of economic development. • Host up to 20 companies in coordination with the City for recruitment visits as needed. • Create and maintain a relocation guide. • Create and maintain a major employer list. • Conduct 7 business retention visits per month. <p>City Lead</p> <ul style="list-style-type: none"> • Design and produce promotional materials for distribution to prospective companies. • Create three one-pagers highlighting Denton's industries, workforce assets, sustainability efforts, and educational advantages. • Directly engage 20 site selectors, developers, or companies considering Denton as an option for expansion. • Meet with developers who are not in Denton who have created spec office space or creative infill development in other areas of the state. • Maintain a City-funded CRM system to track all leads. <p>Joint Lead</p> <ul style="list-style-type: none"> • Create a presentation based on the marketing materials provided by the City of Denton, highlighting Denton's assets for use on site visits and meetings with prospective companies. • Represent Denton in the DFW Marketing Team and the business attraction efforts of the Dallas Regional Chamber & Fort Worth Chamber. 	
<i>Relationship to Strategic Plan</i>	Goal 2. Foster Growth Strategic Growth Area 2A. Connected Denton Strategy 2A.3 Westpark Industrial Park and Strategy 2D.3 Professional Office Space
<p>Chamber Lead</p> <ul style="list-style-type: none"> • Meet with 5 spec industrial property managers to address vacancy concerns and existing businesses leasing warehouse space as part of the Business Retention and Expansion program. <p>City Lead</p> <ul style="list-style-type: none"> • Review brochures of active commercial properties to ensure accuracy of local demographics and information. • Maintain and update database of industrial properties, including off-market assets. • Serve as primary point-of-contact for developers and commercial brokers seeking data and information as it relates to marketing materials. • Distribute available land options identified by the City's Real Estate department to Denton developer networks. 	

<i>Relationship to Strategic Plan</i>	Goal 2. Foster Growth Strategic Growth Area 2B. Creative Denton Strategy 2B.6 Promoting Denton’s Creative Brand
<p>Chamber Lead</p> <ul style="list-style-type: none"> • Share 12 business success stories on EDP social media. • Create a shared social media calendar and track engagement metrics. • Maintain EDP social media by posting every other week with relevant content and track engagement. • Track and share all leads that come in through the EDP Website and direct contacts with the City of Denton Economic Development Department for transition to the incentive process. <p>City Lead</p> <ul style="list-style-type: none"> • Develop and implement a social media marketing plan. • Manage the City’s Office of Economic Development social media pages. <p>Joint Lead</p> <ul style="list-style-type: none"> • Attend trade shows and events to market Denton and generate leads. 	

Focus Area: Business Recruitment & Attraction- Site Visits, Tours, & Meet with Business Leaders	
<i>Relationship to Strategic Plan</i>	Goal 2. Foster Growth Strategic Growth Area 2A. Connected Denton Strategy 2A.2 Attract New Investment
<p>Chamber Lead</p> <ul style="list-style-type: none"> • Engage with and collect data from 50 companies: <ul style="list-style-type: none"> ○ At least 10 that have relocated to Denton within the past two years to identify ways they can be more involved in the community and how the City can be more competitive. ○ At least 10 representing the City’s strategic growth areas: Connected, Creative, Competitive, and Sustainable, to identify expansion opportunities, workforce challenges, or other relevant factors. <p>City Lead</p> <ul style="list-style-type: none"> • Respond to RFIs and track leads received from various sources on economic development projects that meet the strategic needs of Denton and include developments that are attractive and desirable for the community. 	
<i>Relationship to Strategic Plan</i>	Goal 2. Foster Growth Strategic Growth Area 2A. Connected Denton Strategy 2A.3 Westpark Industrial Park
<p>2A.3 FY 23-24 Work Plan Items</p> <p>City Lead</p> <ul style="list-style-type: none"> • Track all leads and RFIs responded to, including industry type, potential investment, number of jobs, strategic growth area, source, and consistently update status in tracking system. <p>Joint Lead</p> <ul style="list-style-type: none"> • Hold monthly recruitment meetings to review received leads/submitted projects and discuss opportunities, challenges, and how to improve responses. 	
<i>Relationship to Strategic Plan</i>	Goal 2. Foster Growth Strategic Growth Area 2B. Creative Denton Strategy 2B.5 Recruit Growing Startups
<p>Chamber Lead</p> <ul style="list-style-type: none"> • Create a quarterly industrial roundtable to engage supply chain and manufacturing companies in the community. 	

<ul style="list-style-type: none"> • Work cooperatively with Stoke Denton to include messaging that would attract startups in EDP digital marketing. • Include startup resources on the EDP website. <p>City Lead</p> <ul style="list-style-type: none"> • Include tech companies in the City-funded lead tracking system. • Develop tech ecosystem in partnership with Stoke Denton, DFW tech organizations, and local universities. 	
<p>Focus Area: Business-to-Business Networking</p>	
<p><i>Relationship to Strategic Plan</i></p>	<p>Goal 2. Fostering Growth Strategic Growth Area 2B. Creative Denton Strategy 2B.1 Champion & Convene</p>
<p>Chamber Lead</p> <ul style="list-style-type: none"> • Promote quarterly industry-specific networking events to the business community. • Development of a BRE contact database 	

<p>Focus Area: Business Training/Education, Private Investor Relations, and SBDC</p>	
<p><i>Relationship to Strategic Plan</i></p>	<p>Goal 3. Strengthen Community Inclusion Strategy 3.1 Workforce Collaborative</p>
<p>Chamber Lead</p> <ul style="list-style-type: none"> • Work with other business support organizations to engage and promote workforce training programs and available resources. • Maintain local SBDC office through Chamber and actively promote SBDC resources • Coordinate with educational partners to develop career pathway marketing materials and resources for in-demand jobs in Denton <p>Joint Lead</p> <ul style="list-style-type: none"> • Build and maintain relationships on behalf of the business community with UNT, TWU, and NCTC Career Centers to build local talent pipelines • Based on Business Retention and Expansion data collection, develop upskilling programs, industry career fairs, mentorships programs for students and industry and other workforce initiatives. 	

Exhibit C
INSURANCE REQUIREMENTS

STANDARD PROVISIONS:

Without limiting any of the other obligations or liabilities of the Chamber, the Chamber shall provide and maintain until the agreement has been terminated, the minimum insurance coverage as indicated hereinafter.

All insurance policies proposed or obtained in satisfaction of these requirements shall comply with the following general specifications, and shall be maintained in compliance with these general specifications throughout the duration of the Contract, or longer, if so noted:

- Each policy shall be issued by a company authorized to do business in the State of Texas with an A.M. Best Company rating of at least **A or better**.
- Any deductibles or self-insured retentions shall be declared in the proposal. If requested by the City, the insurer shall reduce or eliminate such deductibles or self-insured retentions with respect to the City, its officials, agents, employees and volunteers; or, the Chamber shall procure a bond guaranteeing payment of losses and related investigations, claim administration and defense expenses.
- Liability policies shall be endorsed to provide the following:
 - Name as Additional Insured the City of Denton, its Officials, Agents, Employees and volunteers.
 - That such insurance is primary to any other insurance available to the Additional Insured with respect to claims covered under the policy and that this insurance applies separately to each insured against whom claim is made or suit is brought. The inclusion of more than one insured shall not operate to increase the insurer's limit of liability.
 - Provide a Waiver of Subrogation in favor of the City of Denton, its officials, agents, employees, and volunteers.
- ***Cancellation: City requires 30 day written notice should any of the policies described on the certificate be cancelled or materially changed before the expiration date.***
- Should any of the required insurance be provided under a claims made form, Chamber shall maintain such coverage continuously throughout the term of this contract and, without lapse, for a period of three years beyond the contract expiration, such that occurrences arising during the contract term which give rise to claims made after expiration of the contract shall be covered.
- Should any of the required insurance be provided under a form of coverage that includes a general annual aggregate limit providing for claims investigation or legal defense costs to be included in the general annual aggregate limit, the Chamber shall either double the occurrence limits or obtain Owners and Chambers Protective Liability Insurance.

- Should any required insurance lapse during the contract term, requests for payments originating after such lapse shall not be processed until the City receives satisfactory evidence of reinstated coverage as required by this contract, effective as of the lapse date. If insurance is not reinstated, City may, at its sole option, terminate this agreement effective on the date of the lapse.

SPECIFIC ADDITIONAL INSURANCE REQUIREMENTS:

All insurance policies proposed or obtained in satisfaction of this Contract shall additionally comply with the following marked specifications, and shall be maintained in compliance with these additional specifications throughout the duration of the Contract, or longer, if so noted:

[X] A. General Liability Insurance:

General Liability insurance with combined single limits of not less than **\$1,000,000.00** shall be provided and maintained by the Chamber. The policy shall be written on an occurrence basis either in a single policy or in a combination of underlying and umbrella or excess policies.

If the Commercial General Liability form (ISO Form CG 0001 current edition) is used:

- Coverage A shall include premises, operations, products, and completed operations, independent contractors, contractual liability covering this contract and broad form property damage coverage.
- Coverage B shall include personal injury.
- Coverage C, medical payments, is not required.

If the Comprehensive General Liability form (ISO Form GL 0002 Current Edition and ISO Form GL 0404) is used, it shall include at least:

- Bodily injury and Property Damage Liability for premises, operations, products and completed operations, independent contractors and property damage resulting from explosion, collapse or underground (XCU) exposures.
- Broad form contractual liability (preferably by endorsement) covering this contract, personal injury liability and broad form property damage liability.

[X] Automobile Liability Insurance:

Chamber shall provide Commercial Automobile Liability insurance with Combined Single Limits (CSL) of not less than **\$500,000** either in a single policy or in a combination of basic and umbrella or excess policies. The policy will include bodily injury and property damage liability arising out of the operation, maintenance and use of all automobiles and mobile equipment used in conjunction with this contract.

Satisfaction of the above requirement shall be in the form of a policy endorsement for:

- any auto, or
- all owned, hired, and non-owned autos.

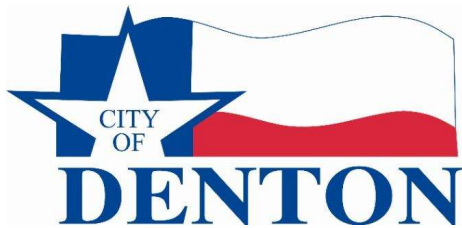


DENTON ECONOMIC DEVELOPMENT PARTNERSHIP

ANNUAL REPORT

The mission of the Denton Economic Development Partnership is to expand the City's tax base and support the creation of jobs through targeted marketing, strategic partnerships and stakeholder education.

In 1986 the *City of Denton* and *Denton Chamber of Commerce* entered into a formal agreement to establish a joint economic development program. The EDP continues to partner with our business community to support and grow our tax base.



DENTON EDP INVESTOR SERVICES

The Denton Economic Development Partnership (EDP) plays 6 key roles in facilitating the region's continued prosperity.



**Market Denton's
assets**



**Public- Private
Connector**



**Business Retention
and Expansion**



**Building
Relationships**



**Convene industry
players**



**Support
small business**



FOCUS AREA

**RELATIONSHIP BUILDING
WITH DEVELOPERS,
BROKERS, LOCAL
INDUSTRY AND BUSINESS**

STRATEGY – ATTRACT NEW INVESTMENT / RELATIONSHIP BUILDING

Quarterly Forums

Educate regional leaders and major employers on the value of investing in Denton.

Facilitate dialogue between public and private leaders.

4 Forums held with over 550 attendees.

Topics:

- Transportation Updates
- World Cup and Economic Impact
- Data and Dynamics: Unpacking Commercial Real Estate in Denton
- Enhanced Premium Tax Credits



ECONOMIC DEVELOPMENT INVESTOR FORUM
Data and Dynamics: Unpacking Commercial Real Estate Trends
CoStar™
Wednesday, January 21
7:30 AM - 9:00 AM
Hosted at UNT DATCU Stadium Hub Club
1251 S. Bonnie Brae, Denton, TX
COFFEE AND LIGHT BREAKFAST WILL BE PROVIDED



STRATEGY – ATTRACT NEW INVESTMENT / RELATIONSHIP BUILDING

Plant Manager Roundtables

2 Plant Manager roundtables, convening leaders of 3000+ Denton employees

Addressed critical topics of workforce development, warehouse automation, and employee transportation.

Manufacturers Forum

2 Manufacturers forums with over 250+ attendees, collaborated with UNT Career Center, Denton ISD Lagrone Academy, and North Texas Society for Human Resource Management.

Community Engagement Talks

Presented to 9 community organizations about the value of public-private partnerships and economic development.



BUSINESS ROUNDTABLE

Insurance Changes Ahead? How Expiring Healthcare Tax Credits Could Impact Denton Businesses

July 17, 2025 | 7:30 - 9:00 AM

Monroe Pearson
421 E. Oak Street, Denton, TX 76209

Join fellow business, health, and community leaders to learn how you can protect access to affordable healthcare coverage for your organization through the federal Enhanced Premium Tax Credits. Enjoy breakfast while you learn what is at stake if they expire this year, who will be affected, and how our community can respond.

DENTON CHAMBER of COMMERCE

ECONOMIC DEVELOPMENT PARTNERSHIP DENTON, TEXAS

STRATEGY – PROMOTING DENTON’S CREATIVE BRAND

Social Media

Created and shared 12 Denton business success stories on EDP social media and website (www.DentonEDP.com)

Website

2023 – average of 3,200 users/month

2024 – average of 5,863 users/83% increase YOY

2025 – average of 7,549 users / 77% increase YOY

Email

Engagement metrics

- 40 emails to 10,000+ addresses
- 56% open rate (2x industry avg.)
- 8% click-through rate (4x industry avg.)

NCTSBDC CONNECTS SMALL BUSINESSES WITH FUNDING, GROWTH RESOURCES

August 1, 2025

The North Central Texas Small Business Development Center is guiding Denton entrepreneurs to new heights with support services designed to address gaps in small business development and scaling resources. In 2024, the SBDC helped 67 new local businesses launch. These small companies created 254 jobs and infused \$10,945,086 into the economy. The NCTSBDC also served 642 clients and businesses over the same period.

Building on these successes in 2025, new enterprises in Denton and the surrounding communities can use the NCTSBDC to draft and meet short-term priorities and long-term goals. From business plans to market research, small business development centers are a valuable, no-cost, and confidential resource.



Social Media Statistics

2024

- Facebook - 2.1 K Followers
- Twitter - 1,565 Followers
- LinkedIn - 1,110 Followers

2025

- Facebook - 2.7 K Followers
- Twitter - 1,560 Followers
- LinkedIn - 1,231 Followers



STRATEGY – PROFESSIONAL OFFICE SPACE

Engage property managers to address vacancy concerns

The Denton office market has a vacancy rate of 6.6% as of the first quarter of 2026.

VACANCY STATS

9.3% in Q1 of 2024

7.0% at the end of Q1 of 2025

6.6% as of Q1 of 2026

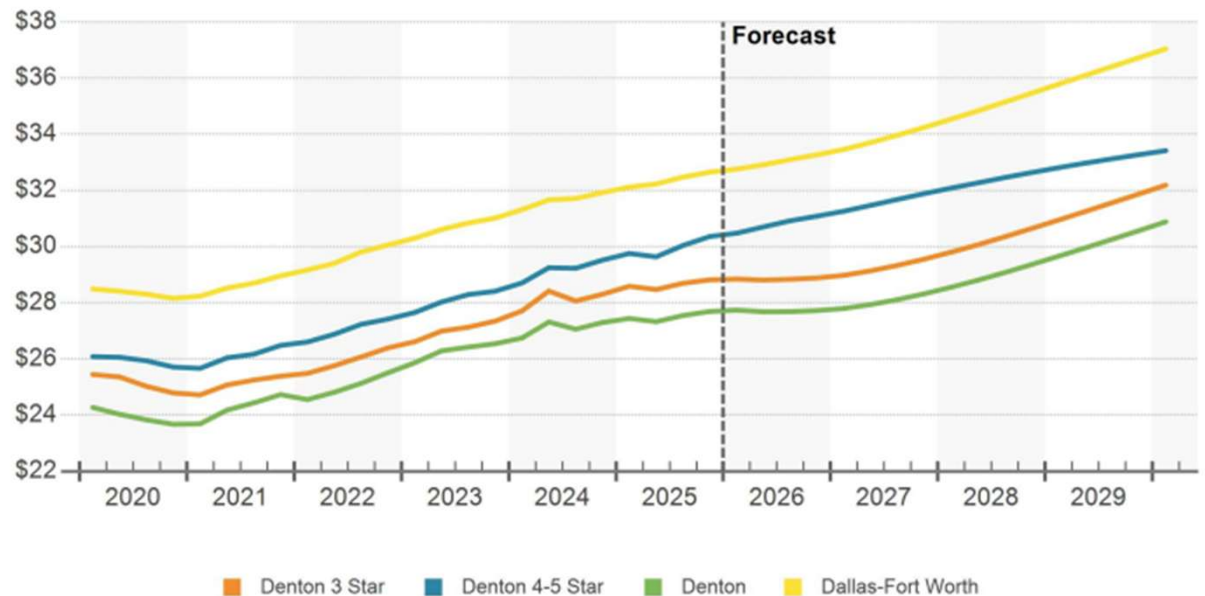
Five-year average of 7.9%

10-year average of 7.8%.

Denton Average Rents - \$28 SF

DFW Market Average - \$33 SF

MARKET ASKING RENT PER SQUARE FEET



STRATEGY – INDUSTRIAL SPACE

Engage industrial property managers over vacancy concerns

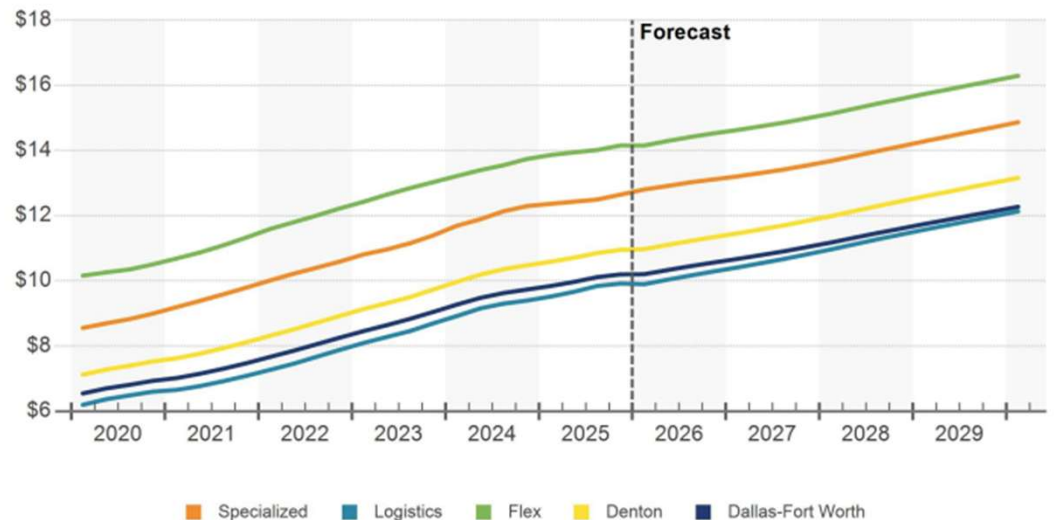
Meet with 7 industrial managers to discuss vacancy concerns.

DIRECT VACANCY FOR DENTON

- 18% in December 2024
- 16.6 % as of July 2025
- 20.3% Q1 2026

- Rents in Denton \$10.90/SF.
- DFW average is \$10.10/SF

MARKET ASKING RENT PER SQUARE FEET





FOCUS AREA

BUSINESS RETENTION & EXPANSION

SITE VISITS, TOURS,
MEETINGS WITH BUSINESS LEADERS

BUSINESS RETENTION AND EXPANSION

Business Retention and Expansion

(BRE) is an economic development strategy of proactively connecting with existing businesses to understand and respond to their needs.

The **EDP** actively engages already established businesses within the community to identify their needs and provide support to help them grow and remain in the area, aiming to retain existing businesses and encourage their expansion.

80% of a region's growth comes from expansion of existing businesses - IEDC

2025 BUSINESS RETENTION AND EXPANSION UPDATE

TASKED FOR 2025

VISITED IN 2025



BRE VISITS

4-5 Visits per month is the goal

NAICS CODES

*Industry Classification Systems.
Classifies businesses by their primary activity.*

Agriculture	2
Construction	3
Manufacturing	15
Transportation and Warehouses	6
Finance and Insurance	12
Real Estate Rental and leasing	10
Professional, Scientific and Technical Services	5
Educational Services	4
Health Care and Local Assistance	3



Businesses
Indicated raising
rent concerns



Expressed concern
over road work
interruptions



Expressed
concern over
workforce
development

2025 BUSINESS RETENTION AND EXPANSION UPDATE

Effective Strategies:

Collaboration and connections with LaGrone Academy, NCTC, UNT, and TWU.

- 27 connections made

Utilizing job fairs by Workforce Solutions and university partners.

- Shared info of all upcoming job fairs to industry leaders.

Sharing importance of employee satisfaction and providing ideas.

- Introduction to UNT Athletics ticketing staff, setting up employee experiences at home football and basketball games.

The number 1 question that is asked on a BRE Visit is:

“What companies can we recruit to Denton to help support your business”.

Facilitated Requested Connections



BRE RESPONSES TO TOP CHALLENGES

MANUFACTURERS SUMMIT ON WORKFORCE DEVELOPMENT

Hosted June 2025

In response to 2024/25 BRE feedback on companies indicating that a need is workforce development and lacking insight into what the educational partners offer.

Forum focused on workforce updates from educational partners. Participants included Denton ISD, TWU, NCTC, and UNT.



15 of the top 20 largest employers (Public / Private) were in attendance.



FOCUS AREA

**BUSINESS TO
BUSINESS
NETWORKING**

STRATEGY – CHAMPION AND CONVENE

Promoting industry specific networking events to business community

Connected new businesses with critical resources.

- Hosted Business-to-Business happy hours.
- Hosted luncheons among businesses looking to connect or expand in Denton.
- Hosted leaders at workforce conferences.
- Assisted in organization of Denton job fairs

DEVELOPMENT OF INDUSTRY-SPECIFIC CONTACT DATABASE SHARED WITH PARTNERS

Partnered with City to feature in Certificate of Occupancy emails, enhancing accessibility for new businesses.



**NEW BUSINESS LIST
JANUARY 2026**



CLICK HERE!

STRATEGY – CHAMPION AND CONVENE

The EDP helps Denton businesses thrive amidst challenges, fueling continued growth

Challenge



New businesses want to engage in the community



Competition for top talent is high



Small businesses need targeted resources and assistance

EDP Efforts

EDP **connects new businesses** to career networks, government resources, and industry

EDP has **developed talent pipelines** from local universities and assists hiring efforts

EDP **provides funding** to Denton's Small Business Development Center

Result

Companies source services locally and invest in City initiatives

Talent stays in Denton

Small businesses have access to free advice and expertise





FOCUS AREA

**BUSINESS TRAINING /
EDUCATION, PRIVATE
INVESTOR RELATIONS,
AND SBDC**

STRATEGY – BUSINESS TRAINING / EDUCATION

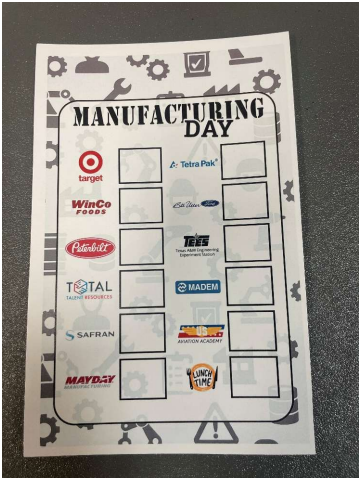
MANUFACTURING DAY – OCTOBER 2025

In a partnership with Denton ISD and LaGrone Academy, the Denton EDP hosted an event to help inspire the next generation of leaders in Denton.

Manufacturing Day, organized nationally by the Manufacturing Institute, is manufacturing’s biggest annual opportunity to inspire the next generation, positively shift perceptions about our industry, and build the foundation for the manufacturing workforce of the future.

Over the next decade, 3.8 million new manufacturing workers will need to be hired in the US.

12 Companies Participated
Over 700 Students took part in 2025



STRATEGY – WORKFORCE COLLABORATION

SMALL BUSINESS DEVELOPMENT CENTER FUNDING

- NEW BUSINESS STARTS: **65**
- JOBS SUPPORTED: **327**
- UNIQUE CLIENTS SERVED: **883**
- UNDERSERVED COMMUNITIES / CLIENTS SERVED: **742**
- CAPITAL INFUSION: **\$12,550,485**



RELATIONSHIP BUILDING WITH UNT, TWU, NCTC CAREER CENTERS, STOKE AND LAGRONE ACADEMY

- Meetings and collaborations with Stoke Leadership, Career Centers, campus visits, and business tours.





OUR INVESTORS

The Chamber of Commerce is contractually obligated to raise \$125,000 from the community.

Funds do not come from general Chamber memberships. Support is raised specifically for economic development efforts.

Companies in all the City's Strategic Growth Areas are represented.



DENTON ECONOMIC DEVELOPMENT PARTNERSHIP

ANNUAL REPORT

The mission of the Denton Economic Development Partnership is to expand the City's tax base and support the creation of jobs through targeted marketing, strategic partnerships and stakeholder education.



City of Denton

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

AGENDA INFORMATION SHEET

DEPARTMENT: Economic Development

ACM: Christine Taylor

DATE: July 14, 2026

SUBJECT

Consider approval of a resolution of the City of Denton, approving the 2024/2025 Tax Increment Reinvestment Zone Number One (TIRZ 1) annual report; and declaring an effective date. The TIRZ 1 Board recommends approval (4-0).

BACKGROUND

On December 7, 2010, the City Council adopted an Ordinance No. 2010-316 designating and describing the boundaries of Tax Increment Reinvestment Zone Number One to provide the public infrastructure necessary to encourage development in downtown. An annual report, detailing the previous year's TIRZ 1 activities, is required to be submitted to each taxing jurisdiction and the State Comptroller of Public Accounts.

The TIRZ 1 took effect on January 1, 2011, and was set to terminate on December 31, 2039, or when the budget of \$24.8 million was collected.

On December 4, 2024, the TIRZ 1 Board approved the Amended Project and Financing Plan to amend the TIRZ 1 boundaries.

On December 17, 2024, the Tax Increment Reinvestment Zone One A was established. The life of both zones was extended to December 31, 2040, or when the budget of \$50.2 million was collected. The City of Denton is the sole participating jurisdiction.

On June 17, 2025, City Council approved the 2023-2024 TIRZ 1 Annual Report.

On June 10, 2026, the TIRZ 1 Board recommended City Council approve the FY2024-2025 TIRZ 1 Annual Report (4-0).

Completed Grant Projects

In FY 2024-2025, the Grant Program's beginning budget was \$200,000, funded by TIRZ 1. Four projects reached completion, creating expenditures of \$177,148.96.

- A Downtown Reinvestment Grant for Façade/Building Rehab and Interior/Code Improvements in the amount of \$50,000 was paid to the property located at 212 W. Sycamore St. for Eagle Surveying, LLC.
- A Downtown Reinvestment Grant for Fire Suppression in the amount of \$50,000 was paid to the property located at 104-106 W. Oak St. for Little d Property, LLC.
- A Downtown Reinvestment Grant for Façade/Building Rehab in the amount of \$50,000 was paid to the property of 116 W. Oak St. for Green Eggs and Ham, LLC.
- A Downtown Reinvestment Grant for Utility Upgrades, Interior/Code Improvements and Signage in the amount of \$27,148.96 was paid to the property located at 227 W. Oak St. for The Plot Twist, LLC.

Approved Grant Project in progress at the end of FY 2024-2025.

- 113 – 115 N. Elm St., \$1,620.869, Fine Arts Theater of Denton LLC. Pending reimbursement.

Approved Grant Projects in process for FY 2025-2026.

- 113 – 115 N. Elm St., \$50,000, Fine Arts Theater of Denton LLC. (Fire Suppression) Pending reimbursement.
- 114 W. Oak St., \$50,000, West Oak Coffee Bar GP, LLC. (Façade/Building Rehab, Impact Fees, Utility Upgrades, Interior/Code Improvements) Pending reimbursement.
- 114 W. Oak St., \$50,000, West Oak Coffee Bar GP, LLC. (Fire Suppression) Pending reimbursement.
- 520 S. Elm St., \$10,000, Brakefield’s Pool Service, LLC. (Façade, Paint Only & Sign) Pending reimbursement.
- 122 N. Locust St., \$50,000, Mister Red, LLC. (Façade/Building Rehab, Impact Fees, & Utility Upgrades) Pending reimbursement.
- 325 W. McKinney St., \$50,000, McKarroll Partners, LLC. (Façade/Building Rehab and Utility Upgrades) Pending Reimbursement.

Value and Increment Summary

According to Denton Central Appraisal District Certified figures, the FY 2024-2025 total appraised valuation of taxable and real property Downtown TIRZ 1 and 1A was \$230,565,487 and \$144,238,543. This represents a \$30,636,532 decrease from the previous supplemental tax value of \$261,202,019 for Downtown TIRZ 1. Since its inception, the final value with supplements of the Downtown TIRZ 1 has increased by an estimated \$151,208,633.

RECOMMENDATION

Review and recommend approval of the FY 24-25 Annual TIRZ 1 report.

EXHIBITS

Exhibit 1 – Agenda Information Sheet

Exhibit 2 – Resolution and TIRZ 1 2024/2025 Annual Report

Respectfully submitted:
Brittany Sotelo

Economic Development Director

Prepared By:
Kristen Pulido
Main Street Program Manager
Office of Economic Development

RESOLUTION NO. _____

A RESOLUTION OF THE CITY OF DENTON, APPROVING THE 2024/2025 TAX INCREMENT REINVESTMENT ZONE NUMBER ONE (TIRZ 1) ANNUAL REPORT; AND DECLARING AN EFFECTIVE DATE. THE TIRZ 1 BOARD RECOMMENDS APPROVAL (4-0).

WHEREAS, the City of Denton recognizes the importance of its role in local economic development initiatives and programs; and

WHEREAS, the City has established Tax Increment Reinvestment Zone Number One (TIRZ 1) and established a Board of Directors for the District to promote development or redevelopment in the Downtown area pursuant to Ordinance No. 2010-316, authorized by the City Council on December 7, 2010, as provided by the Tax Increment Financing Act, Chapter 311 of the Texas Tax Code, as amended; and

WHEREAS, on December 7, 2010, the City Council authorized the Project and Finance Plans for TIRZ 1; and

WHEREAS, on December 17, 2024, the City Council authorized the amended Project and Finance Plans for TIRZ 1 and 1A; and

WHEREAS, the Tax Increment Financing Act specifies that the governing body of a city shall submit an annual report on the financial status of the district to the Chief Executive Officer of each taxing unit that levies taxes on real property in a reinvestment zone, and a copy of the report shall be forwarded to the State Comptroller; and

WHEREAS, on June 10, 2026, the TIRZ 1 Board reviewed and recommended approval of the 2024/2025 Annual Report for Tax Increment Reinvestment Zone Number One to the City Council. NOW, THEREFORE,

THE CITY COUNCIL OF THE CITY OF DENTON HEREBY RESOLVES:

SECTION 1. That the 2024/2025 Annual Report for Tax Increment Reinvestment Zone Number One, City of Denton, Texas, as of July 14, 2026, a copy of which is attached here to as Exhibit A, is hereby accepted.

SECTION 2. That the City Manager or their designee is hereby authorized to submit the 2024/2025 Annual Report for Tax Increment Financing Reinvestment Zone Number One to the Chief Executive Officer of each taxing jurisdiction that levies tax on real property in the District; and to the State Comptroller, as required by state law.

SECTION 3. That this resolution shall take effect immediately from and after its passage in accordance with the provisions of the Charter of the City of Denton, and it is accordingly so

resolved.

The motion to approve this ordinance was made by _____ and seconded by _____, the ordinance was passed and approved by the following vote [___ - ___]:

	Aye	Nay	Abstain	Absent
Mayor Chris Watts:	_____	_____	_____	_____
Jordan Villarreal, District 1:	_____	_____	_____	_____
Nick Stevens, District 2:	_____	_____	_____	_____
Suzi Rumohr, District 3:	_____	_____	_____	_____
Joe Holland, District 4:	_____	_____	_____	_____
George Michael Ferrie Jr., At Large Place 5:	_____	_____	_____	_____
Jill Jester, At Large Place 6:	_____	_____	_____	_____

PASSED AND APPROVED this the _____ day of _____, 2026.

CHRIS WATTS, MAYOR

ATTEST:
KRISTI FOGLE, INTERIM CITY SECRETARY

BY: _____

APPROVED AS TO LEGAL FORM:
MACK REINWAND, CITY ATTORNEY

BY: Scott Bray Scott Bray
Deputy City Attorney

Exhibit A



**Tax Increment Reinvestment Zone Number One
2024 - 2025 ANNUAL REPORT**

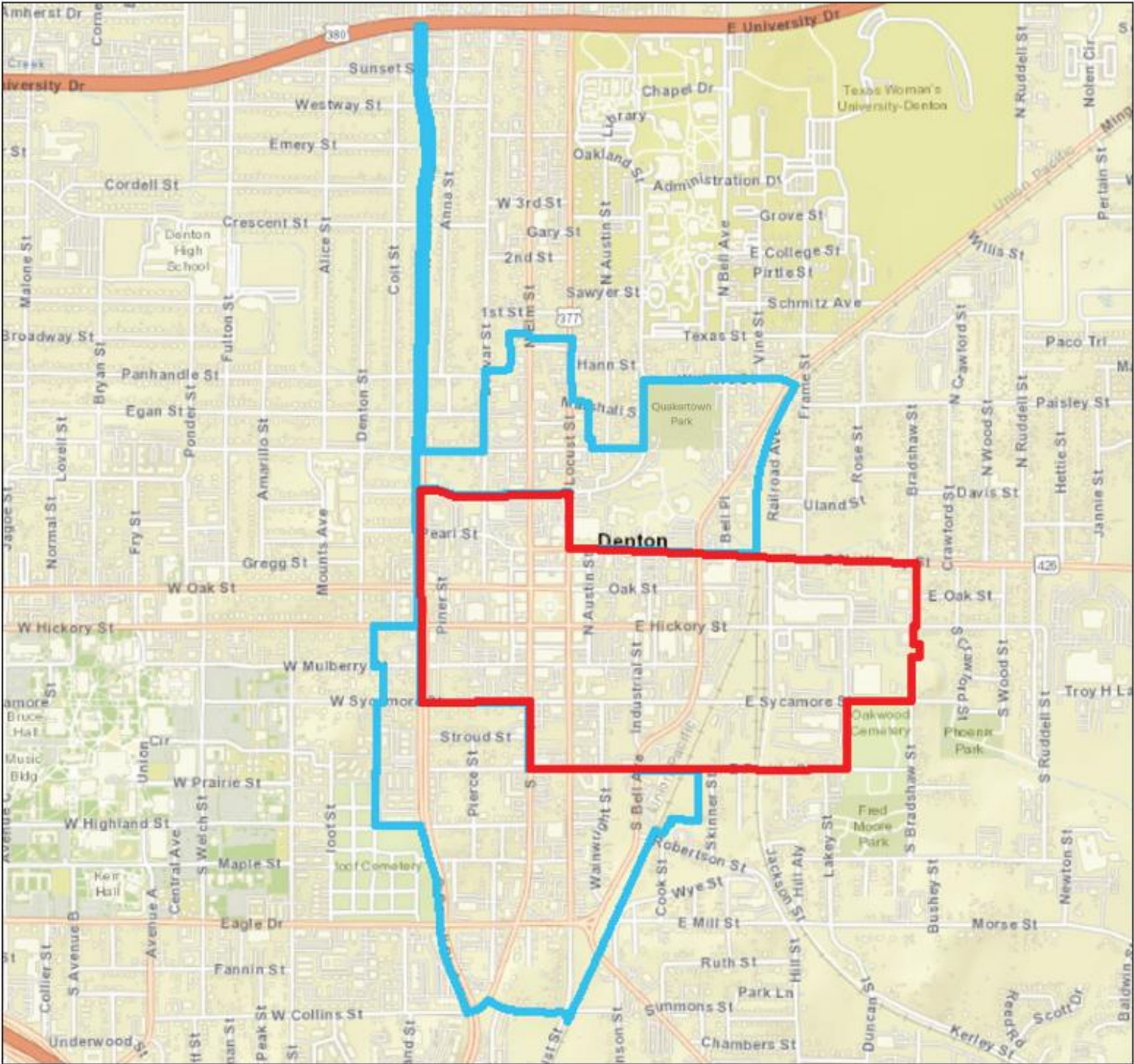
Reporting Period: Oct. 1, 2024, to Sep. 30, 2025



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Tax Increment Reinvestment Zone Number One

DISTRICT MAP



-  - TIRZ #1 Boundary
-  - TIRZ #1A Boundary

Mission Statement

The Mission of the Downtown Tax Increment Reinvestment Zone Number One (Downtown TIRZ 1) is to provide a source of funding for public infrastructure improvements to encourage and accelerate necessary development and redevelopment within the Downtown TIRZ 1 District Area.

Downtown TIRZ 1 took effect on January 1, 2011, with an initial termination date of December 31, 2039, or when the budget of \$24.8 million has been collected.

TIRZ 1A took effect on January 1, 2025, and the life of both Downtown TIRZ 1 and 1A was extended to December 31, 2040, or when the budget of \$ 50,233,426 has been collected.

The City of Denton is the sole participating jurisdiction. The City’s participation is as follows:

Year	Participation
1-5	100%
6- 10	95%
11 - 20	90%
21 -30	85%

District Accomplishments

This report represents October 1, 2024, through September 30, 2025 (FY 2024-25). During FY 2024-25, \$796,685 was collected after the end of the supplemental period determined by the City of Denton. An additional \$212,180 in interest brings the total contribution in FY 2023-24 to \$1,008,865.

Downtown saw increased investment with the Downtown TIRZ 1 area in FY 2024-2025. Identified below are private/public partnership projects supported by the Downtown TIRZ 1 and public investment projects that will support future development within the district.

On December 4, 2024, the TIRZ Board approved the Amended Project and Financing Plan to amend the TIRZ boundaries and extend the term.

On December 17, 2024, City Council approved the expansion of the Downtown TIRZ 1 boundary.

Development Within the District

Project Descriptions: Private/Public Investment

Project Name	Location	Project	Status	Total Investment	TIRZ Investment
Little d Property	104-106 W. Oak	Fire	Reimbursed 2025	\$115,000	\$50,000
Green Eggs and Ham	116 W. Oak	Façade/Building Rehab	Reimbursed 2025	\$138,529	\$50,000
Eagle Surveying	212 W. Sycamore	Façade/Building Rehab	Reimbursed 2025	\$1,465,727	\$50,000
The Plot Twist	227 W. Oak	Utility Upgrades, Interior/Code Improvements, and Signage	Reimbursed 2025	\$49,605	\$27,148.96
Fine Arts Theater of Denton, LLC	113-115 N. Elm	Capital Incentive	In Progress	\$9,119,622	\$1,076,366.00
Fine Arts Theater of Denton, LLC	113-115 N. Elm	Operating Incentive	In Progress	\$9,119,622	\$544,503.00
Fine Arts Theater of Denton, LLC	113-115 N. Elm	Fire Suppression	In Progress	\$118,447.13	\$50,000
West Oak Coffee Bar	114 W. Oak	Fire Suppression	In Progress	\$171,751.16	\$50,000
West Oak Coffee Bar	114. Oak	Façade/Building Rehab, Impact Fees, Utility Upgrades, Interior Code Improvements	In Progress	\$362,132	\$50,000
Brakefield's Pool Service	520 S. Elm	Façade (paint only) and Sign	In Progress	\$32,833.65	\$10,000
Mister Red, LLC	122 N. Locust	Façade/Building Rehab, Impact Fees, Utility Upgrades	In Progress	\$102,137.27	\$50,000
McKarroll Partners, LLC	325 W. McKinney	Façade/Building Rehab & Utility Upgrades	In Progress	\$542,247	\$50,000

Project Descriptions: Public Investment

Project	Location	Status	Investment
Oak & Austin St. Crosswalk improvement	Oak and Austin Streets	Complete*	\$100,000

*Not Funded by the TIRZ

Summary of Downtown TIRZ 1 Board Activity

Board Member list and attendance

Downtown Tax Increment Reinvestment Zone #1									
PLACE NO.	MEMBER NAME		MEETING DATE PERIOD COVERED IS OCTOBER 2024 THROUGH SEPTEMBER 2025						
	Last	First	11/7/2024 CANCELED	12/4/2024	1/22/2025	3/26/2025	5/28/2025	7/23/2025 CANCELED	9/24/2025
1	Reinke Doyle	Marybeth		P	P	P	P		P
2	Stoltzfus	Tim		P	P	P	P		P
3	Byrd	Vicki		P	P	P	P		P
4	Johnson	Suzanne		P	NQ-NS	P	P		A-NA
5	Beck	Brian		P	P	P	P		P
6	Abasolo	Daniel		P	NQ-NS	P	A-NA		P
7	Brakefield	Taylor		A-NA	P	P	NQ-NS		P
TOTAL				6	5	7	5		6

Members serve a two-year term, which begins in October and ends in September each year, depending on their current position.

FY 2024 – 2025 Activity of the Downtown TIRZ 1 Board

The TIRZ 1 Board recommended two items for City Council approval:

- Approved the 2023 – 2024 Downtown Tax Increment Reinvestment Zone Number One Annual Report
- Approved a Downtown Reinvestment Grant application for the following project:
 - 227 W. Oak St., Utility Upgrades, Interior/Code Improvements, and Signage, in an amount not to exceed \$35,000

Downtown Reinvestment Grant Program

In FY 2024-25, the Grant Program's beginning budget was \$200,000, funded by TIRZ 1. Four projects reached completion, creating expenditures of \$177,148.96.

Grant Project Activity

Completed Grant Projects

- A Downtown Reinvestment Grant for Façade/Building Rehab and Interior/Code Improvements in the amount of \$50,000 was paid to the property located at 212 W. Sycamore St. for Eagle Surveying, LLC.
- A Downtown Reinvestment Grant for Fire Suppression in the amount of \$50,000 was paid to the property located at 104-106 W. Oak St. for Little d Property, LLC.
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Approved Grant Project in progress at the end of FY 2024-2025.

- 113 – 115 N. Elm St., \$1,620.869, Fine Arts Theater of Denton LLC. Pending reimbursement. (Approved FY 2023-2024)

Approved Grant Projects in progress for FY 2025-2026.

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- 520 S. Elm St., \$10,000, Brakefield's Pool Service, LLC. (Façade, Paint Only & Sign) Pending reimbursement. (Approved FY 2025-2026)
- 122 N. Locust St., \$50,000, Mister Red, LLC. (Façade/Building Rehab, Impact Fees, & Utility Upgrades) Pending reimbursement. (Approved FY 2025-2026)
- 325 W. McKinney St., \$50,000, McKarroll Partners, LLC. (Façade/Building Rehab and Utility Upgrades) Pending Reimbursement. (Approved FY 2025-2026)

Expense Summary

During FY 2024-25, expenses for Downtown TIRZ 1 totaled \$207,147.96.

Value and Increment Summary

According to Denton Central Appraisal District Certified figures, the FY 2024-2025 total appraised valuation of taxable and real property Downtown TIRZ 1 and 1A was \$230,565,487 and \$144,238,543.

For the original Downtown TIRZ 1 boundary, this represents a \$30,636,532 decrease from the previous supplement tax value of \$261,202,019.

Since its inception, the final value for FY 2024-2025, with supplements of the Downtown TIRZ 1 has increased by an estimated \$151,208,633.

Certified and Supplement Summary

YEAR	FISCAL YEAR AS OF 9/30	TIRZ CERTIFIED TAX VALUE	SUPPLEMENTAL TIRZ TAX VALUE	INCREMENTAL INCREASE (DECREASE)	SUPPLEMENTAL CONTRIBUTION TO TIRZ	INTEREST	TOTAL TIRZ REVENUE
2010	2010-2011	79,356,854	79,356,854	N/A	N/A	N/A	N/A
2011	2011-2012	81,657,808	80,331,050	974,196	6,720	17	6,737
2012	2012-2013	89,605,635	93,040,263	13,683,409	94,381	297	94,678
2013	2013-2014	96,287,950	100,452,300	21,095,446	145,506	1,084	146,590
2014	2014-2015	114,885,073	116,769,435	37,412,581	258,053	2,821	260,874
2015	2015-2016	118,440,576	127,204,599	47,847,745	330,030	5,855	335,885
2016	2016-2017	136,021,478	150,021,979	70,665,125	458,739	11,439	470,178
2017	2017-2018	142,050,751	161,351,215	81,994,361	496,856	6,712	503,568
2018	2018-2019	167,000,575	170,678,753	91,321,899	538,300	11,589	549,889
2019	2019-2020	210,529,139	209,626,251	130,269,397	730,722	16,930	747,652
2020	2020-2021	232,747,807	234,054,363	154,697,509	867,747	10,870	878,617
2021	2021-2022	232,894,462	222,831,388	143,474,534	730,631	19,667	750,298
2022	2022-2023	249,149,564	248,865,847	169,508,993	855,366	120,323	975,689
2023	2023-2024	261,579,433	261,202,019	181,845,165	917,616	235,968	1,153,584
2024	2024-2025	230,735,289	230,565,487	151,208,633	796,685	212,180	1,008,865
TOTALS					\$7,227,352.00	\$655,752.00	\$7,883,104.00

Fund Balance as of 9/30/25 is \$5,375,568

TIRZ 1A Certified Tax Value

2024-2025: \$144,238,543

Appendix A:

TIRZ One Balance Sheet

City of Denton Tax Increment Financing Reinvestment Zone (TIRZ 1)

FISCAL YEAR AS OF 9/30	SUPPLEMENTAL TIRZ TAX VALUE	INCREMENTAL INCREASE (DECREASE)	CONTRIBUTION	ADJUSTED INCREMENTAL VALUE	TAX RATE	ANNUAL TIRZ AD VALOREM REVENUE	INTEREST	TOTAL TIRZ REVENUE	TOTAL EXPENDITURES	FUND BALANCE
2010-2011	79,356,854	N/A	N/A	N/A		N/A	N/A	N/A	N/A	N/A
2011-2012	80,331,050	974,196	100%	2,300,954	0.68975%	6,720	17	6,737	-	6,737
2012-2013	93,040,263	13,683,409	100%	10,248,781	0.68975%	94,381	297	94,678	-	94,678
2013-2014	100,452,300	21,095,446	100%	16,931,096	0.68975%	145,506	1,084	146,590	-	146,590
2014-2015	116,769,435	37,412,581	100%	35,528,219	0.68975%	258,053	2,821	260,874	-	260,874
2015-2016	127,204,599	47,847,745	100%	39,083,722	0.68975%	330,030	5,855	335,885	76,000	259,885
2016-2017	150,021,979	70,665,125	95%	53,831,393	0.68334%	458,739	11,439	470,178	76,000	394,178
2017-2018	161,351,215	81,994,361	95%	59,559,202	0.637856%	496,856	6,712	503,568	1,542,845	(1,039,277)
2018-2019	170,678,753	91,321,899	95%	83,261,535	0.620477%	538,300	11,589	549,889	156,000	393,889
2019-2020	209,626,251	130,269,397	95%	124,613,671	0.590454%	730,722	16,930	747,652	139,587	608,065
2020-2021	234,054,363	154,697,509	95%	145,721,405	0.590454%	867,747	10,870	878,617	24,988	853,629
2021-2022	222,831,388	143,474,534	90%	138,183,847	0.565823%	730,631	19,667	750,298	51,507	698,791
2022-2023	248,865,847	169,508,993	90%	152,813,439	0.560682%	855,366	120,323	975,689	129,767	845,923
2023-2024	261,202,019	181,845,165	90%	163,660,649	0.560682%	917,616	235,968	1,153,584	103,695	1,049,889
2024-2025	230,565,487	151,208,633	90%	136,087,770	0.585420%	796,685	212,180	1,008,865	207,148	801,717
TOTALS						\$ 7,227,352	\$ 655,753	\$7,883,104	\$ 2,507,537	\$ 5,375,568

REPORT CREATED BY:

City of Denton, Office of Economic Development
 401 N. Elm Denton, TX 76201
 940.349.7776
www.cityofdenton.com



City of Denton

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

AGENDA INFORMATION SHEET

DEPARTMENT: Economic Development

ACM: Christine Taylor

DATE: July 14, 2026

SUBJECT

Consider adoption of an ordinance of the City of Denton approving a grant to d20 Tavern LTD Company for utility upgrades and interior/code improvements located at 112 W. Oak St., Suite 200 from the Downtown Reinvestment Grant Program in an amount not to exceed \$23,031 from Tax Increment Reinvestment Zone Number One funds; and providing for an effective date. The Tax Increment Reinvestment Zone Number One Board recommends approval (4-0).

BACKGROUND

D20 was established in 2022 by founder Mark Michnevitz as a craft beer and boardgame venue, featuring 20 local craft beers on tap and a library of more than 400 tabletop games.

Project

After more than four years of successful operations, d20 plans to expand into the building's second floor. The new space, branded as "d20 Keep," will offer a similar experience to d20 Tavern. The expansion will convert a former photography studio into an additional 1,760 square feet of bar and gaming space, accommodating 29 more occupants. The project includes adding a bar and restrooms, as well as completing interior restoration.

Projected Improvements include: Utility Upgrades and Interior/Code Improvements

Project Submitted Expenses: \$46,062

Grant Request: \$23,031

Applicable Policy Limits:

- *Utility Upgrades:*
 - Definition: Upgrades to water, wastewater and electrical service, includes interior upgrades as well as exterior service upgrades.
 - Utility Upgrade grants are limited to a 50% match with a cap of \$50,000 per grant.
- *Interior/Code Improvements: d20*
 - Definition: Asbestos and mold abatement, fire suppression systems and improvements made as required by or in accordance with the Americans with Disabilities Act, as amended.

- Interior/Code Improvement grants are limited to a 50% match with a cap of \$50,000 per grant.

PRIOR ACTION/REVIEW

On April 2, 2026, the Downtown Economic Development Committee (DEDC) reviewed and scored the grant application. The application received an average score of 31 points, making it eligible for a recommendation of up to the max allowable amount of \$23,031. These scores support the recommendations to approve the application as requested. The Downtown Economic Development Committee recommended approval of up to \$23,031 (8-0).

On June 10, 2026, the Tax Increment Reinvestment Zone Number One Board reviewed the application and voted to recommend City Council approve the Downtown Reinvestment Grant Program application in the amount not to exceed \$23,031 as recommended by the DEDC for d20 Tavern LTD Company located at 112 W. Oak. St., Suite 200. The Tax Increment Reinvestment Zone Number One Board recommends approval (4-0).

The building at 112 W. Oak St., Suite 200 has not previously received a Downtown Reinvestment Grant.

EXHIBITS

Exhibit 1 – Agenda Information Sheet

Exhibit 2 – Ordinance and Agreement

Exhibit 3 – Presentation

Exhibit 4 – LLC Search

Respectfully submitted:

Kristen Pulido

Main Street Program Manager

Office of Economic Development

ORDINANCE NO. _____

AN ORDINANCE OF THE CITY OF DENTON APPROVING A GRANT TO D20 TAVERN LTD COMPANY FOR UTILITY UPGRADES AND INTERIOR/CODE IMPROVEMENTS LOCATED AT 112 W. OAK ST., SUITE 200 FROM THE DOWNTOWN REINVESTMENT GRANT PROGRAM IN AN AMOUNT NOT TO EXCEED \$23,031 FROM TAX INCREMENT REINVESTMENT ZONE NUMBER ONE FUNDS; AND PROVIDING FOR AN EFFECTIVE DATE. THE TAX INCREMENT REINVESTMENT ZONE NUMBER ONE BOARD RECOMMENDS APPROVAL (4-0).

WHEREAS, on April 3, 2007, the City Council approved the Downtown Reinvestment Grant Program (the "Program") by Ordinance No. 2007-072; and

WHEREAS, on September 18, 2018, August 18, 2020, December 14, 2021, and November 19, 2025, the City Council approved changes to the Program by Ordinance Nos. 18-1321, 20-1521, 21-2626, and 25-1911, respectively; and

WHEREAS, d20 Tavern LTD Company, tenant of the property located at 112 W. Oak St., Suite 200, Denton, Texas 76201 (the "Property"), applied for a \$23,031.00 grant in accordance with the Program; and

WHEREAS, the Tax Increment Financing Reinvestment Zone Number One Board and the Downtown Economic Development Committee reviewed the application in accordance with the Program and recommend a grant in the full amount requested by the applicant; and

WHEREAS, pursuant to the Program, the maximum Grant amount for the improvements to the Property is \$23,031.00; and

WHEREAS, it is in the public interest and benefits the Tax Increment Reinvestment Zone Number One to award the Downtown Reinvestment Grant, thereby stimulating economic development and promoting desired redevelopment in the downtown area of the City of Denton; NOW, THEREFORE,

THE COUNCIL OF THE CITY OF DENTON HEREBY ORDAINS:

SECTION 1. The findings and recitations in the preamble of this ordinance are found to be true and incorporated herein by reference as if fully set forth in the body of this ordinance.

SECTION 2. The City Council of the City of Denton hereby approves an agreement between the City and d20 Tavern LTD Company in the form attached hereto authorizing a grant in an amount not to exceed \$23,031.00 payable from Tax Increment Reinvestment Zone Number One funds under the Program.

SECTION 3. The City Manager, or their designee, is hereby authorized to execute the Agreement and to carry out the duties and responsibilities of the City, including the expenditure of funds as provided in the Agreement.

SECTION 4. This Ordinance shall become effective immediately upon its passage and approval.

The motion to approve this ordinance was made by _____ and seconded by _____, the ordinance was passed and approved by the following vote [___ - ___]:

	Aye	Nay	Abstain	Absent
<i>Marcella Lunn</i> Mayor Chris Watts:	_____	_____	_____	_____
Jordan Villarreal, District 1:	_____	_____	_____	_____
Nick Stevens, District 2:	_____	_____	_____	_____
Suzi Rumohr, District 3:	_____	_____	_____	_____
Joe Holland, District 4:	_____	_____	_____	_____
George Michael Ferrie Jr., At Large Place 5:	_____	_____	_____	_____
Jill Jester, At Large Place 6:	_____	_____	_____	_____

PASSED AND APPROVED this the _____ day of _____, 2026.

CHRIS WATTS, MAYOR

ATTEST:
KRISTI FOGLE, INTERIM CITY SECRETARY

BY: _____

APPROVED AS TO LEGAL FORM:
MACK REINWAND, CITY ATTORNEY

BY: _____

DOWNTOWN REINVESTMENT GRANT AGREEMENT

This Downtown Reinvestment Grant Agreement (the “Agreement”) is entered into by and between the City of Denton, Texas (the “City”), duly acting herein by and through its City Manager, and d20 Tavern LTD Company a Texas limited liability company with principal place of business at 112 W. Oak St., Denton, TX 76201 (“Owner”).

WHEREAS, the City Council of Denton, Texas (the “City Council”) has, by Ordinance No. 2007-072, elected to offer downtown reinvestment grant incentives and has adopted guidelines and criteria governing downtown reinvestment grant incentive agreements known as the Downtown Reinvestment Grant Program Policy (the “Program”), a copy of which is on file in the City of Denton Economic Development Office and which is incorporated herein by reference; and

WHEREAS, the Program constitutes appropriate “guidelines and criteria” governing downtown reinvestment grant incentive agreements to be entered into by the City;

WHEREAS, the Owner will be the owner or have a leasehold interest, as of the Effective Date (as hereinafter defined), of certain real property more particularly described in Exhibit “A” attached hereto and incorporated herein by reference and made a part of this Agreement for all purposes (the “Premises”); and

WHEREAS, on the 9th day of December 2025, Owner submitted an application for a reinvestment grant with various attachments to the City concerning the contemplated use of the Premises (the “Application”), which is attached hereto and incorporated herein by reference as Exhibit “B”; and

WHEREAS, the City Council of the City of Denton finds that the contemplated use of the Premises, the Improvements (as hereinafter defined) to the Premises as set forth in this Agreement, and the other terms hereof are consistent with encouraging development in accordance with the purposes and are in compliance with the Program and similar guidelines and criteria adopted by the City and all applicable law;

NOW, THEREFORE, the City and Owner for and in consideration of the premises contained herein do hereby contract, covenant, and agree as follows:

I.

TERMS AND CONDITIONS OF REIMBURSEMENT GRANT

A. In consideration of and subject to the Owner meeting all the terms and conditions of reimbursement set forth herein, the City will pay to the Owner the following reimbursement grant:

1. A reimbursement grant in an amount not to exceed \$23,031 (the "Grant") attributable to new Improvements, as hereinafter defined, being constructed on the Premises.

2. The Grant will be distributed to Owner as a lump sum reimbursement upon completion of the Project, the receipt of adequate documentation of expenditure of the Grant amount on costs necessary and related to the Improvements as described in Exhibit "B" attached hereto, and approval of the completed Improvements by the City.

B. A condition of receiving the Grant is that, by July 14, 2027, Owner will complete paint and sign updates as described in Exhibit "B" (collectively, the "Improvements") on the Premises.

C. A condition of the Reimbursement is that the Improvements be completed and used substantially in accordance with the description of the project set forth in Exhibit "B" and comply with the requirements of the Program, which are incorporated herein by reference.

D. Owner agrees to comply with all the terms and conditions set forth in this Agreement.

E. The parties expressly understand and agree that City's payment of the Grant is contingent upon City's receipt and appropriation of adequate funds to pay the Grant. If adequate funds are not available to make the payment under this Agreement, City may, at its option, either reduce the amount of the Grant or terminate the Agreement.

F. It is expressly understood that this Agreement in no way obligates the City to provide more funds than the Grant amount.

II.

CONDITION OF REIMBURSEMENT

A. Prior to payment of any portion of the Grant, all ad valorem real property taxes with respect to the Premises and all other property in the City owned by the Owner shall be current.

B. Prior to the payment of any portion of the Grant, Owner shall have constructed the Improvements as specified in Exhibit "B."

C. If alterations to the paint or sign are made for any reason within one (1) year from final payment of the Grant, Owner is required to reimburse the City in the full amount of the Grant.

D. Prior to the award of the Grant, Owner shall own or have a leasehold interest in the Premises.

III.

RECORDS AND EVALUATION OF PROJECT

A. The Owner shall provide access and authorize inspection of the Premises by City employees and allow sufficient inspection of financial information related to construction of the Improvements to ensure that the Improvements are made, and performance thresholds are met according to the specifications and conditions of this Agreement. Such inspections shall be done in a way that will not interfere with Owner's business operations.

IV.
GENERAL PROVISIONS

A. The City has adopted guidelines and criteria for the Program that allow it to enter into this Agreement containing the terms set forth herein.

B. The City has determined that procedures followed by the City to enter into this Agreement and the obligations of the parties to this Agreement conform to the requirements of the Code and the Program.

C. In the event of any conflict between the City zoning ordinances, or other City ordinances or regulations, and this Agreement, such ordinances or regulations shall control.

D. Owner represents and warrants that Owner is authorized to make the Improvements to the Premises.

E. Pursuant to Section 2264.051 of the Texas Government Code, Owner certifies that it and its branches, divisions, or departments do not and will not knowingly employ an undocumented worker.

V.
NOTICE

All notices called for or required by this Agreement shall be addressed to the following, or such other party or address as either party designated in writing, by certified mail postage prepaid, by hand delivery or via facsimile:

OWNER:

D20 Tavern LTD Company
112 W. Oak. St.
Denton, TX 76201-4143

CITY:

Cassey Ogden, Interim City Manager
City of Denton
215 East McKinney
Denton, Texas 76201
Fax No. 940.349.8596

VI.
CITY COUNCIL AUTHORIZATION

This Agreement was authorized by the City Council by passage of Ordinance No. _____ authorizing the City Manager to execute this Agreement on behalf of the City.

VII.
SEVERABILITY

In the event any section, subsection, paragraph, sentence, phrase or word is held invalid, illegal or unconstitutional, the balance of this Agreement shall stand, shall be enforceable and shall be read as if the parties intended at all times to delete said invalid section, subsection, paragraph, sentence, phrase, or word. In the event that (i) the term of the Grant with respect to any property is longer than allowed by law, or (ii) the Grant applies to a broader classification of property than is allowed by law, then the Grant shall be valid with respect to the classification of property abated hereunder, and the portion of the term, that is allowed by law.

VIII.
OWNER STANDING

Owner, as a party to this Agreement, shall be deemed a proper and necessary party in any litigation questioning or challenging the validity of this Agreement or any of the underlying ordinances, resolutions, or City Council actions authorizing same and Owner shall be entitled to intervene in said litigation.

IX.
APPLICABLE LAW

This Agreement shall be construed under the laws of the State of Texas and is fully performable in Denton County, Texas. Venue for any action under this Agreement shall be in Denton County, Texas.

X.
ENTIRE AGREEMENT

This instrument with the attached exhibits contains the entire agreement between the parties with respect to the transaction contemplated in this Agreement.

XI.
BINDING

This Agreement shall be binding on the parties and the respective successors, assigns, heirs, and legal representatives.

XII.
COUNTERPARTS

This Agreement may be executed in counterparts, each of which shall be deemed an

original, but all of which together shall constitute one and the same instrument.

XIII.
SECTION AND OTHER HEADINGS

Section or other headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

XIV.
NO JOINT VENTURE

Nothing contained in this Agreement is intended by the parties to create a partnership or joint venture between the parties, and any implication to the contrary is hereby disavowed.

XV.
AMENDMENT

This Agreement may be modified in writing by the parties hereto to include other provisions which could have originally been included in this Agreement or to delete provisions that were not originally necessary to this Agreement.

XVI.
FORCE MAJEURE

If, because of flood, fire, explosions, civil disturbances, strikes, war, acts of God, or other causes beyond the control of either Party, either Party is not able to perform any or all of its obligations under this Agreement, then the respective Party's obligations hereunder shall be suspended during such period but for no longer than such period of time when the party is unable to perform.

XVII.
INDEMNIFICATION

OWNER SHALL INDEMNIFY, SAVE AND HOLD HARMLESS THE CITY, ITS ELECTED OFFICIALS, OFFICERS, AGENTS, ATTORNEYS AND EMPLOYEES (COLLECTIVELY, THE "INDEMNITEES") FROM AND AGAINST ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION WHICH DIRECTLY OR INDIRECTLY ARISES FROM CITY'S GRANT AND OWNER'S PERFORMANCE OF ITS OBLIGATIONS HEREUNDER AND ANY CONTESTS OR CHALLENGES TO THE LEGAL AUTHORITY OF THE CITY OR OWNER TO ENTER INTO THIS AGREEMENT AND ANY AND ALL LIABILITIES, LOSSES, COSTS OR EXPENSES (INCLUDING ATTORNEY'S FEES AND DISBURSEMENTS) THAT ANY INDEMNITEES SUFFER OR INCURS AS A RESULT OF ANY OF THE FOREGOING; PROVIDED, HOWEVER, THAT OWNER SHALL HAVE NO OBLIGATION UNDER THIS PARAGRAPH TO THE CITY WITH RESPECT TO ANY OF THE FOREGOING ARISING OUT OF THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF THE

CITY OR THE BREACH BY THE CITY OF THIS AGREEMENT.

This Agreement is executed and effective on this, the ____ day of _____, 2026, (the “Effective Date”) by duly authorized officials of the City and Owner.

CITY OF DENTON

Marcella Lunn

CASSEY OGDEN, INTERIM CITY MANAGER

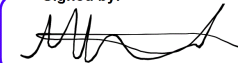
ATTEST:
KRISTI FOGLE, INTERIM CITY SECRETARY

BY: _____

APPROVED AS TO LEGAL FORM:
MACK REINWAND, CITY ATTORNEY

BY: _____

OWNER:
D20 Tayern LTD Company

Signed by:

E16A08B88B3145D...

Mark Michnevitz, Owner

EXHIBIT A

LEGAL DESCRIPTION OF THE PREMISES

Being the East-on-half of Lot 3, Block 5 of the ORIGINAL TOWN OF DENTON, an Addition to the City of Denton. Denton County, Texas, according to the Plat thereof recorded in Volume 4, Page 53, Plat Records, Denton County, Texas.

EXHIBIT B

APPLICATION AND IMPROVEMENTS

Downtown Reinvestment Grant Program Application

Please return completed the application with necessary attachments and signatures to the Economic Development Department office at 401 N. Elm St., Denton, Texas. If you have any application questions, please contact the Economic Development Department at 940-349-7776.

Applicant Name	MARK MICHEWITZ	Date	12/9/2025
Business Name	d2o TAVERN		
Mailing Address	112 WEST OAK STREET #100 & 200		
Contact Phone	[REDACTED]	Email Address	[REDACTED]
Building Owner (if different from applicant)	STAGI - JOHN WITHERS		
Historical/Current Building Name	UNKNOWN		
Project Site/Address	112 WEST OAK STREET #200		

Type of Work: (check all that apply)

- | | |
|---|--|
| <input checked="" type="checkbox"/> Paint Only | <input type="checkbox"/> Awnings |
| <input checked="" type="checkbox"/> Signage | <input checked="" type="checkbox"/> Impact Fees |
| <input checked="" type="checkbox"/> Utility Upgrades | <input checked="" type="checkbox"/> Interior/Code Improvements |
| <input type="checkbox"/> Facade & Building Renovation | <input type="checkbox"/> Fire Suppression System |

Details of planned improvements relating to grant request (attach additional information if necessary).

PLANS HAVE BEEN SUBMITTED TO CITY BUT CAN BE PROVIDED ON REQUEST. THE PLAN IS TO TURN THE SPACE FROM A INTO A PREMIERE GAMING BAR WITH RETAIL AREA. WE WILL IMPROVE THE CURRENT SPACE BY ADDING A BAR, RESTROOMS AS WELL AS RESURFACING THE INTERIOR. ONCE COMPLETE THIS SPACE WILL HAVE ONE OF, IF NOT THE BEST, VIEWS OF THE COURTHOUSE

How will this project benefit Downtown?

THIS PROJECT WILL TURN A PREVIOUSLY UNDER-UTILIZED SPACE INTO ONE OF THE BEST PLACES TO TAKE IN THE BEAUTY OF THE COURTHOUSE AND SURROUNDING SQUARE.

Legal Description of the property:

THE ENTIRE 112 WEST OAK STREET SUITE 200 INCLUDING STAIRWELL ENTRY

Project Categories	Estimated Costs	Grant Requested
Facade/Building Rehab		
Awnings	-	
Signs	-	
Impact Fees	-	
Utility Upgrades	45,242.00	22,621.00
Interior/Code Improvements	820.00	410.00
Fire Suppression System	-	
Totals		23,031.00

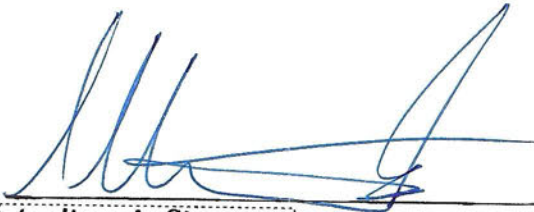
TOTAL COST OF PROPOSED PROJECT

\$ 150,000.00

TOTAL GRANT REQUEST
(May not exceed 50% of TOTAL COST up to \$50,000)

\$ 23,031.00

Attach all required color samples of paint, awning/canopy, sign design, etc., as well as photographs of building's exterior facade, roof and foundation.



Applicant's Signature

3/4/2026

Date

DOWNTOWN REINVESTMENT GRANT AGREEMENT FORM

Please complete and return with the Downtown Reinvestment Grant Application to the Economic Development office, 401 N. Elm St., Denton, Texas. If you have any questions, please contact the Economic Development Department at 940- 349-7776.

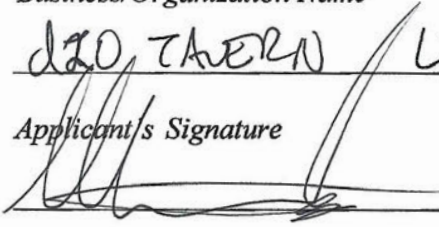
I have met with a representative from the Economic Development Department, and I have read and fully understand the Downtown Reinvestment Grant procedures established by the Denton City Council. I intend to use this grant program for the aforementioned renovation projects to advance the efforts of revitalization and historic preservation of Denton's historic downtown. *I have not received, nor will I receive insurance monies for this revitalization project.*

I understand that if I am awarded a Downtown Reinvestment Grant by the City of Denton, any deviation from the approved project may result in the partial or total withdrawal of the grant. (If I am awarded a reinvestment grant for facade, awning or sign work and the facade, sign or awning is altered for any reason within **one (1) year** from construction, I may be required to reimburse the City of Denton immediately for the full amount of the grant.)

Business/Organization Name

120 TAVERN LTD COMPANY

Applicant/s Signature



Printed Name

MARK MICHNEVITZ

Date

12/9/2025

Building Owner's Signature (if different from applicant) Printed Name

Date

This section is to be completed by Economic Development staff.

Date considered by DEDC

Recommendation

Staff Signature

Date considered by TIRZ #1 Board

Recommendation

Staff Signature

Date considered by City Council

Approval

Staff Signature

YLEE INTERIORS CORPORATION

Project	D20 Tavern	Estimate	DATE : 5-20-2025 Customer ID: 1202
Date	5/20/2025		
Owner			
Address	112 west Oak st		
City	Denton TX 76201		
Sq. Footage	0sf		
Estimator	Jong Lee	Phone : 972-302-1753	

DIVISION	SCOPE OF	TOTAL
GENERAL CONDITIONS		\$3,730.00
	Site Supervision	\$ 2,000.00
	Project Signage	\$ 650.00
	Final Clean - Heavy Clean	\$ 1,080.00
Demolition		\$3,950.00
	wall / cabinet / remove	\$ 3,950.00
		\$0.00
WOOD/MILLWORK		\$12,820.00
	food expo solid face Countertop installed	\$ 6,700.00
	new custom counter base cabinet (lamine finish)	\$ 6,120.00
FRAMING / CEILINGS / INSULATION		\$10,280.00
	new wall metal framing restroom/ half wall	\$ 5,980.00
	Drywall 5/8" gypsum	\$ 4,300.00
electric work		\$14,280.00
	1-relocate existing panel Reconet all existing equipment and light And plug Power for 10-new plug. Provide and 4 new can light 2- new xfan Provide and install 4 new emergency light	\$ 14,280.00
DOORS/HARDWARE		\$3,800.00
	prefinished 4 door with frame /hardware	\$ 3,800.00
FLOORING		\$12,316.00
	ceramic tile installed wet bar wall/floor/couter	\$ 4,096.00
	floor cut for plumbing line with finish after inspection	\$ 1,020.00
	floor refinish	\$ 1,500.00
	restroom tile 48" high/ floor tile	\$ 3,900.00
	water proofing membrane install	\$ 1,800.00
PAINTING/WALL COVERING		\$5,050.00
	1coat primer 2coat paint / wall / restroom	\$ 2,800.00

	wall patch and mud tape plaster smooth finish	\$ 2,250.00
MECHANICAL	\$4,400.00	
	extend restroom AC	\$ 4,400.00
DUMPSTER	\$ 750.00	
	30YD 1 dumpster service	\$750.00
other work	\$2,650.00	
	restroom/storage /ceiling grid with tile	\$ 2,650.00
PLUMBING	\$25,542.00	
	For Plumbing Including Demo existing restroom Demo water heater for reuse 64' Sanitary system 2 Floor drains and 1 Floor sink 1 Above ground grease trap 200' Hot and cold water system Reconnect water heater 2 Toilets and 2 Lavatories 1 Mop sink Hookup hand sink and bar sink NO GAS PIPING NO PAINTING TOTAL PLUMBING 21,285.00	\$ 25,542.00

0

MISCELLANEOUS	\$820.00	
	grab bar dispenser restroom	\$ 820.00
NOTE	Subtotal	\$ 99,638.00
	Overhead and Profit	\$ -
	Discount	\$ -
	Tax	\$ -
	Permit Cost	\$ -
	TOTAL CONSTRUCTION COST	\$ 99,638.00

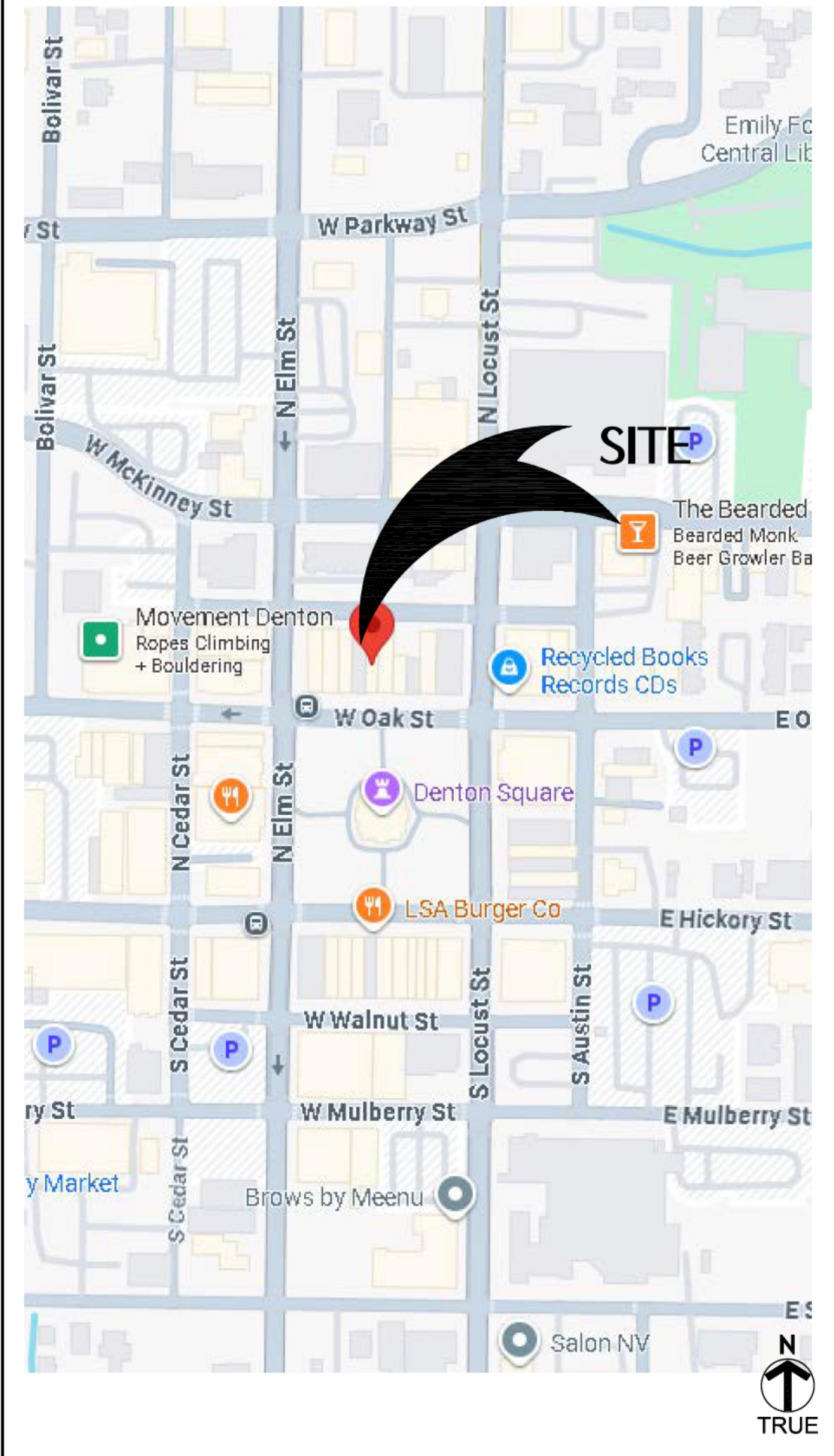
SUITE COMBINING & PARTIAL INTERIOR REMODELING BY TENANT

D20 TAVERN

112 WEST OAK ST, SUITE #112-100 DENTON, TX 76201

REVISION/ISSUE NUMBER	DATE

VICINITY MAP



MINIMUM OCCUPANT LOAD

OCCUPANCY	ROOM	AREA IN SQ.FT	OCCUPANT LOAD FACTOR	OCCUPANT LOAD
CUSTOMER AREA	CUSTOMER AREA	1000	15 SF PER PERSON	66
	RAMEN BAR	110	EXCLUDED	0
	DRINKING BAR	100	EXCLUDED	0
	WINDOW SEATING	200	FIXED SEATING (NUMBER OF SEAT)	10
	RESTROOM (M)	50	EXCLUDED	-
	RESTROOM (W)	50	EXCLUDED	-
NON CUSTOMER AREA	KITCHEN	500	200 GROSS	2.5
TABLE 1004.5 MAXIMUM FLOOR AREA ALLOWANCES PER OCCUPANT			TOTAL	78.5 PERSON

BUILDING AREA AND EXIT REQUIREMENTS

BUILDING	BLDG SQ.FT	TOTAL OCCUPANCY	EXIT WIDTH REQ'D	EXIT WIDTH PROV'D
A2	2,907 SF	78.5	15.7'(0.2X78.5)	144.0"
NUMBER OF EXITS REQUIRED : 2		EXITS PROVIDED : 2		
MAXIMUM TRAVEL DISTANCE TO EXIT (FT.) WITH NO SPRINKLER SYSTEM NO GREATER THAN 200 FT. NO DEAD END FOR THIS PROJECT (NOT TO EXCEED 20')				
TOTAL OCCUPANCY : 78.5 (A)				

INTERIOR FINISH OUT MATERIAL REQUIREMENT

INTERIOR WALL & CEILING FINISHES : CLASS C
 SMOKE DEVELOPED = 0-450
 INTERIOR FLOOR FINISHES: COMPLY W/ DOC FF-1 PILL TEST (CPSC 16 CFR 1630)

BUILDING KEY PLAN



SHEET INDEX

GENERAL	ARCHITECTURAL	ELECTRICAL	MECHANICAL	PLUMBING
G000				
G001				
G002				
G003				
A001	EXISTING FLOOR PLAN / DEMO PLAN			
A100	LIFE SAFETY - EGRESS PLAN			
A101	PROPOSED FLOOR PLAN			
A102	FLOOR FINISH OUT PLAN			
A103	WALL SECTION & DETAILS			
A104	RESTROOM DETAILS			
A200	REFLECTED CEILING			
E100		LIGHTING PLAN & POWER PLAN		
E200		ELECTRICAL SPECS		
E300		RISER DIAGRAM & PANEL SCHEDULE		
E400		ELECTRICAL DETAILS		
M100		MECHANICAL NOTES		
M200		HVAC PLAN		
M300		HVAC ROOF PLAN		
M400		MECHANICAL SCHEDULE & DETAIL		
P100		PLUMBING NOTES		
P200		DOMESTIC WATER SUPPLY PLAN		
P300		WASTE & VENT PLAN		
P400		PLUMBING DETAILS/PLUMBING SCHEDULE AND RISER DIAGRAM		
P500		GREASE TRAP DETAIL / CALCULATION		

PROJECT SUMMARY

JURISDICTIONS: THE CITY OF DENTON BUILDING DEPARTMENT

APPLICABLE CODES INFORMATION:
 2021 INTERNATIONAL BUILDING CODE (IBC)
 2021 INTERNATIONAL PLUMBING CODE (IPC)
 2021 INTERNATIONAL MECHANICAL CODE (IMC)
 2020 NATIONAL ELECTRICAL CODE (NEC)
 2021 INTERNATIONAL ENERGY CONSERVATION CODE (IECC)
 2021 INTERNATIONAL FUEL AND GAS CODE (IFGC)
 2021 INTERNATIONAL FIRE CODE (IFC)
 ALL CURRENT LOCAL AMENDMENTS ARE ALSO PART OF EACH OF THE FOLLOWING CODES

OCCUPANCY TYPES: A2
 TYPE OF CONSTRUCTION: TYPE IIB NONE SPRINKLED
 BUILDING AREA: 2,907 SF
 PREVIOUS USE: VACANT
 SCOPE OF WORK: PARTIAL INTERIOR REMODELING BY NEW TENANT

WATER FIXTURE COUNTS

ASSEMBLY "A" CLASSIFICATION	OCCUPANCY	WATER CLOSETS		LAVATORIES		SERVICE SINK
		REQ'D MALE/FEMALE	PROV'D MALE/FEMALE	REQ'D MALE/FEMALE	PROV'D MALE/FEMALE	
A2	1 PER 75	1 PER 75	1 PER 200	1 PER 200	1 PROVIDED	
	1 MALE 1 FEMALE TOTAL 2	1 MALE 1 FEMALE TOTAL 2	1 MALE 1 FEMALE TOTAL 2	1 MALE 1 FEMALE TOTAL 2	1 PROVIDED	
NOTE: TOTAL OCCUPANCY LOAD 78.5 PERSONS 50% MALE AND 50% FEMALE OCCUPANCY ALL ACCESSIBLE /TAS/ADA						WATER FOUNTAIN

SYMBOL LEGEND

01 DETAIL TITLE DESCRIPTION DRAWING TITLE

ENLARGED DETAIL REFERENCE SYMBOL ID NUMBER SHEET WHERE DETAIL LOCATED

SECTION ID NUMBER SHEET WHERE SECTION LOCATED

ELEVATION ID NUMBER SHEET WHERE SECTION LOCATED

ELEV. (HEIGHT) MARK

PARTITION W/SOUND INSULATION

PARTITION WITHOUT SOUND INSULATION

ROOM NAME

02 DEMO/EXISTING

BUILDING KEY

KITCHEN EQUIPMENT ITEM

WINDOW NUMBER

DOOR NUMBER

NOTE BY NUMBER

FINISH MATERIAL

REVISION DATA

REVISED AREA CLOUDED

FINISH OUT INDICATOR

EXISTING/NEW

CEILING

WALL

BASE

FLOOR

DIRECTORY

LANDLORD

TENANT: D20 TAVERN

DESIGN TEAM: JNF ASSOCIATES
 12200 N STEWARTS FRWY #303
 FARMERS BRANCH TX 75234
 214-908-1139
 CAYREER@GMAIL.COM

GENERAL CONTRACTOR

LANDLORD NOTES:
 1. ALL ROOF PENETRATION TO BE DONE BY LANDLORD'S ROOFER AT TENANT GC'S COST.
 2. ALL CONCRETE SLAB CORING SHALL BE APPROVED BY LANDLORD
 3. ALL EXTERIOR CONDUIT, METER CANS, DISCONNECTIONS, etc. TO BE PAINTED TO MATCH REAR OF BUILDING.
 4. ALL GAS PIPES LOCATED ON REAR OF BUILDING TO BE PAINTED TO MATCH REAR OF BUILDING.
 5. ALL GAS AND CONDENSATE LINE SUPPORTS TO HAVE ROOF MEMBRANE SLIP SHEET OR ISOLATOR UNDER IT TO PROTECT THE ROOF.
 6. DIMENSION FIGURED FROM CENTER OF DEMISING WALL TO CENTER OF DEMISING WALL
 7. ALL EXTERIOR WORK (STORE FRONT) SHALL BE CONFIRMED BY LANDLORD

JNF ASSOCIATES
JNF
 ARCHITECTURE

12200 N STEWARTS FRWY #303
 DALLAS TX 75234
 214-908-1139
 J.NF.ASSOCIATES@GMAIL.COM

PROJECT NAME / ADDRESS
 SUITE COMBINING & PARTIAL INTERIOR REMODELING
D20 TAVERN
 112 WEST OAK ST, SUITE #112-100
 DENTON, TX 76201

SHEET INDEX

SHEET TITLE

SHEET NUMBER

G0.00

GENERAL NOTES

- 1. THE CONTRACTOR SHALL VISIT THE PROJECT SITE, INVESTIGATE, AND BECOME FAMILIAR WITH ALL EXISTING CONDITIONS PRIOR TO BIDDING THE PROJECT. ADDITIONAL COSTS WILL NOT BE AWARDED FOR EXISTING CONDITIONS WHICH ARE VISIBLE AND/OR CAN BE REASONABLY ANTICIPATED.
2. THE CONTRACTOR IS RESPONSIBLE FOR VERIFYING ALL DIMENSIONS, SITE GRADES, ETC. PRIOR TO CONSTRUCTION, AND NOTIFY THE ARCHITECT OF ANY DISCREPANCIES THAT COULD AFFECT THE DESIGN AND FINISH-OUT OF THE PROJECT.
3. ALL CONSTRUCTION SHALL COMPLY WITH ALL APPLICABLE CITY AND STATE CODES AND STANDARDS
4. THE CONTRACTOR IS RESPONSIBLE FOR COORDINATING THE WORK OF ALL UTILITY COMPANIES AND PERFORMING ALL WORK REQUIRED BY THEM.
5. THE CONTRACTOR SHALL PICK-UP ALL REQUIRED PERMITS AND CERTIFICATE OF OCCUPANCY. TAP FEES & ANY OTHER FEES SHALL BE PAID BY THE CONTRACTOR. THE OWNER SHALL PAY FOR THE PERMITS & CERTIFICATE OF OCCUPANCY.
6. THE CONTRACTOR IS RESPONSIBLE FOR INSURING PROPER FILLING AND COMPACTION OF UTILITY COMPANY TRENCHES, BOTH INTERIOR & EXTERIOR.
7. CONTRACTOR TO PROTECT ALL EXISTING BUILDINGS AND ALL EXISTING ABOVE AND BELOW GRADE UTILITIES. CONTRACTOR WILL REPAIR ALL DAMAGE TO EXISTING CONDITIONS.
8. ALL EXCAVATION, TRENCHING, ETC. REQUIRED IN ROCK SUBGRADE TO BE PART OF CONTRACT, EXCEPT AS RELATING TO SITE WORK. SHORE AND BRACE ALL EXCAVATIONS IN ACCORDANCE WITH CITY, STATE AND O.S.H.A. REQUIREMENTS.
9. ALL ACCESSIBLE ROUTES SHALL BE SLOPED 4.75% MAX. IN THE DIRECTION OF TRAVEL AND 1.75% ON CROSS SLOPES. ALL LANDINGS SHALL NOT EXCEED 1.75% IN ALL DIRECTIONS.
10. CONTRACTOR TO EXERCISE EXTREME CARE IN CONSTRUCTION TO OR ADJACENT TO EXISTING BUILDINGS. PROVIDE ALL SHORING OR OTHER PROJECTION NECESSARY TO PREVENT DISTURBING BUILDING SUBGRADE OR FOUNDATIONS.
11. CONTRACTOR IS TO INSTALL RAMPS AND SIGNAGE FOR ACCESSIBILITY PER CITY, STATE, AND A.D.A. REQUIREMENTS. ALL CURB AND EXIT DOOR RAMPS, INTERIOR & EXTERIOR, ARE TO HAVE HEAVY BROOM FINISH PERPENDICULAR TO DIRECTION OF TRAVEL.
12. ALL MAIN AND BRANCH SPRINKLER LINES, ELECTRICAL AND PLUMBING LINES ARE TO BE RUN AS HIGH AS POSSIBLE WITHIN THE ROOF STRUCTURE SPACE WHEREVER THIS IS POSSIBLE. WHEN LINES ARE RUN BELOW ROOF STRUCTURE, THEY ARE TO BE HELD AS TIGHT AS POSSIBLE TO BOTTOM OF STRUCT. ALL LINES ARE TO BE SUSPENDED FROM TOP JOIST AND GIRDER CHORDS. ANY CHANGE IN LINE ROUTING ARE TO BE AS 90 PARALLEL TO STRUCTURE.
13. PROVIDE ADEQUATE BLOCKING AS REQUIRED TO SUPPORT ELECTRIC PANELS, ACCESS ROOF LADDER, HANDRAILS, WALL MOUNTED SIGNAGE, ETC.
14. DO NOT SUSPEND ANY ITEMS FROM THE BOTTOM JOIST CHORD, HORIZ. BRIDGING OR X-BRACING, OR PIPING AND CONDUITS, METAL ROOF OR FLOOR DECKS AND/OR ANY WORK BY OTHER TRADES. REFER TO STRUCT. DWGS. FOR JOIST LOADS NOT SHOWN ON THE STRUCT. FRAMING PLAN(S) CONSULT ARCHITECT AND STRUCTURAL ENGINEER IF THE DETAIL(S) IS/ARE NOT PROVIDED OR MAY NOT APPLICABLE TO SPECIFIC LOADING CONDITIONS(S).
15. UNLESS OTHERWISE INDICATED, EACH SUBCONTRACTOR AND GENERAL CONTRACTOR IS RESPONSIBLE FOR ADEQUATELY BRACING & SUPPORTING ALL ITEMS FROM THE ROOF STRUCTURE FOR GRAVITY LOADS AND TO RESIST SEISMIC MOVEMENTS AS REQ'D. BY ALL APPLICABLE CODES. (ANY BRACING W/ A SIGNIFICANT VISUAL IMPACT IS SUBJECT TO ARCHITECT APPROVAL)
16. CONTRACTOR IS RESPONSIBLE VERIFYING AND PRICING ALL A.D.A. REQUIREMENTS, PRIOR TO START OF CONSTRUCTION.
17. CONTRACTOR TO PROVIDE TEMPORARY SAFETY GUARD RAILS AT ALL FLOOR OPENINGS UNTIL TENANT CONSTRUCTION STARTS.
18. AN APPROVED SINGLE SET OF PLANS (BUILDING, FIRE SPRINKLER, FIRE ALARM, ETC.) SHALL BE ON THE JOB SITE DURING CONSTRUCTION. CONTRACTOR SHALL COORDINATE THE ACTUAL LOCATION OF APPROVED PLANS TO COINCIDE W/ INSPECTIONS TAKING PLACE.
19. ALL EXIT DOOR HARDWARE IS TO COMPLY WITH LOCAL, STATE, AND FEDERAL A.D.A. REQUIREMENTS, WHETHER SPECIFICALLY INDICATED IN HARDWARE NOTES OR SPECIFICATIONS. THIS INCLUDES, BUT NOT NECESSARILY LIMITED TO: DOOR CLOSURES, LATCH SETS, LOCK SETS, PRIVACY SETS, PANIC HARDWARE, CONTROLLERS, AUTOMATIC BOLTS AND DOOR MOUNTED ELECTRICAL STRIKES AND ALARMS.
20. ALL EXPOSED EXTERIOR WALL MOUNTED CONDUIITS BUSS GUTTERS, JUNCTION BOXES, PANEL BOXES, METERS, PIPES, ETC. ARE TO BE THREE (3) COAT PAINTED WITH COLOR TO BE SELECTED BY THE ARCHITECT. ALL EXPOSED CONDUIT PIPES JUNCTION BOXES ROOF SCUTTLIES ETC. ABOVE THE ROOF BOTH IN MID FIELD AREAS AND ON BACKS OF PARAPETS ARE TO BE THREE (3) COATS PAINTED; COLOR TO BE SELECTED BY THE ARCHITECT.
21. ALL EXITS SHALL BE OPERABLE FROM THE INSIDE WITHOUT THE USE OF A KEY. SALES AREA ENTRANCE DOORS SHALL HAVE A SIGN STATING "THESE DOORS SHALL REMAIN UNLOCKED DURING BUSINESS CONTRACTOR IN RESPONSIBLE FOR LETTERS MIN. OR AS REQUIRED BY CODE."
22. MOUNTING HEIGHTS. WHERE MOUNTING HEIGHTS ARE NOT INDICATED INSTALL COMPONENTS AT MOUNTING HEIGHTS REQUIRED BY THE MOST RECENT ISSUE OF THE AMERICANS WITH DISABILITIES ACT FOR ANY PARTICULAR APPLICATION INDICATED. REFER ANY QUESTIONABLE MOUNTING HEIGHT DECISIONS TO THE ARCHITECT FOR FINAL DECISION.
23. CONTRACTOR IS REFER TO M.E.P. DRAWING AND PROJECT MANUAL IF ANY FOR ANY HINGED ACCESS PANELS NOT INDICATE IN ARCH. DWGS AND PROJ. MANUAL. CONTRACTOR IS RESPONSIBLE FOR COORDINATING ALL ACCESS PANEL LOCATIONS FOR DRYWALL, TILE, E.I.F.S., AND PLASTER WORK WITH ALL TRADES.
24. HAZARDOUS MAT'L'S, MAY NOT BE STORED, USED OR DISPOSED.
25. SIGN CONTRACTOR SHALL OBTAIN SEPARATE APPROVALS AND PERMITS FROM OWNER AND APPLICABLE JURISDICTIONS PRIOR TO INSTALLATION OF ANY SIGN.
26. WOOD PRODUCTS THAT ARE USED IN NON-COMBUSTIBLE BLDGS. SHALL BE PRESSURE-TREATED WITH AN APPROVED FIRE RETARDANT IN ACCORDANCE WITH THE 1997 LBC CODE.
27. PROVIDE AN APPROVED FIRE SPRINKLER SYSTEM PER NFPA STANDARDS AND THE APPLICABLE A BUILDING CODE AND AS REGULATED BY LOCAL CITY AUTHORITIES. SUBMIT DRAWINGS FOR APPROVAL PRIOR TO COMMENCING WORK.
28. TYPICAL NOTES APPLY TO ALL SIMILAR CONDITIONS. TYPICAL DETAILS ARE COMMON CONSTRUCTION CONDITIONS AND APPLY TO ALL CIRCUMSTANCES UNLESS NOTED OTHERWISE.
29. THE DRAWINGS AND THE PROJECT IS CONSIDERED PARTS OF THE CONTRACT DOCUMENTS. THE CONTRACTOR IS RESPONSIBLE FOR THE REVIEW AND CONFORMANCE TO ALL CONTRACT DOCUMENTS. IN THE CASE OF APPARENT CONFLICTS AND DISCREPANCIES BETWEEN THE DRAWINGS AND THE PROJECT MANUAL DOCUMENTS THEMSELVES, CONTRACTOR IS TO NOTIFY ARCHITECT IN WRITING OF SUCH APPARENT CONFLICTS AND REQUEST CLARIFICATION FROM THE ARCHITECT. NO ADDITIONAL COSTS OR DELAYS IN SCHEDULE WILL BE ACCEPTED DUE TO CONTRACTOR'S MISINTERPRETATIONS AND FAILURES TO REQUEST CLARIFICATIONS.

TERMS AND ABBREVIATIONS

Table with columns for terms and abbreviations. Includes sections for A, E, K, R, V, B, F, M, S, C, G, O, P, H, I, J, Q, D, and U. Each section lists abbreviations and their corresponding full names.

Table with columns for DATE, REVISION/ISSUE, and NUMBER. Includes arrows pointing left for revision tracking.

JNF ASSOCIATES ARCHITECTURE logo and address: 1220 N. STEWARTS FRWY #803 DALLAS TX 75234 214-909-1139 j.nfassociates@gmail.com

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PROJECT NAME / ADDRESS

SUITE COMBINING & PARTIAL INTERIOR REMODELING D20 TAVERN 112 WEST OAK ST, SUITE #112-100 DENTON, TX 76201

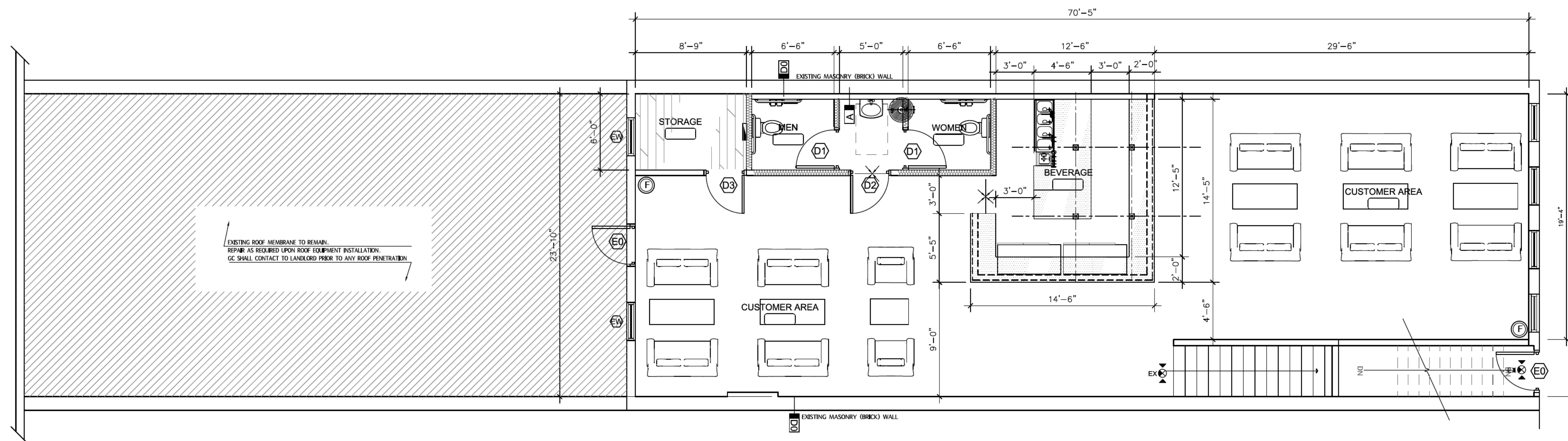
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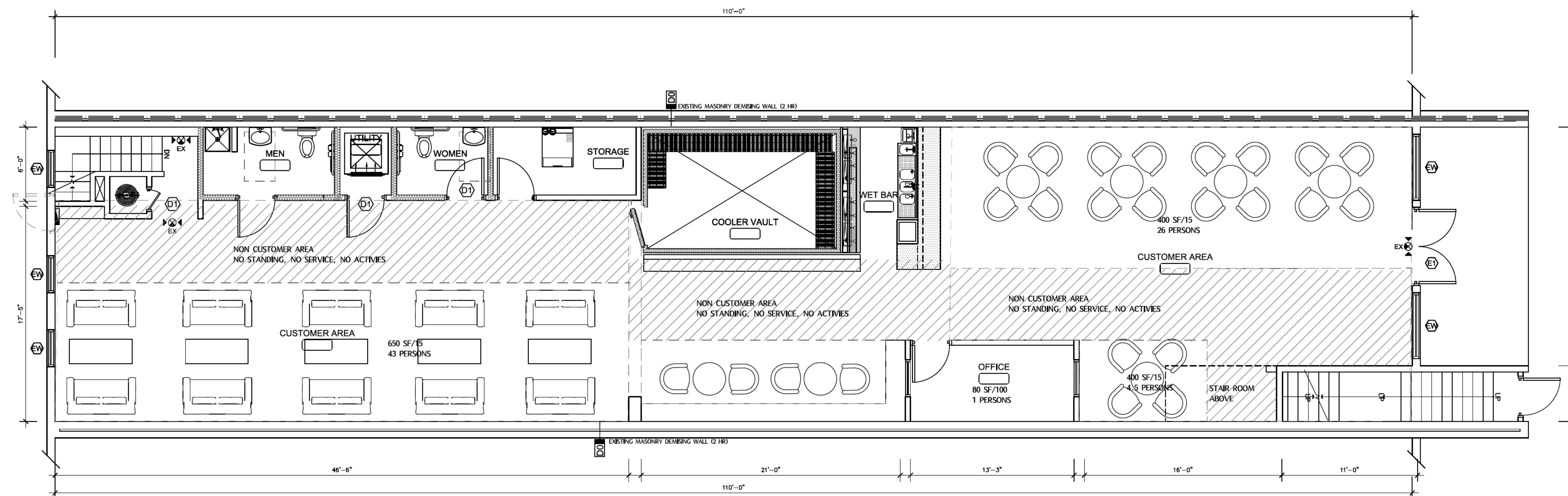
SHEET NUMBER

G0.01

NUMBER	REVISION/ISSUE	DATE



02 PROPOSED FLOOR PLAN - 2F-B
1/4"=1'-0"



01 EXISTING FLOOR PLAN - 1F
1/4"=1'-0"



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SUITE COMBINING & PARTIAL INTERIOR REMODELING
D20 TAVERN
112 WEST OAK ST, SUITE #112-100
DENTON, TX 76201

REFERENCE NUMBER

SHEET TITLE

SHEET NUMBER

A1.00

INTERIOR FINISH OUT

ROOM #	FLOOR		BASE		WALLS		CEILING		NOTE
	EXISTING	NEW	EXISTING	NEW	EXISTING	NEW	EXISTING	NEW	
CUSTOMER AREA	●		●		●		●		
BEVERAGE	●		●		●		●		
RESTROOM	●		●		●		●		
STORAGE	●		●		●		●		

FINISH OUT NOTE NTS

PATTERN AND COLOR FOR TILE SHALL BE DETERMINED BY OWNER

CERAMIC TILE (TBD)
WET BAR (COUNTER)

CRM-1

HARDWOOD FLOOR (EXISTING)
AT DINING AREA/ROOM DINING /CORRIDOR/WAITING AREA

QRT-1

CEILING FINISH
WALL FINISH
BASE FINISH
FLOOR FINISH

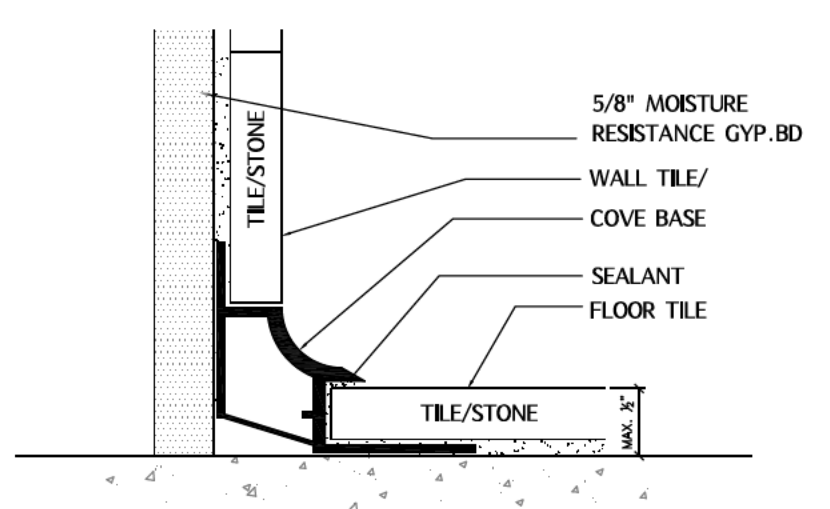
BATT INSULATION

MATERIAL JOINT

(FRP) FRP PANEL FINISH

(CRT) CERAMIC TILE FINISH

COVE BASE AT WET AREA NTS



BUILDING KEY NOTES

- 01 ELECTRIC PANEL 100 AMP 3p 208Y/120V TO BE RELOCATED
- 02 N/A
- 03 EXIT LIGHT W/ MIN. 90 MINUTE BACKUP BATTERY
- 04 BATT 13 INSULATION ON RESTROOM WALL
- 05 INTERIOR PARTITION WALL UP TO 4' (H) FOR PLUMBING & UTILITIES
- 06 COMMON LAV. SINK
- 07 4 COMP SINK
- 08 HAND SINK
- 09 SOLID SURFACE REAR COUNTERTOP
- 10 SOLID SURFACE COUNTERTOP
- 11 BEVERAGE COOLER #1.#2
- 12 EXISTING LOW PARTITION WALL
- 13 WATER HEATER (50 GAL.) ECLECTIC

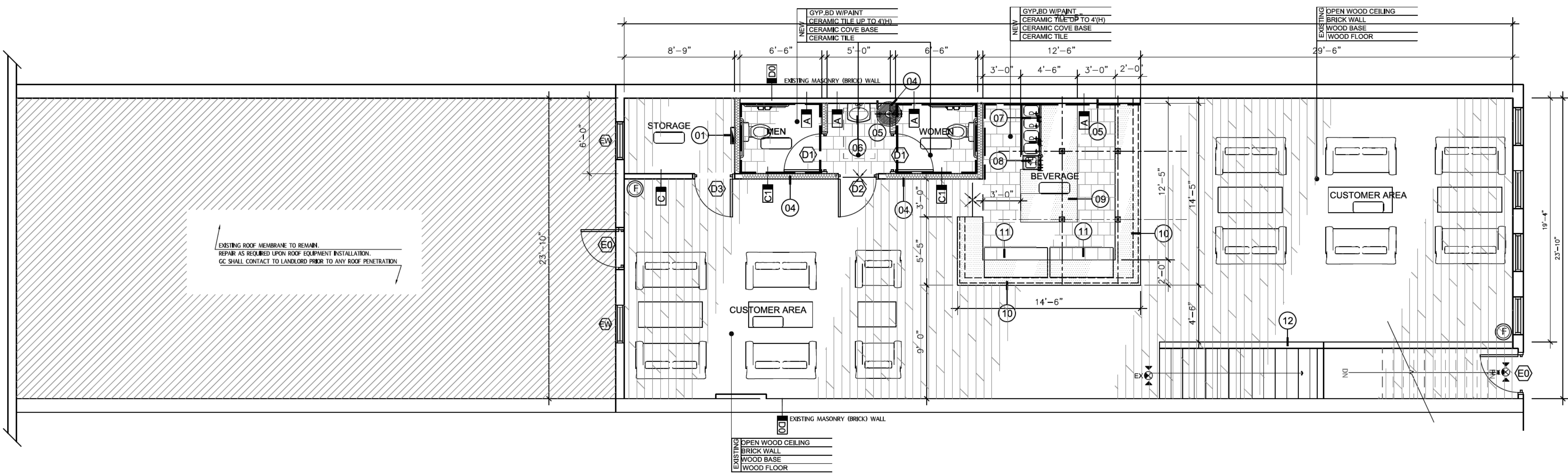
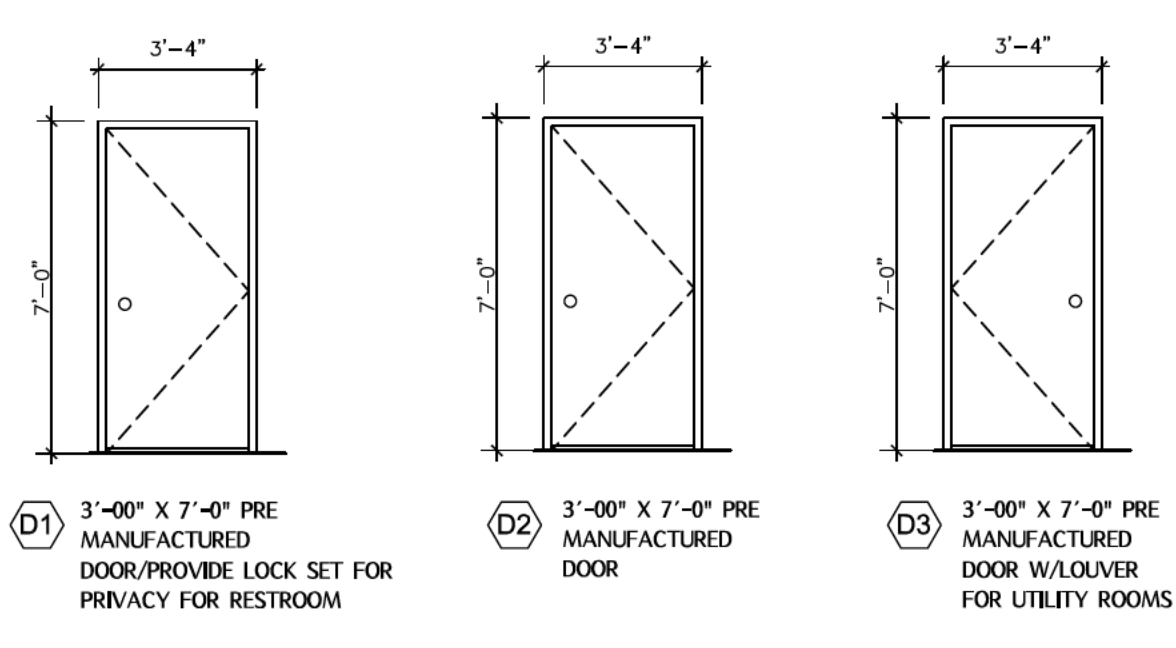
MILL WORK NOTE

MILL WORK CONTRACTOR SHALL PROVIDE SHOP DRAWING FOR ALL LOWER CABINETS AND UPPER CABINETS AT PREP AREA, COUNTER/ DINING AREA, AND CUSTOMER AREA

ALL CABINETS WILL BE MELAMINE, PLASTIC LAMINATE OR BETTER

FIRE EXTINGUISHER NOTE

FIRE EXTINGUISHERS SHALL BE PROVIDED IN ACCORDANCE WITH 2023 INTERNATIONAL FIRE CODE SECTION 906. MINIMUM RATING SHALL BE ONE 2A:10B:C RATED EXTINGUISHER/3000 SQ. FT. FLOOR SPACE. TRAVEL DISTANCE SHALL NOT EXCEED 75 FT. TO ANY FIRE EXTINGUISHER. THE FIRE EXTINGUISHER(S) SHALL HAVE A CURRENT INSPECTION/SERVICE TAG FROM A LICENSED FIRE EXTINGUISHER COMPANY.



02 PROPOSED FLOOR PLAN - 2F
3/16"=1'-00"

SYMBOL/KEY

===== DENOTES EXISTING ITEMS TO BE REMOVED. VERIFY ALL LOCATIONS IN FIELD.

--- DE --- EXISTING INTERIOR WALL TO BE REMOVED

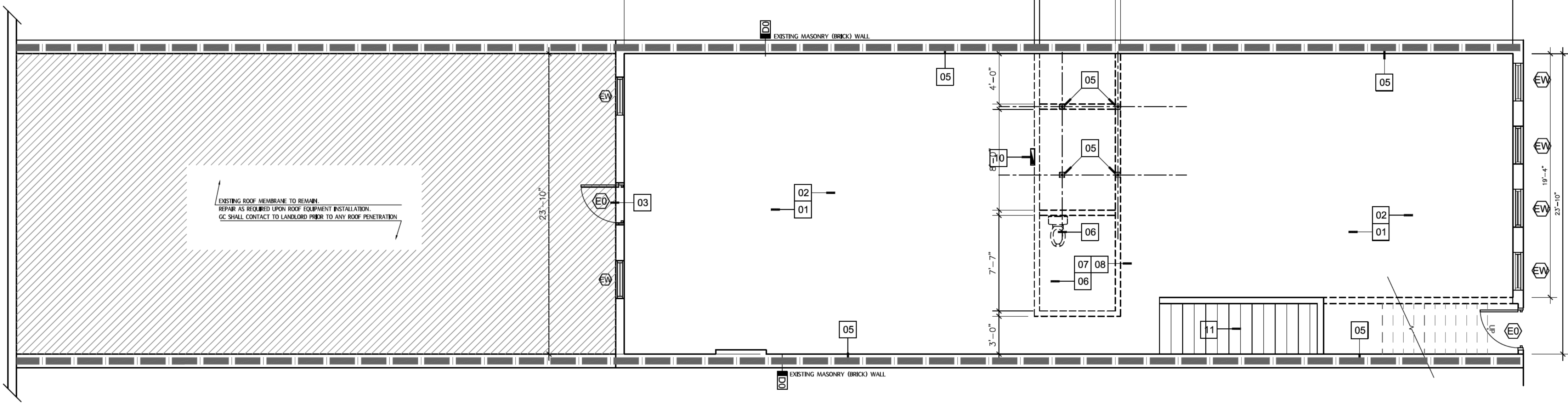
===== DENOTES EXISTING PARTITIONS/ITEMS TO REMAIN

--- EO --- EXISTING EXTERIOR WALL

----- DENOTES EXISTING CEILING TILE/GRID & GYP.BD CEILING TO BE REMOVED

EXISTING PLAN KEY NOTE

- 01 EXISTING WOOD FLOOR TO REMAIN
- 02 EXISTING OPEN CEILING TO REMAIN
- 03 EXISTING DOOR TO REMAIN
- 04 EXISTING BRICK DEMISING WALL TO REMAIN
- 05 EXISTING WOOD COLUMN TO REMAIN
- 06 EXISTING INTERIOR PARTITION WALL TO BE REMOVED
- 07 EXISTING CEILING TO BE REMOVED
- 08 EXISTING RAISED FLOOR TO BE REMOVED
- 09 PROVIDE COMPLETE CLOSE OUT TO C/W,H/W AND S.S LINE AFTER WATER FIXTURE REMOVED
- 10 EXISTING ELECTRIC PANEL TO BE RELOCATED
- 11 EXISTING STAIR TO REMAIN



01 EXISTING FLOOR PLAN/DEMO PLAN- 2F
3/16"=1'-00"



1220 N. STEWARTS FRWY #303
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PROJECT NAME / ADDRESS

SUITE COMBINING & PARTIAL INTERIOR REMODELING
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112 WEST OAK ST, SUITE #112-100
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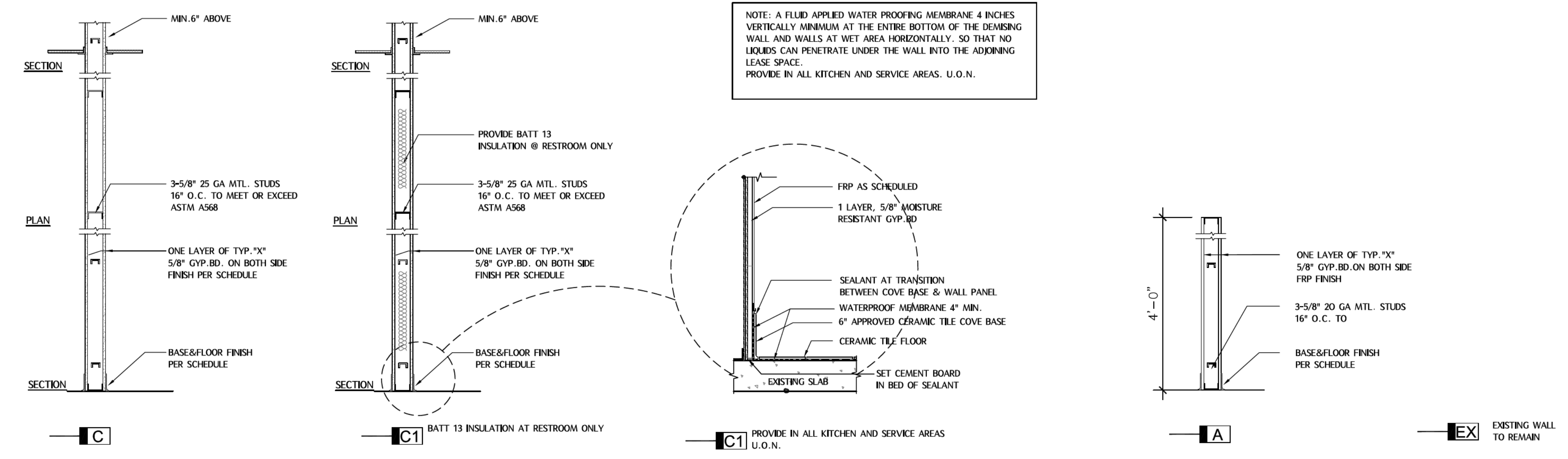
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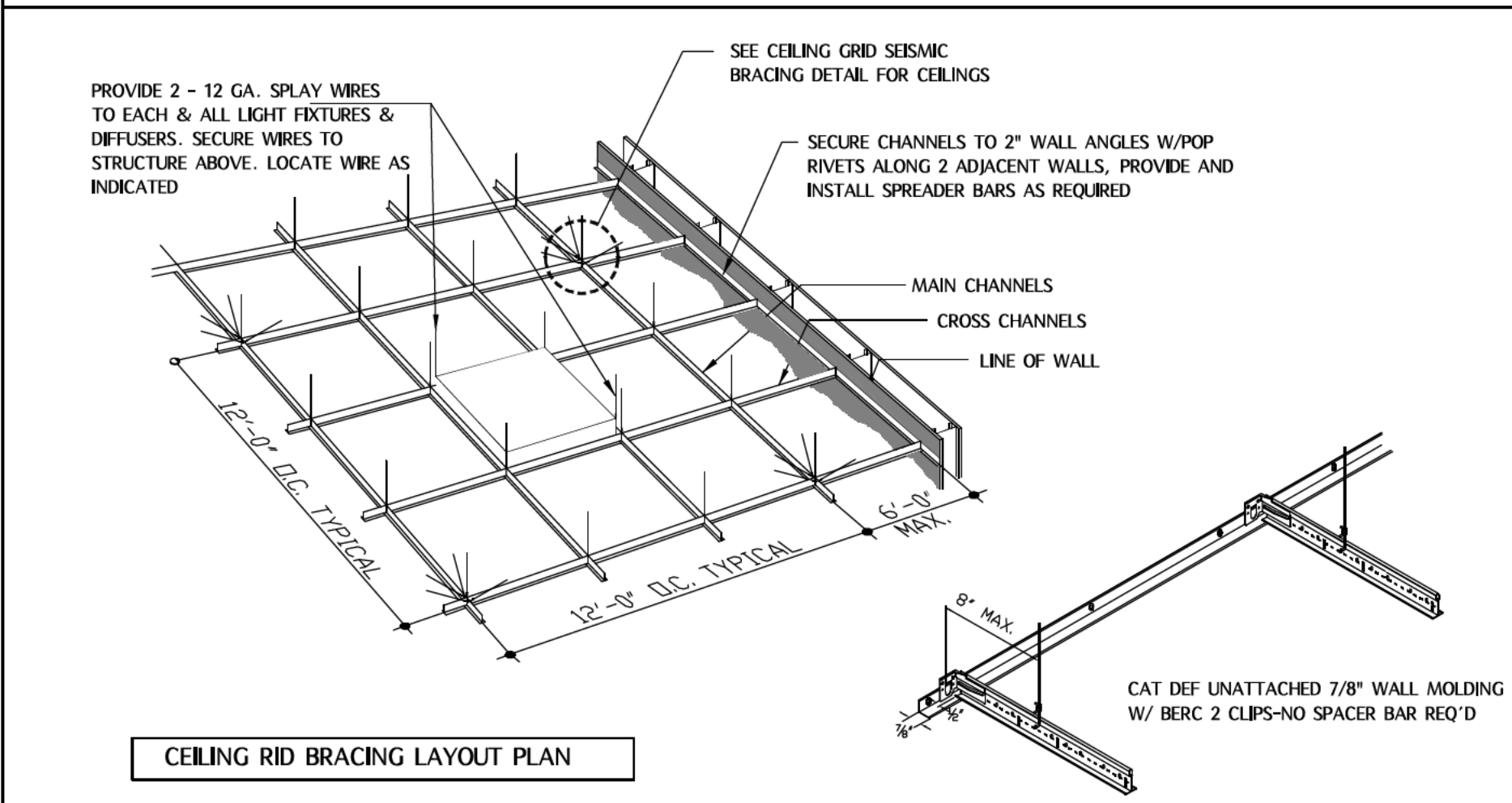
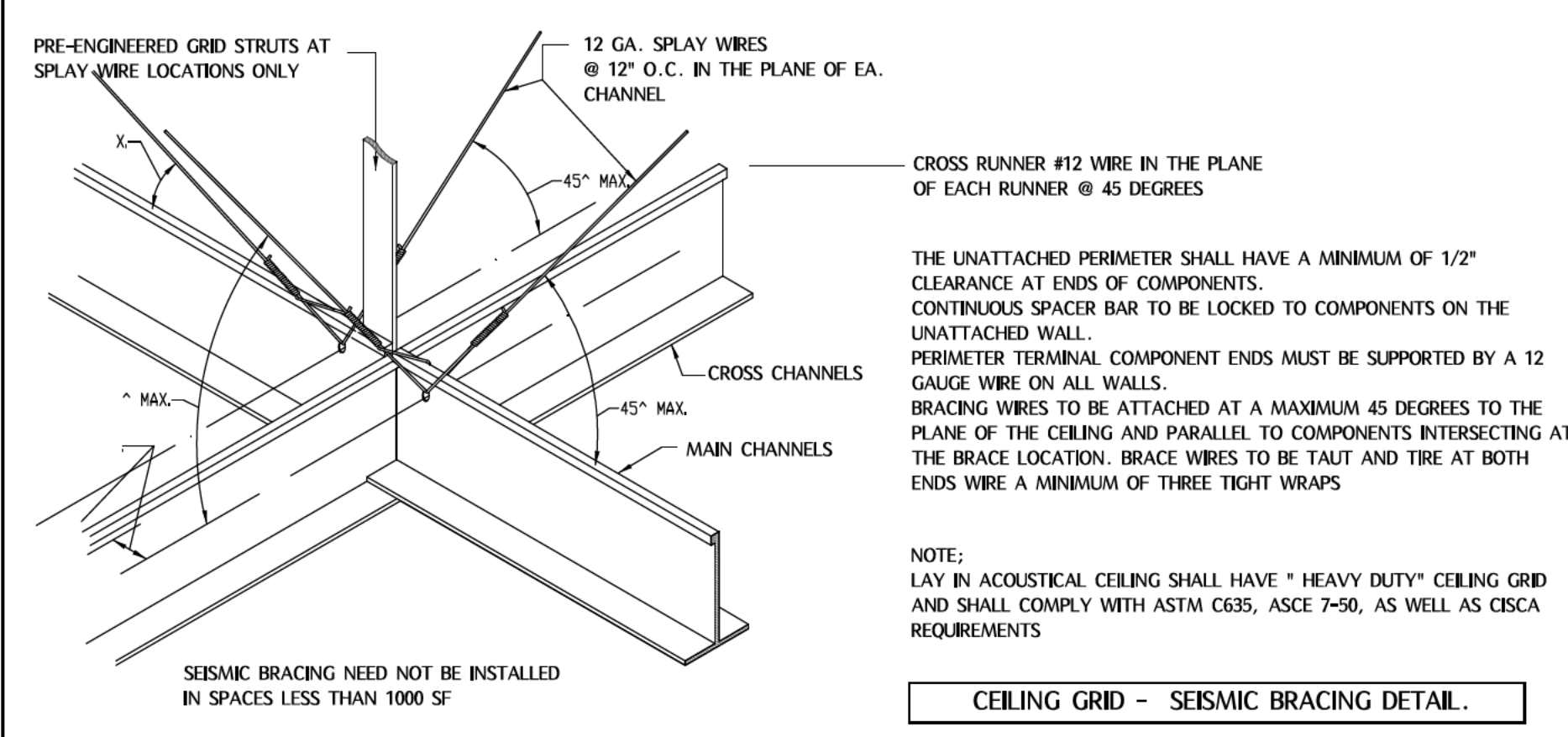
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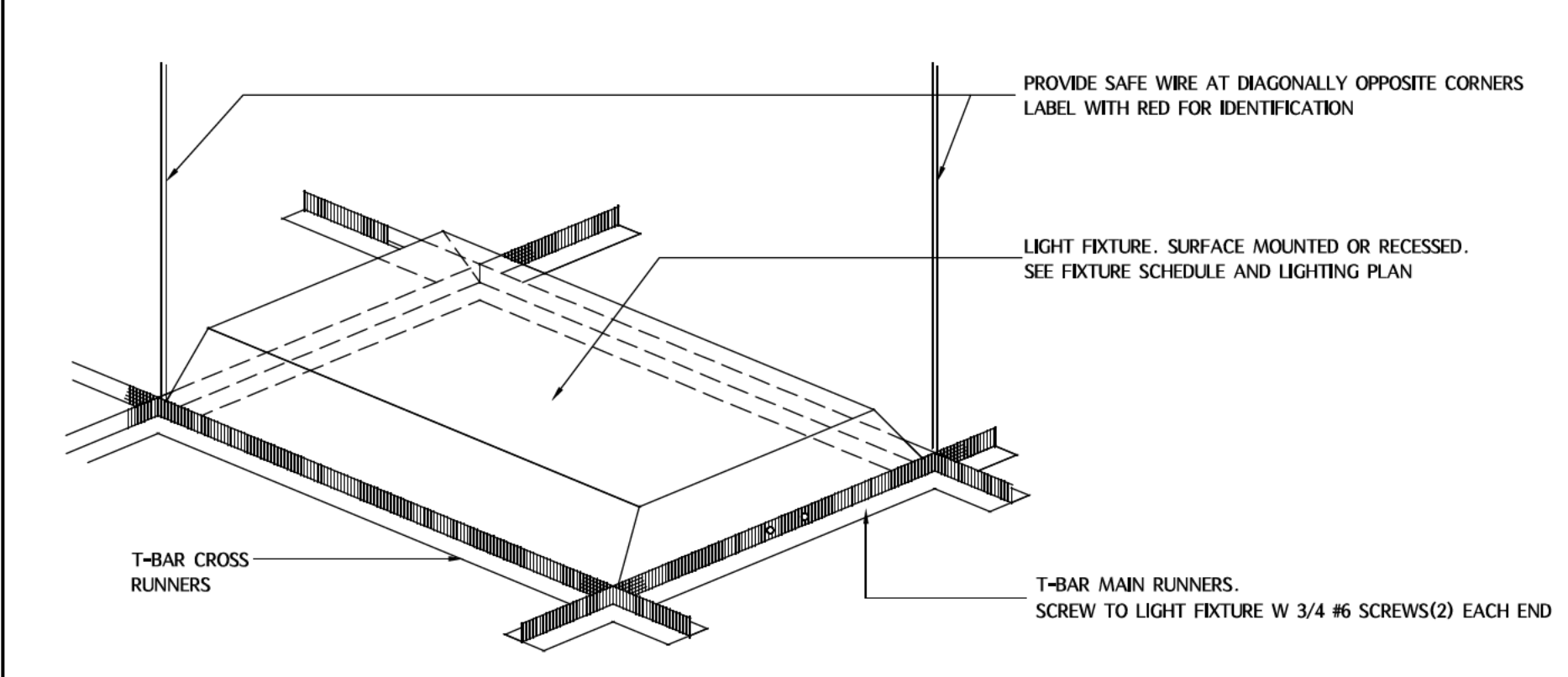
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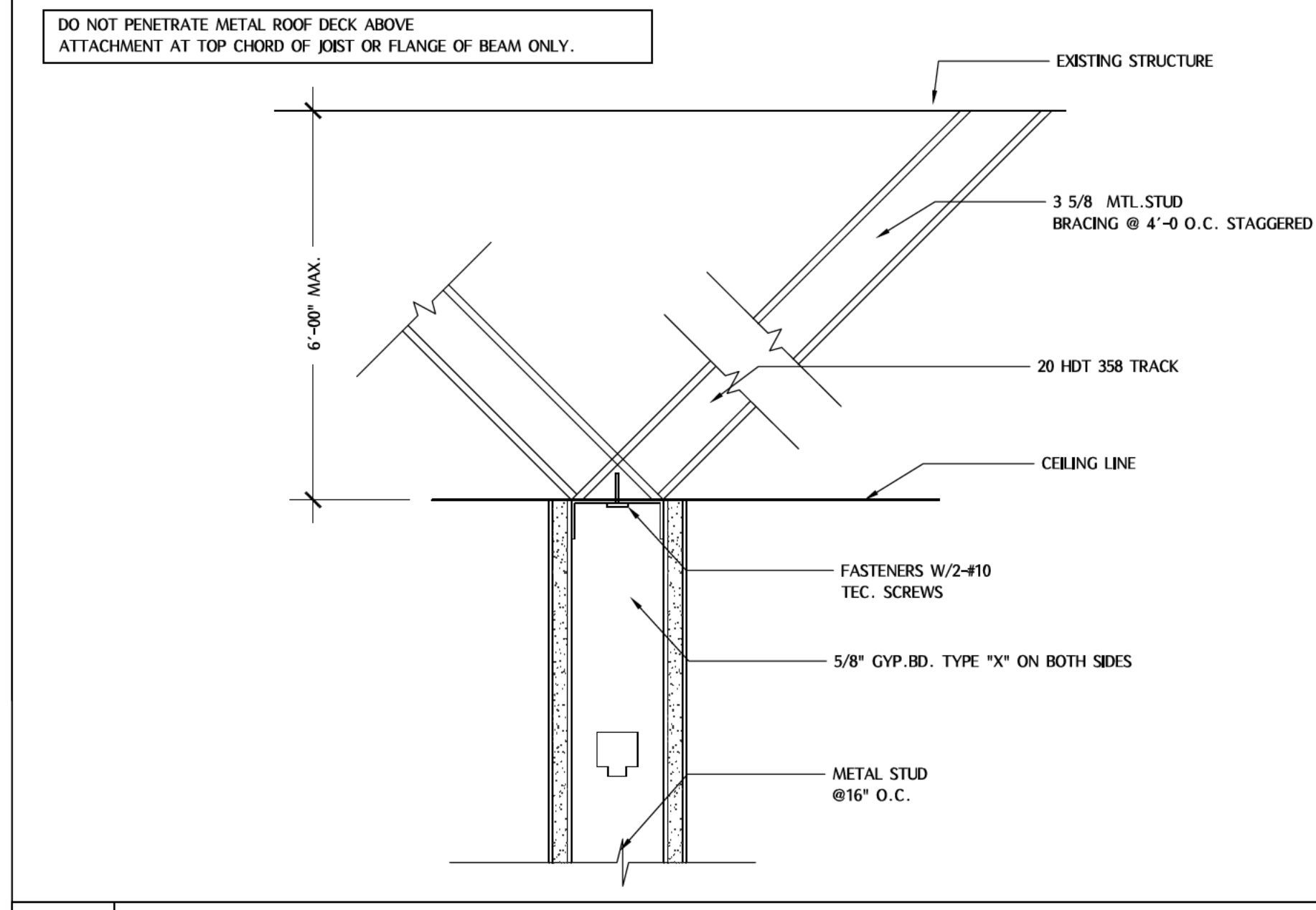
5 WALL DETAILS NTS



4 SUSPENDED CEILING DETAIL NTS



3 FIXTURE BRACING NTS



2 TOP TRACK NTS

SIZE	GA	TYPE	16" O.C.	24" O.C.	NOTE
			MAX. UNSUPPORTED HEIGHT	(1), (2), (3)	
1 5/8"	25	ST	9'-6"	8'-3"	
			12'-6"	10'-9"	
2 1/2"	25	ST	13'-0"	11'-6"	
			13'-10"	12'-0"	
			16'-0"	13'-6"	
			17'-3"	15'-0"	
			17'-11"	15'-7"	
			22'-0"	18'-0"	
3 5/8"	25	ST	17'-3"	15'-0"	
			17'-11"	15'-7"	
			18'-6"	16'-9"	
			19'-3"		
			20'-0"		
			22'-0"		
4"	25	ST	17'-3"	14'-3"	
			18'-6"	16'-3"	
			19'-2"	16'-10"	
			19'-10"	18'-0"	
			20'-7"		
			22'-0"		
6"	25	ST	20'-0"	15'-0"	
			25'-3"	22'-0"	
			26'-1"	22'-10"	
			26'-6"	18'-0"	
			26'-8"		
			30'-0"		
7 1/4"	18	SJ	32'-0"		
			34'-0"		
			37'-0"		
			39'-6"		
8"	18	SJ	34'-6"		
			37'-4"		
			39'-6"		

- NOTES**
- BASED ON INTERIOR NON-BEARING PARTITIONS WITH ONE LAYER OF GYP.BD EACH SIDE. USE GAUGE, TYPE AS SCHEDULED UNLESS NOTED OTHER ON DRAWINGS. RUNNER TRACK AGUES TO MATCH STUD.
 - WALL OVER 12'-00" HIGH TO BE LATERALLY BRACED.
 - @8'-00" O.C. VERTICAL W/1 1/2, 16 GA. COLD ROLLED CHANNELS CLIP ANCHORED TO METAL STUD.

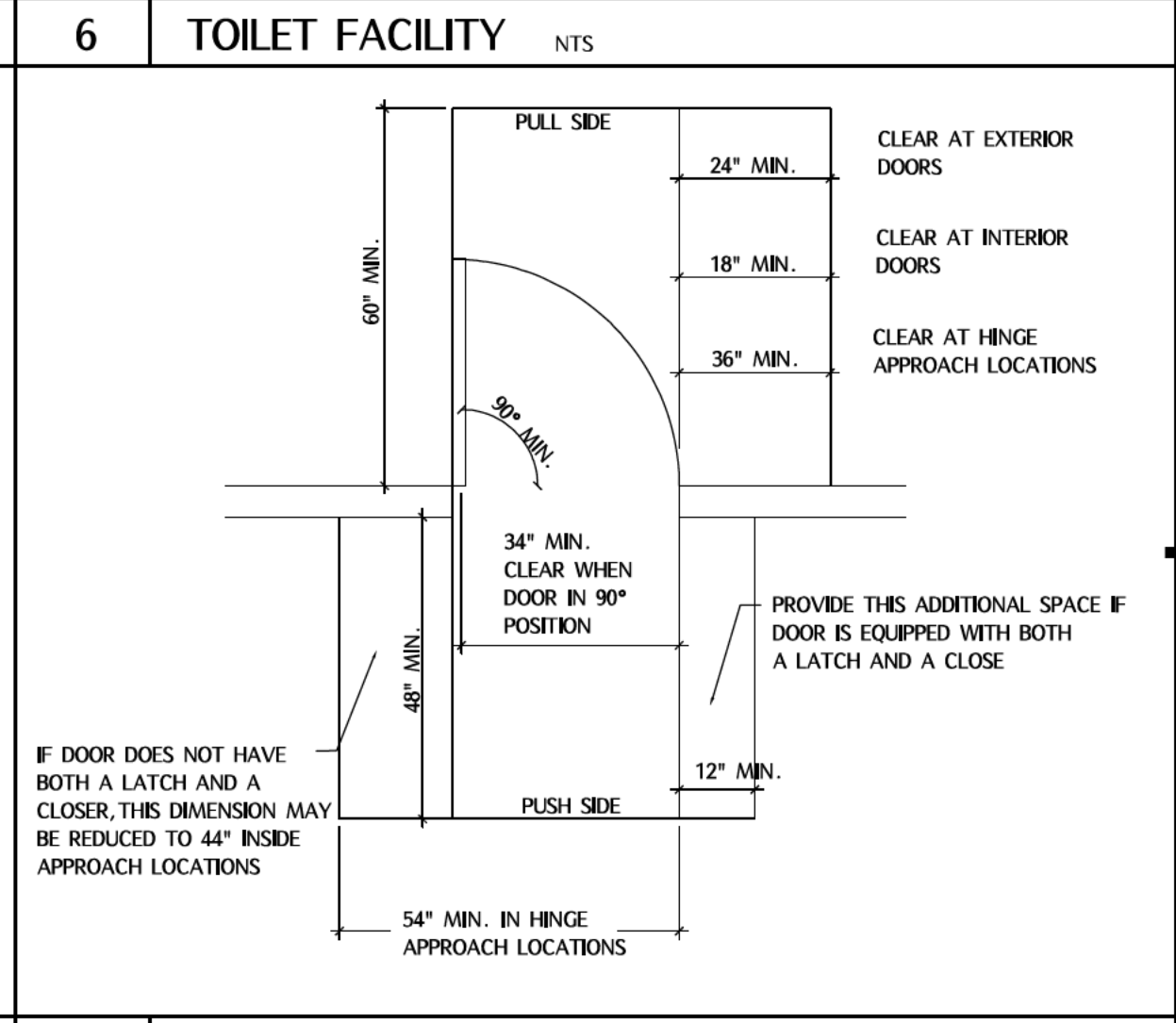
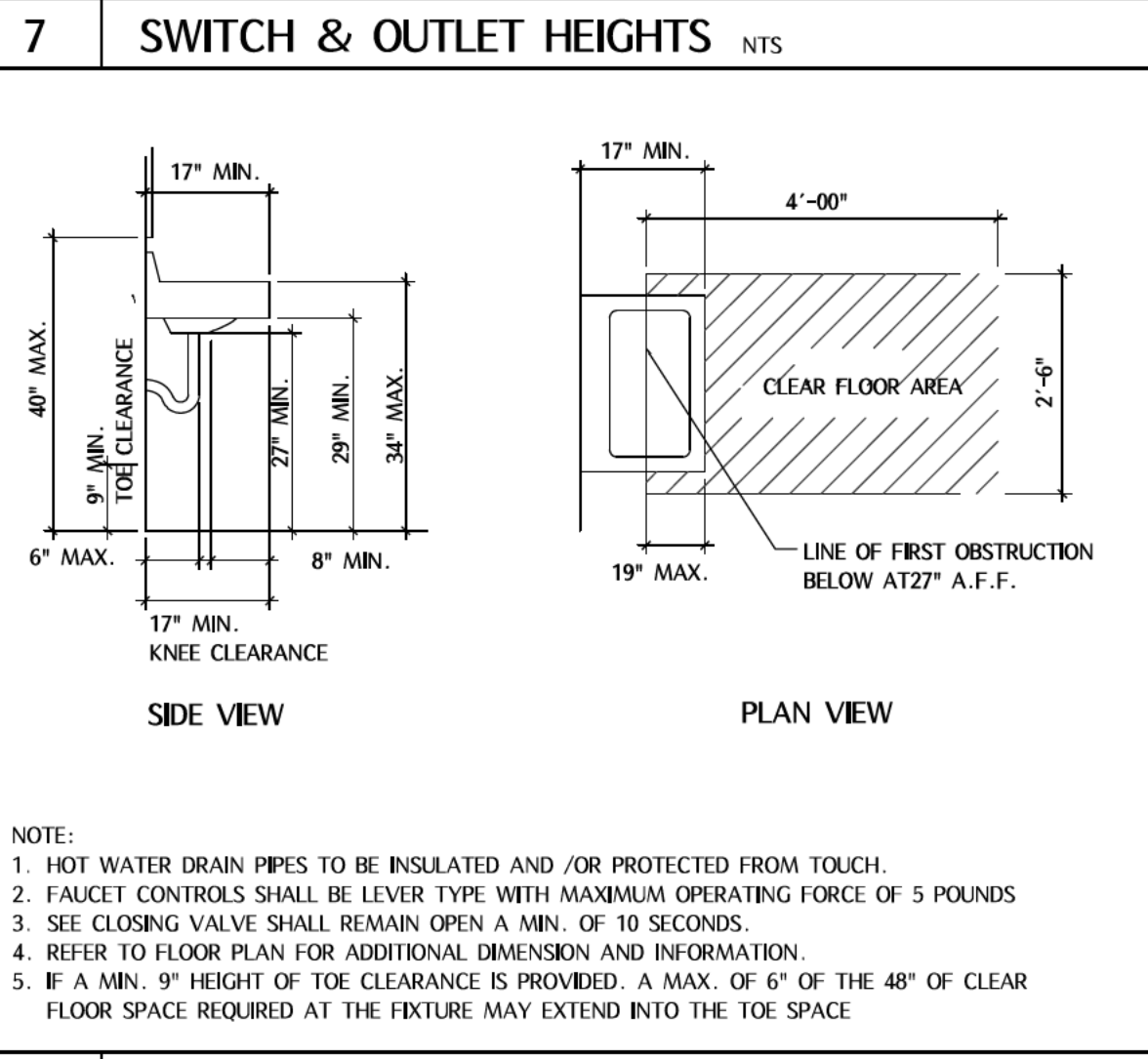
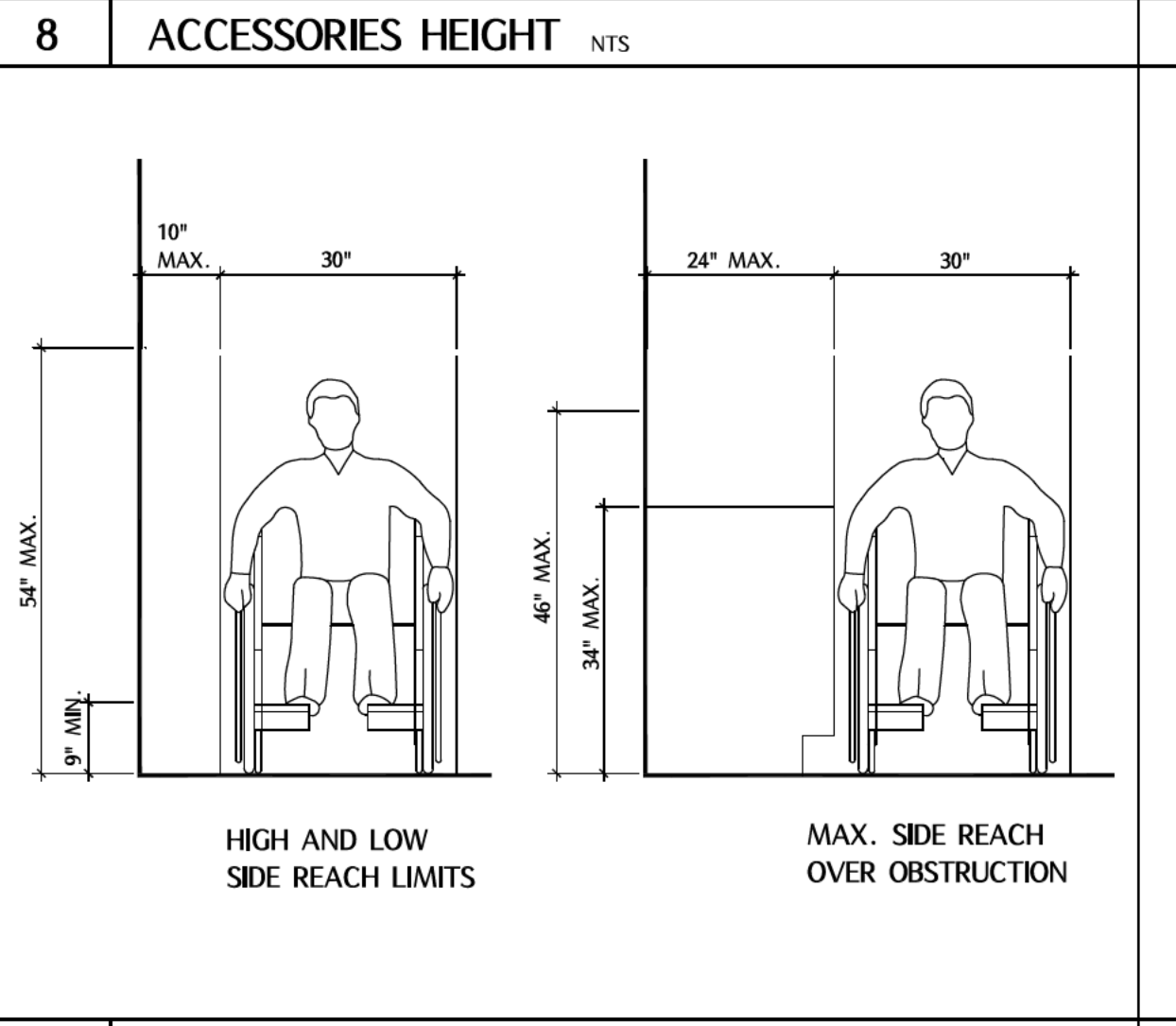
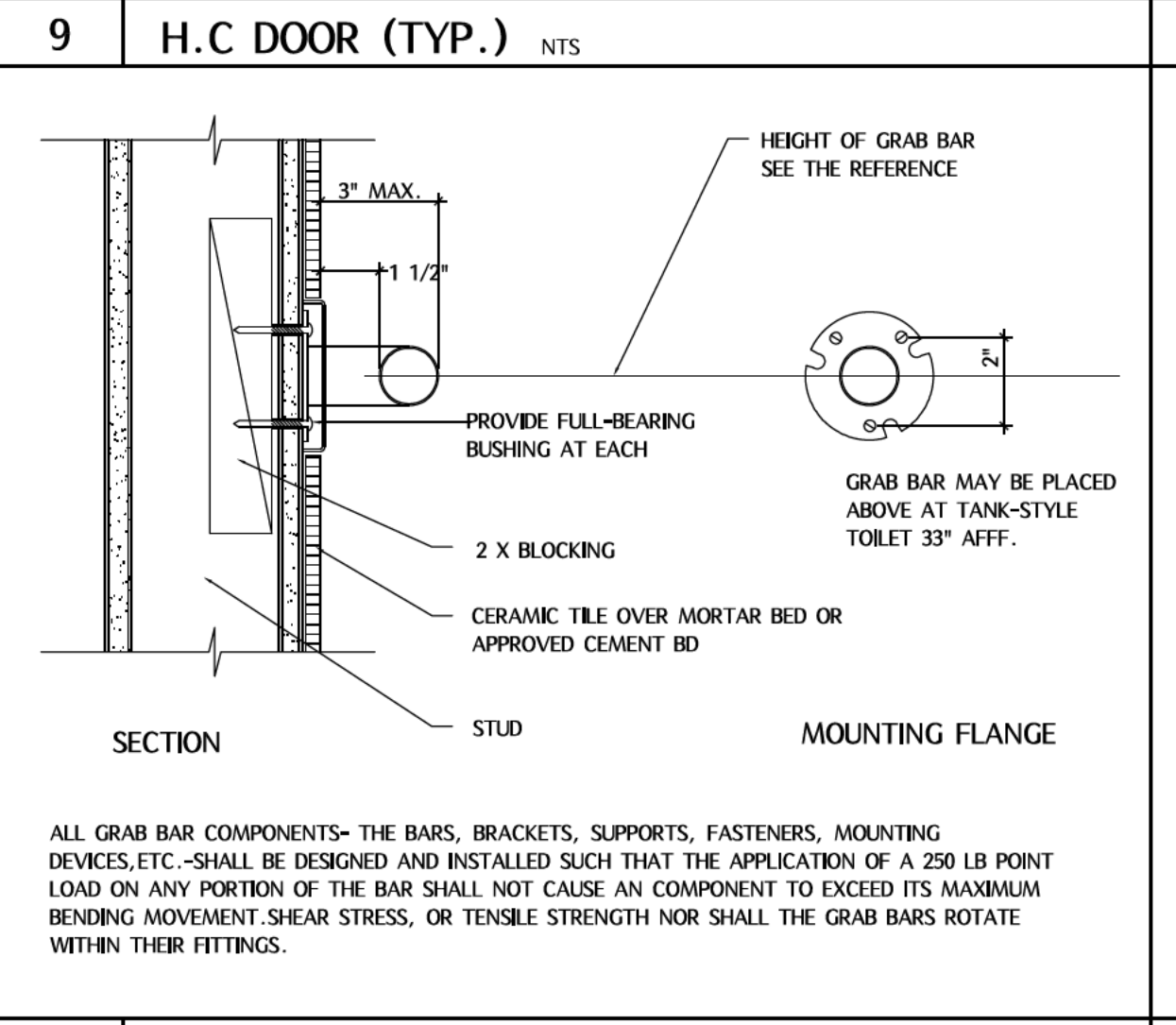
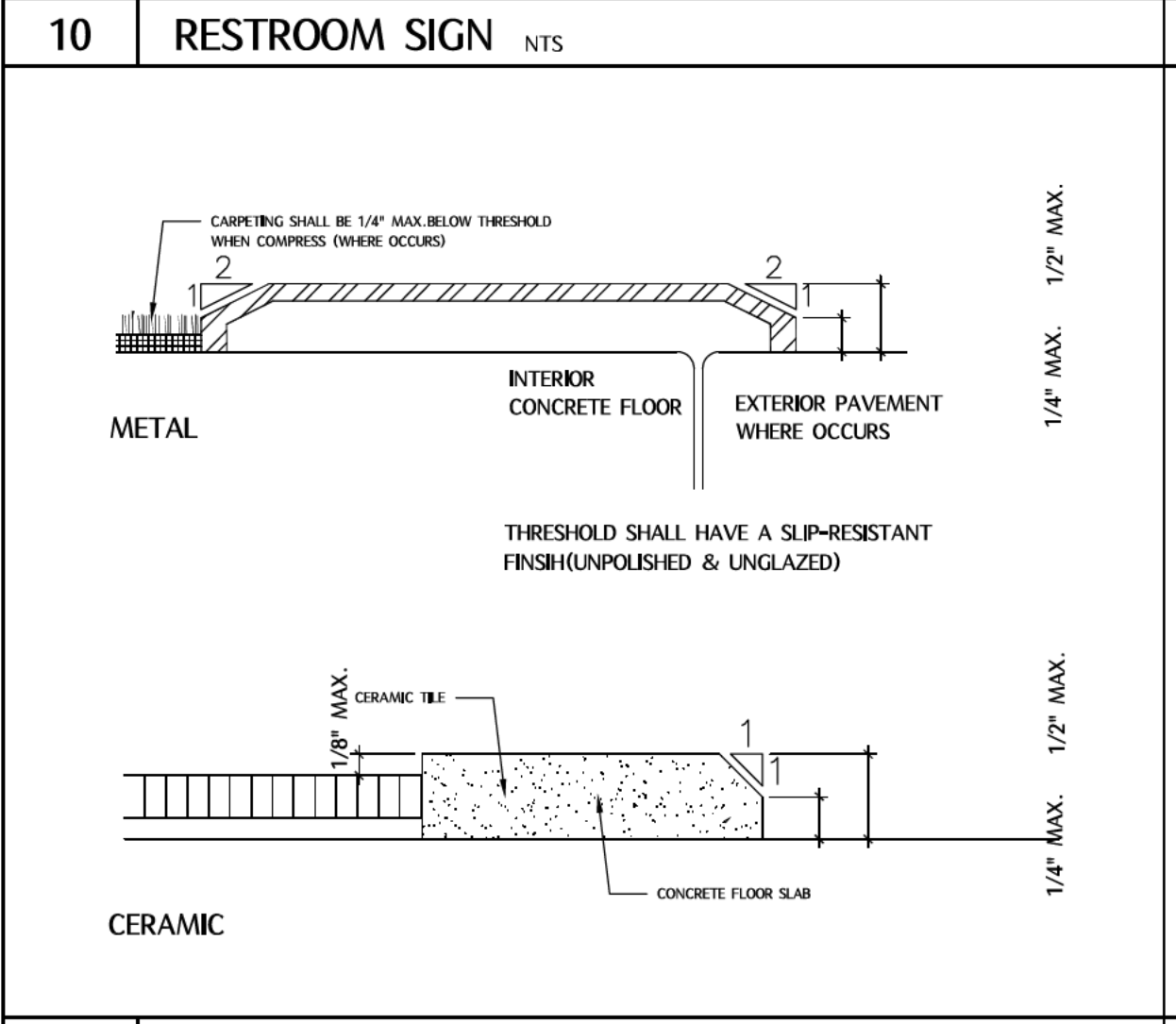
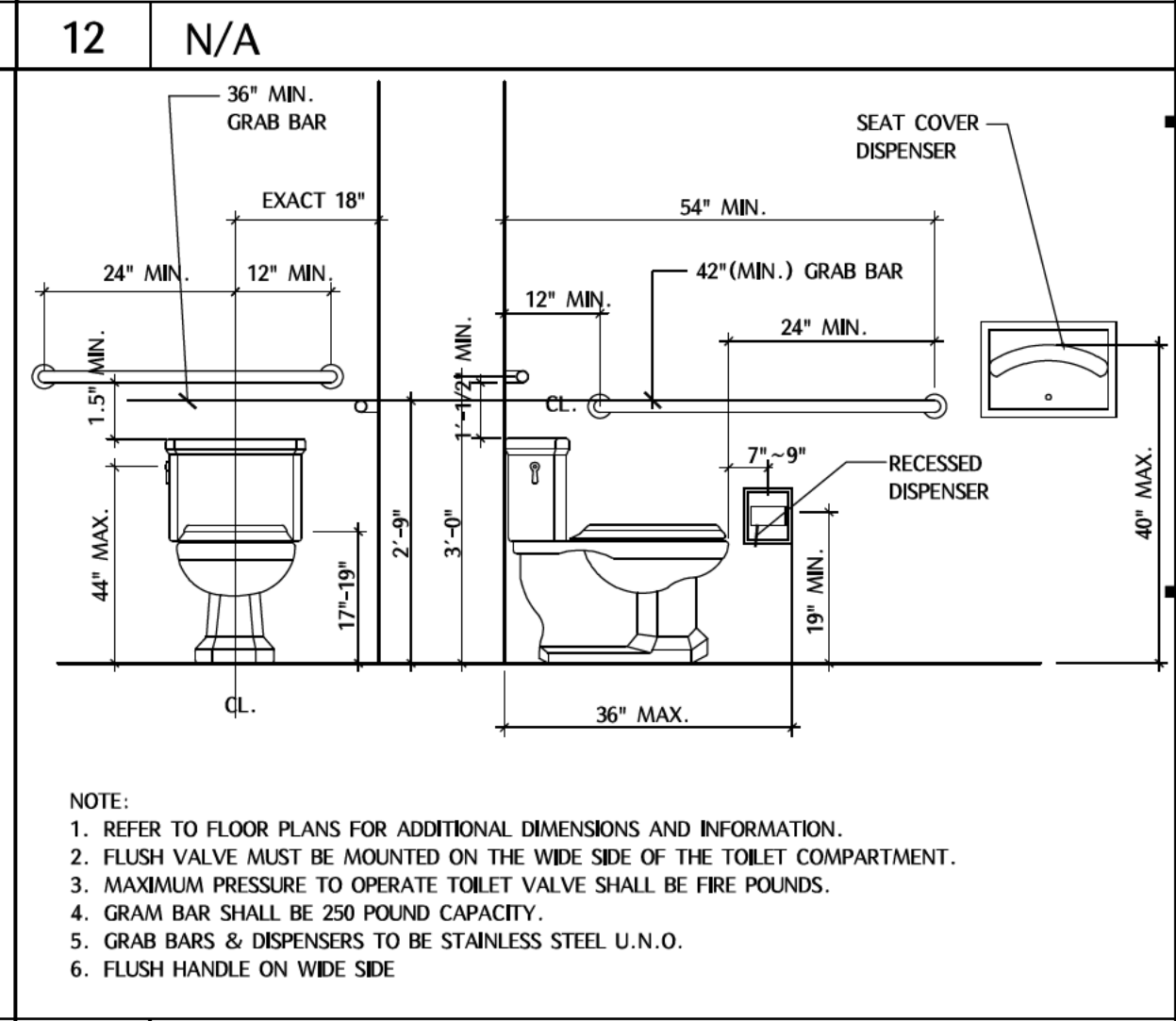
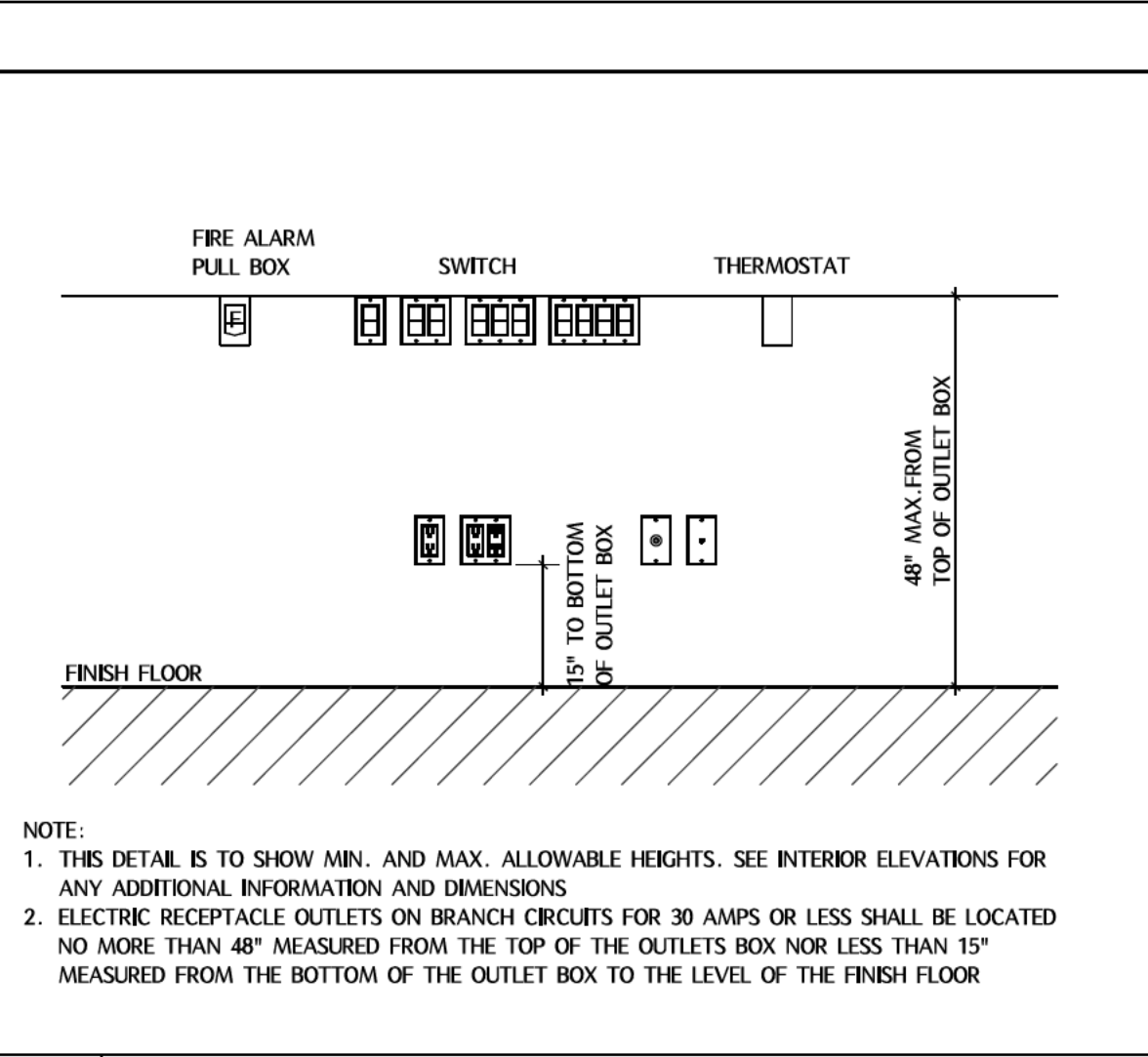
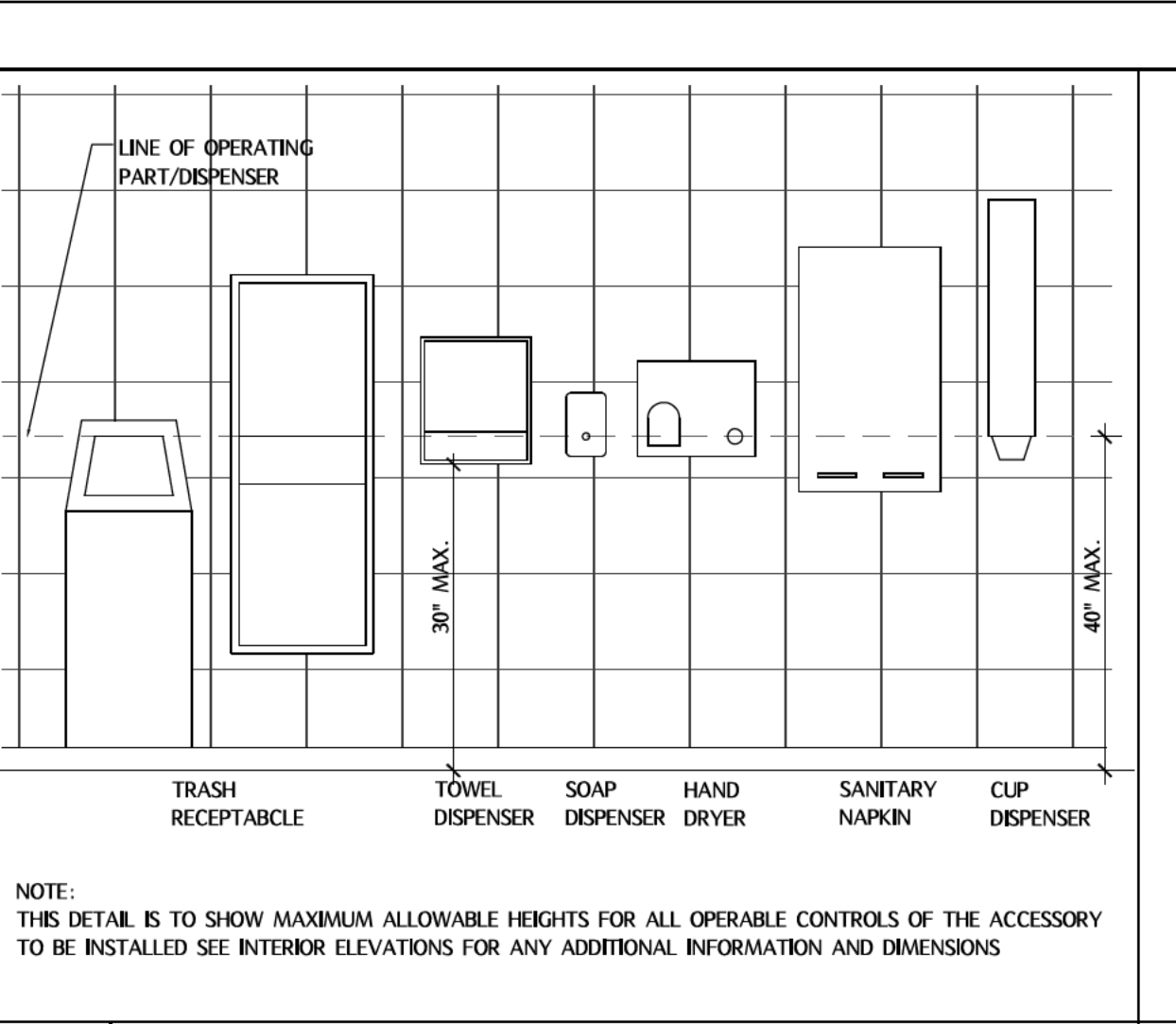
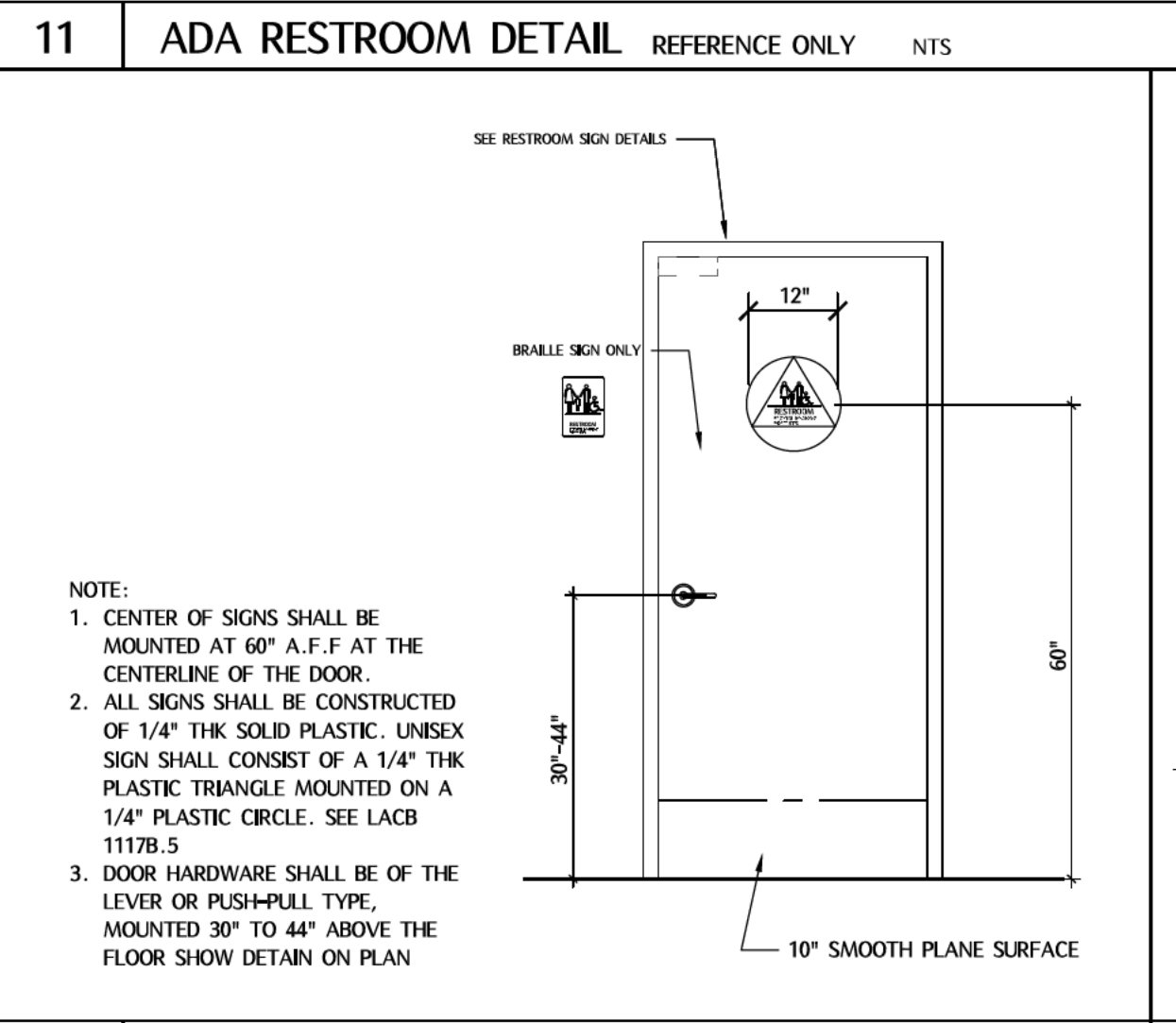
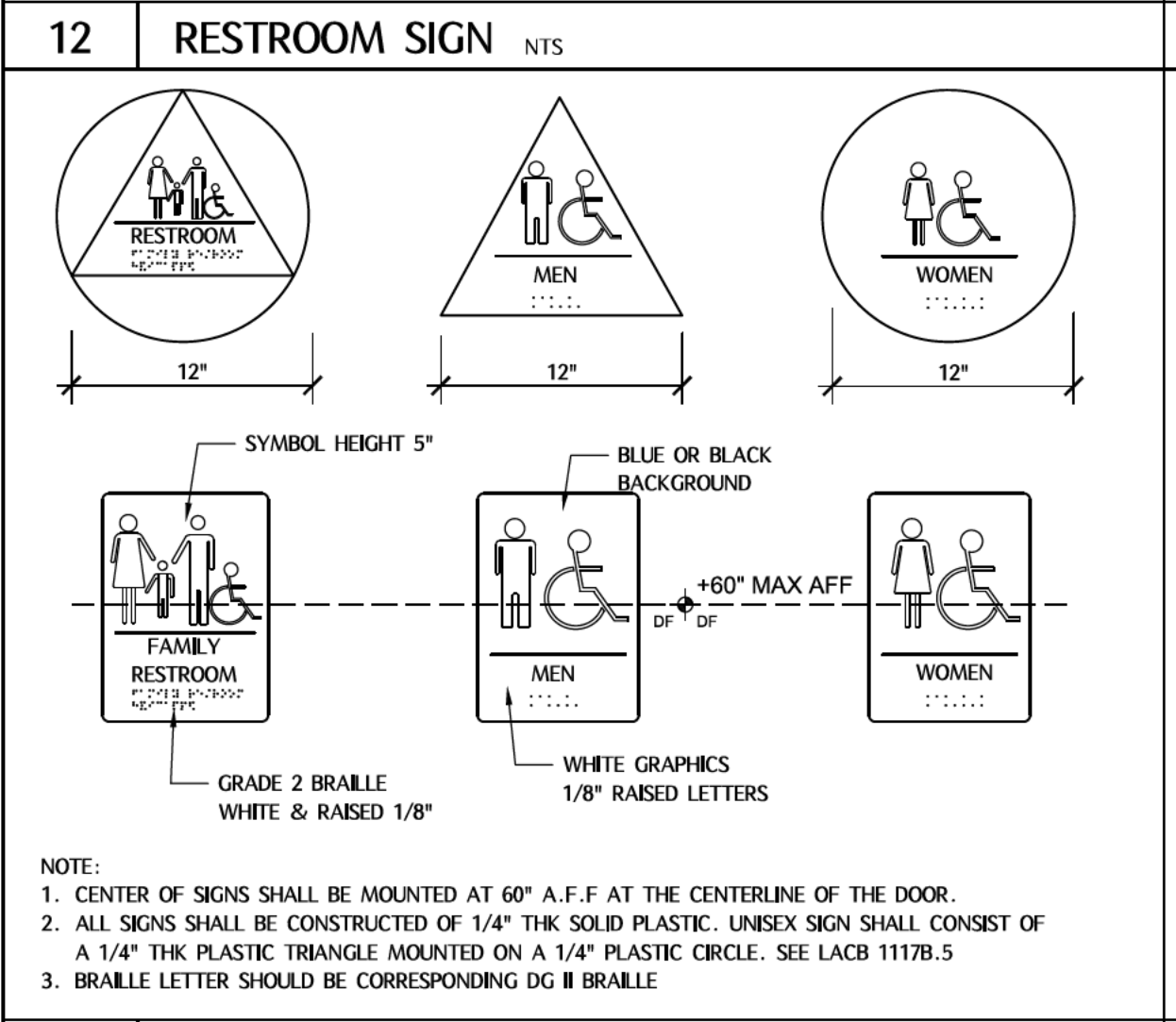
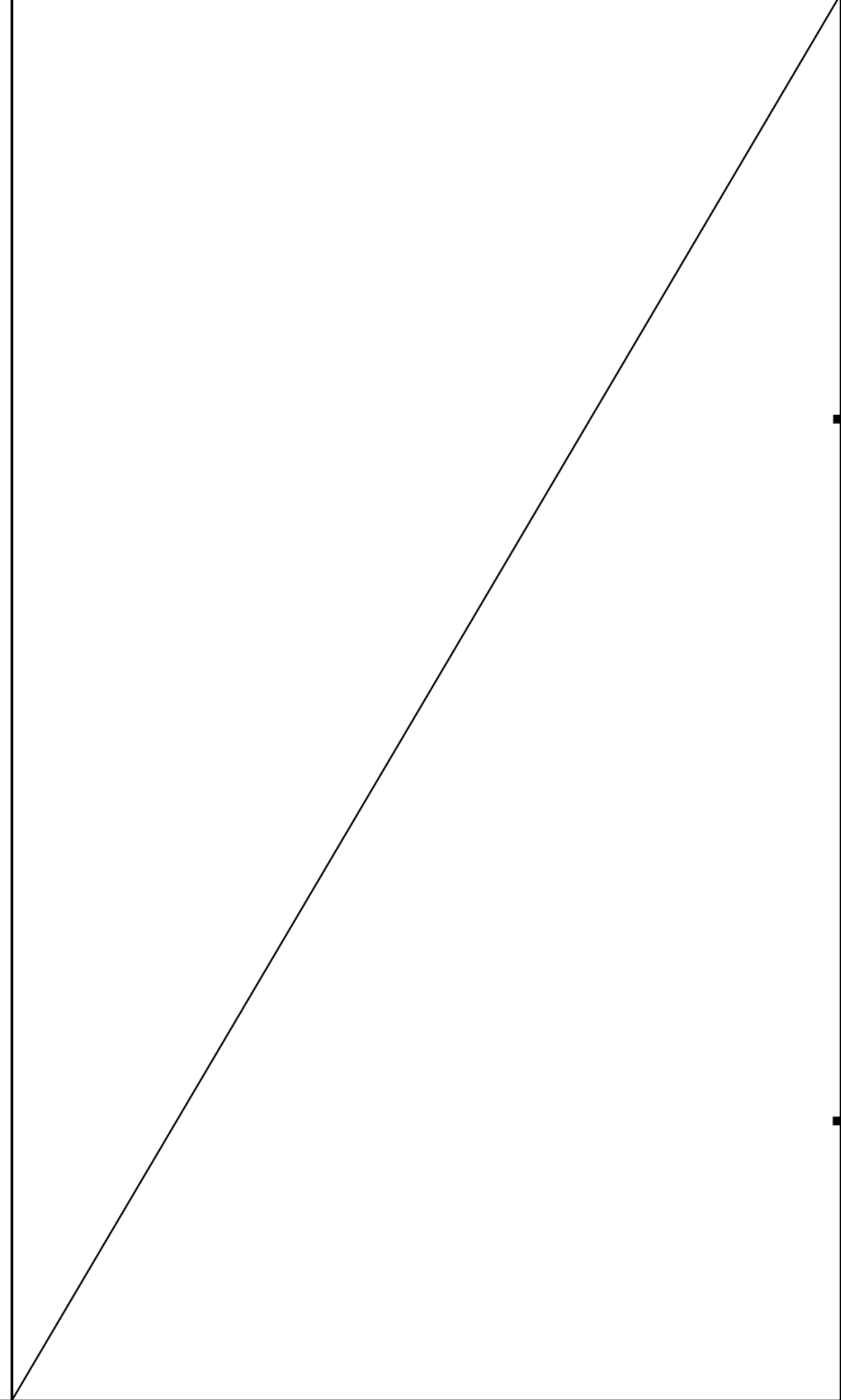
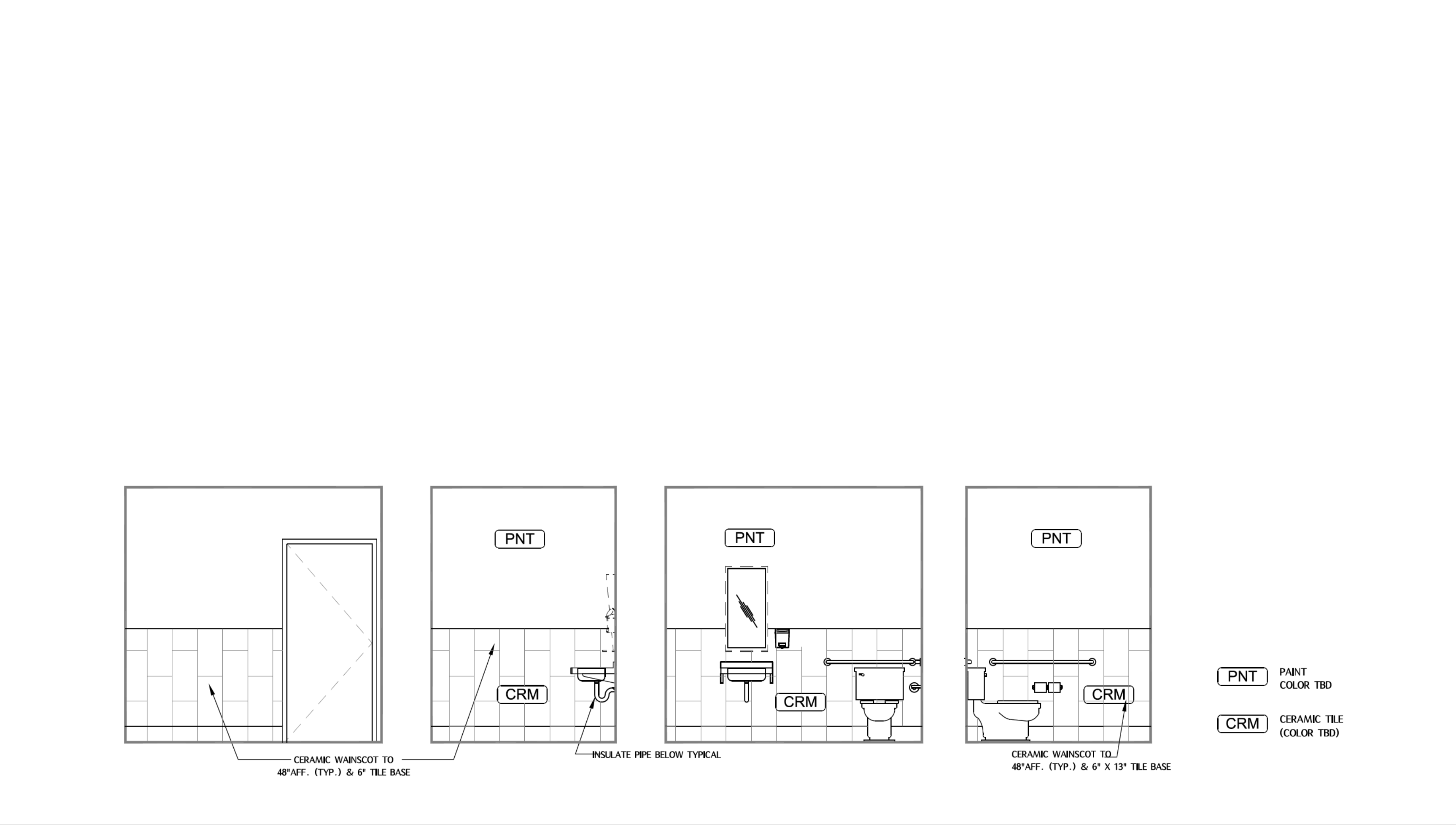
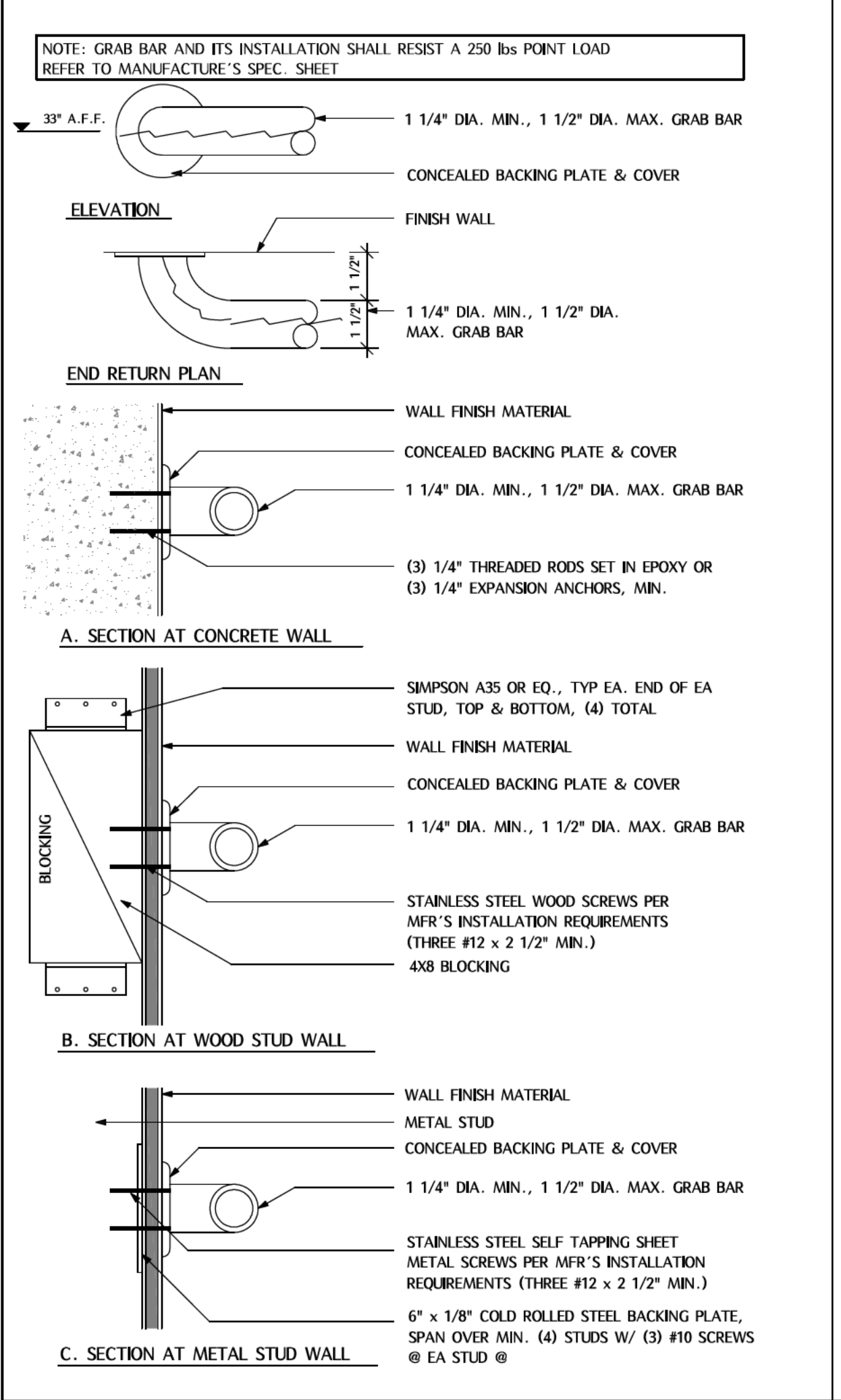
METAL STUD SCHEDULE NTS

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 PROJECT NAME / ADDRESS

SUITE COMBINING & PARTIAL INTERIOR REMODELING
D20 TAVERN
 112 WEST OAK ST, SUITE #112-100
 DENTON, TX 76201
 REFERENCE NUMBER

SHEET TITLE
 SHEET NUMBER

A1.02



DATE	
REVISION/ISSUE	
NUMBER	

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112 WEST OAK ST., SUITE #112-100
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REFERENCE NUMBER
A1.03

SHEET TITLE
A1.03

SHEET NUMBER

LIGHTING & CEILING LEGEND SYMBOL NOT SCALED

SYMBOL	DESCRIPTION
	2'X2' CEILING TILE AND GRID
	2'X4' CEILING TILE AND GRID
	5/8" GYP.BD CEILING / SOFFIT
E	EXISTING TO REMAIN
R	EXISTING TO BE CAPPED/REMOVED. PATCH/REPAIR WALL AND PREPARE TO RECEIVE NEW SCHEDULED FINISHES.
	LIGHT SWITCH
	DIMMER LIGHT SWITCH. LOWER CASE LETTER INDICATES CIRCUIT
	3-WAY SWITCH. LOWER CASE LETTER INDICATES CIRCUIT
	OCCUPANCY SENSORS ARE REQUIRED IN ROOMS WITH TWO OR MORE LIGHTS OR SHALL BE DUAL SWITCHED (B). OCCUPANCY SENSORS ARE REQUIRED IN RESTROOMS.
	MOTION SENSOR
	REFERENCE NOTE
	BLDG. STANDARD EXIT SIGN
	CEILING HEIGHT/TYPE TRANSITION
	CEILING HEIGHT INDICATOR
	AIR LAY IN SUPPLY DIFFUSER 24"X24"
	RAGR RETURN GRILLE 24"X24"
	BLDG. STANDARD EXHAUST FAN WITH SWITCH AS REQUIRED BY CODE - WHITE

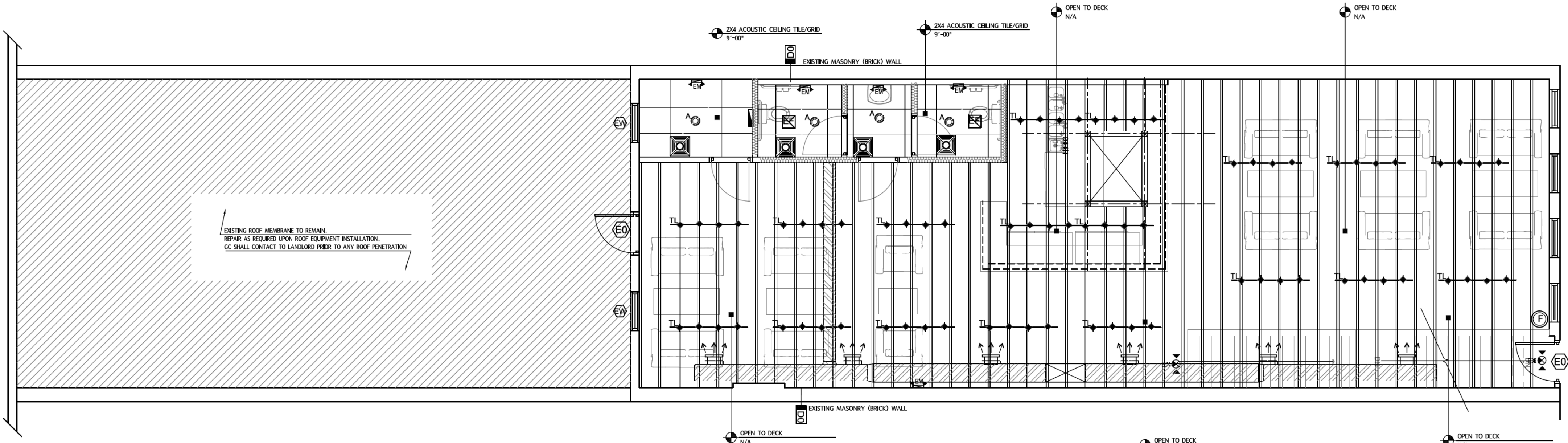
LIGHT FIXTURE SCHEDULE

SYM.	DESCRIPTION	MANUFACTURER	MODEL #	LAMP	WATTS	QTY	REMARKS	SYM.	DESCRIPTION	MANUFACTURER	MODEL #	LAMP	WATTS	QTY	REMARKS
EX	EXIT/EMERGENCY SIGN	HIGH LITES	HBP-PLD5-R-DEH-RC REMOTE CAPACITY	LED	11	2	EMERGENCY LIGHT FIXTURE/ MIN. 90 MINUTE BACK UP BATTERY, HARD WIRED UNIT AUTOMATICALLY RECHARGES BATTERY	TR	TRACK LIGHT	LITHONIA	TBD	LED	RW/ PER BULB	-	
EM	EMERGENCY LIGHT (TYPE A)	HIGH LITES	HL-120 2HEAD WHITE	LED	11	6	DOUBLE HEAD UNIT(WHITE) MOUNT PER PLAN								
F1	RECESSED 2'x4' LED PANEL LIGHT INPUT: 100-277V, 60Hz, 40W/50W/60W	TBD	TBD	LED	50	10	CRI > 80 CCT : 3500K / 4000K / 5000K								
D1	6" LED RECESSED CAN LIGHT	TBD	TBD	LED	15	11	LED WITH DIMMER DRIVER								

NOTE
 1. ALL LIGHTING FIXTURES SHALL BE FINAL SELECTED BY OWNER / ARCHITECT.
 2. EXACT LOCATION AND MOUNTING HEIGHTS OF ALL LIGHTING FIXTURES SHALL BE VERIFIED WITH ARCHITECT PRIOR TO ROUGH-IN

LIGHTING NOTES BY SYMBOL

--	--



01 REFLECTED CEILING PLAN-2F 3/16"=1'-00"

DATE	REVISION/ISSUE	NUMBER

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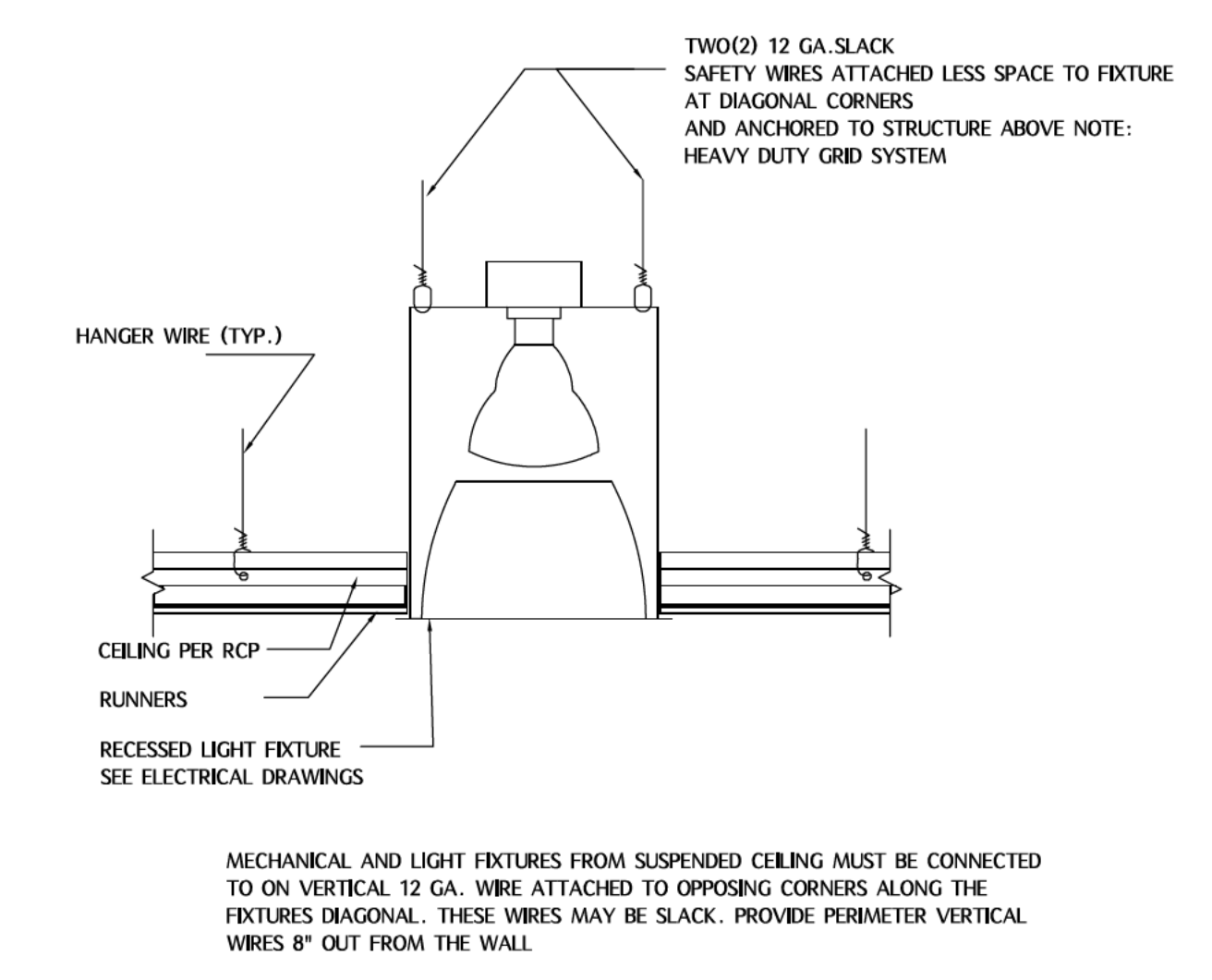
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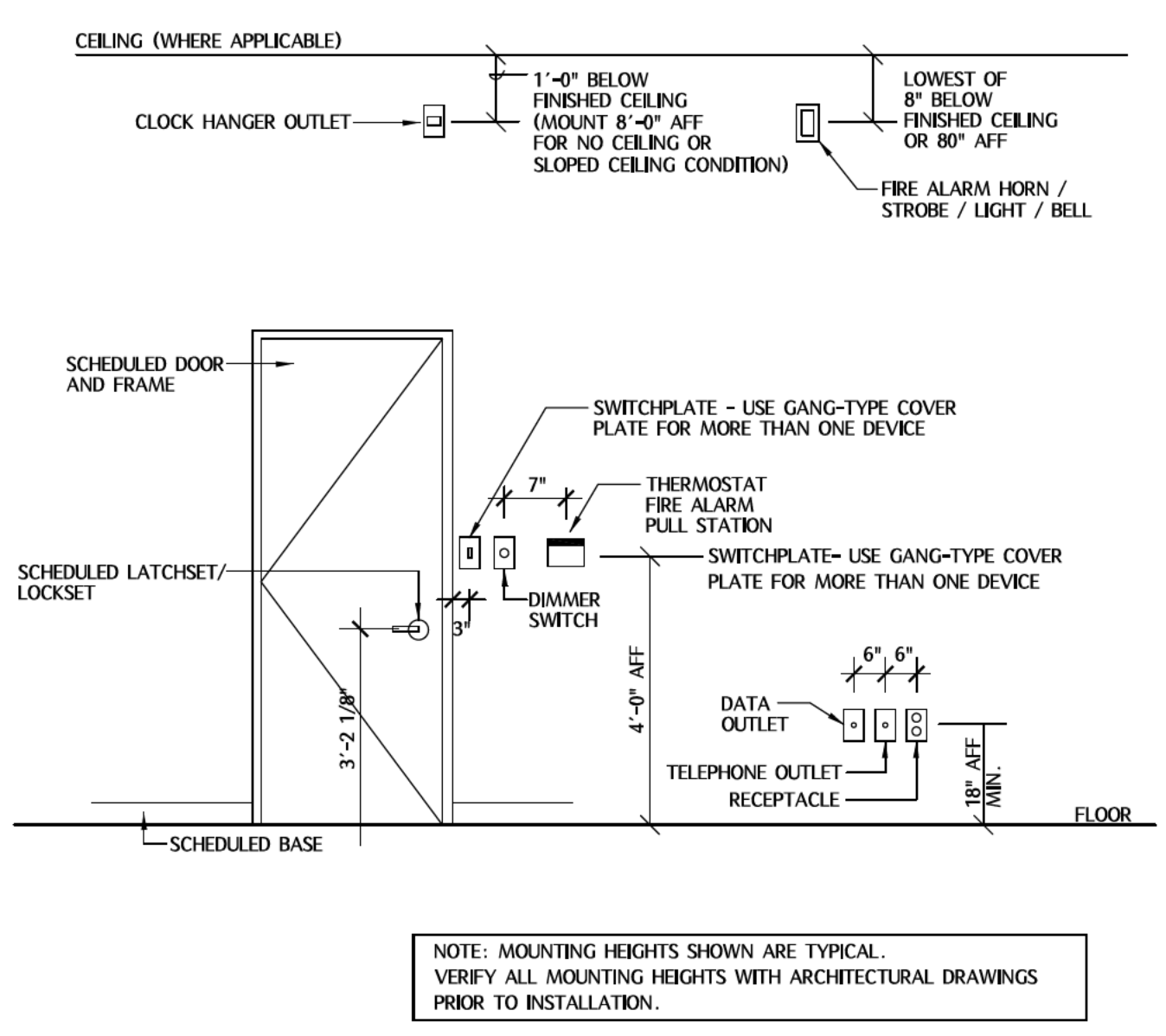
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LIGHTING PLAN NOTES

1. ALL EXIT LIGHT AND EMERGENCY BATTERY PACKS SHALL BE CONNECTED AHEAD OF ALL SWITCHING/CONTROL DEVICES FOR CONTINUOUS POWER.
2. ALL SWITCHES SHALL BE MOUNTED PER ADA TAs REQUIREMENTS.
3. ALL ROOM CONTROLLERS SHALL BE MOUNTED ABOVE ACCESSIBLE CEILING EXCEPT MOUNT AT STRUCTURE FOR AREAS WITHOUT CEILINGS.
4. REFER TO ARCHITECTURAL SHEET FOR CEILING CONDITIONS.
5. PROVIDE STRUCTURAL SUPPORTS ACCEPTABLE ARCHITECT FOR INSTALLATION OF FIXTURES IN AREAS WITHOUT CEILING. SUBMIT DETAIL FOR ARCHITECT APPROVAL.
6. ADVISE ENGINEER AND ARCHITECT OF ANY CONCERN OR QUESTIONS PRIOR TO PROCEEDING WITH THE WORK.
7. COORDINATE WORK WITH ALL OTHER TRADES. GIVE SPECIAL CONSIDERATION TO COORDINATING INSTALLATION OF LIGHTING, SPRINKLER PIPING, AND DUCTWORK. COORDINATE WALL SWITCHES WITH DOOR SWINGS. VERIFY EXACT LOCATION, COLOR AND FINISH OF OUTLETS AND DEVICES WITH INTERIOR DESIGNER, ARCHITECT, OR OWNER REPRESENTATIVE PRIOR TO INSTALLATION.
8. REFER TO ARCHITECTURAL, STRUCTURAL, AND MECHANICAL DRAWINGS FOR GUIDANCE AND VERIFICATION OF DIMENSIONS, CEILING HEIGHTS, DOOR DUCTWORK, PIPES, STRUCTURAL STEEL, EQUIPMENT, CABINET WORK, AND WAREHOUSE STORAGE LAYOUT.
9. INSTALL CEILING LIGHTING FIXTURES AS INDICATED ON ARCHITECTURAL REFLECTED CEILING PLANS AND/OR ON ELECTRICAL PLANS.
10. INSTALL WALL LIGHTING FIXTURES, WALL SWITCHES, WALL OUTLETS AND WALL MOUNTED EQUIPMENT FOR PROPER SIGNAL AND COMMUNICATIONS, IN COORDINATION WITH DETAILS, SECTIONS, ELEVATIONS AND ROOM FINISHES SHOWN ON ARCHITECTURAL DRAWINGS.
11. EXTERIOR LIGHT CIRCUIT SHALL BE CONTROLLED VIA EXISTING COMMON LIGHTING CONTRACTOR AND EXISTING ASTRONOMICAL TIME CLOCK. VERIFY IN FIELD.



RECESSED DOWN LIGHT DETAIL NTS



ACCESSIBILITY STANDARD NTS

LIGHT FIXTURE SCHEDULE

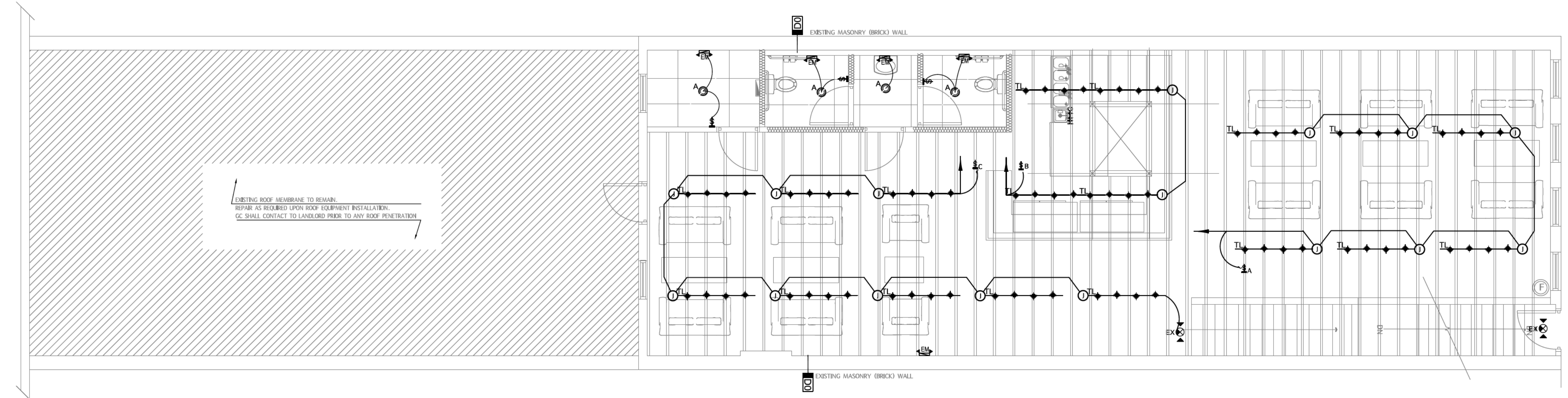
SYM.	DESCRIPTION	MANUFACTURER	MODEL #	LAMP	WATTS	QTY	REMARKS	SYM.	DESCRIPTION	MANUFACTURER	MODEL #	LAMP	WATTS	QTY	REMARKS
EX	EXIT/EMERGENCY SIGN	HIGH LITES	HBP-PLED5-R-DEH-RC REMOTE CAPACITY	LED	11	2	EMERGENCY LIGHT FIXTURE/ MIN. 90 MINUTE BACK UP BATTERY, HARD WIRED UNIT AUTOMATICALLY RECHARGES BATTERY	TR	TRACK LIGHT	LITHONIA	TBD	LED	RW/ PER BULB	-	
EM	EMERGENCY LIGHT (TYPE A)	HIGH LITES	HL-120 2HEAD WHITE	LED	11	6	DOUBLE HEAD UNIT(WHITE) MOUNT PER PLAN								
F1	RECESSED 2'x4' LED PANEL LIGHT INPUT: 100-277V, 60Hz, 40W/50W/60W	TBD	TBD	LED	50	10	CRI > 80 CCT : 3500K / 4000K / 5000K								
D1	6" LED RECESSED CAN LIGHT	TBD	TBD	LED	15	11	LED WITH DIMMER DRIVER								

NOTE

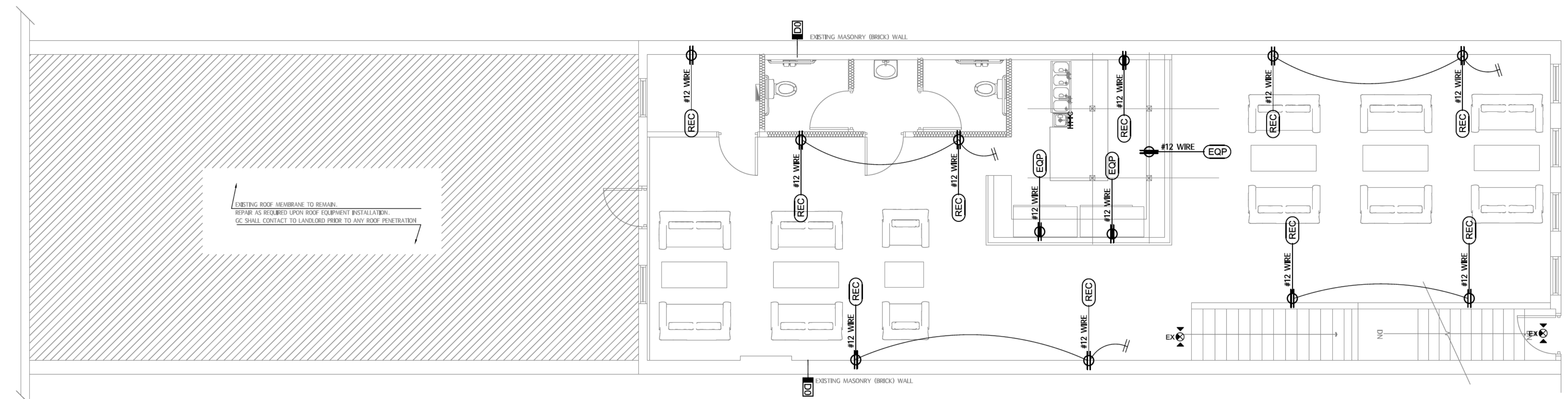
1. ALL LIGHTING FIXTURES SHALL BE FINAL SELECTED BY OWNER / ARCHITECT.
2. EXACT LOCATION AND MOUNTING HEIGHTS OF ALL LIGHTING FIXTURES SHALL BE VERIFIED WITH ARCHITECT PRIOR TO ROUGH-IN.

LIGHTING NOTES BY SYMBOL

- 1 EMERGENCY EGRESS LIGHT FIXTURE IS TO BE CONNECTED TO UN-SWITCHED LEG OF EXISTING HOUSE EXTERIOR LIGHTING CIRCUIT. FIELD VERIFY EXISTING CONDITIONS.
- 2 PROVIDE ADDITIONAL HOT WIRE FOR EXIT SIGN, EMERGENCY LIGHT.
- 3 PROVIDE "SENSOR SWITCH", DUAL TECHNOLOGY WALL MOUNTED MOTION SENSOR FOR AUTOMATIC CONTROL OF LIGHTS IN THIS ROOM. COORDINATE WITH OWNER/ARCHITECT FOR TIME-OUT ON SENSOR.
- 4 DISCONNECT & J-BOX FOR SIGN. PROVIDE DEDICATED NEUTRAL FOR ALL SIGNS. FIELD VERIFY J-BOX/SIGN LOCATION AND REQUIREMENTS WITH OWNER.
- 5 N/A
- 6 N/A



02 LIGHTING PLAN
3/16"=1'-00"



01 POWER PLAN
3/16"=1'-00"

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112 WEST OAK ST, SUITE #112-100
DENTON, TX 76201

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SHEET TITLE

SHEET NUMBER

MEP.3

MECHANICAL GENERAL NOTES

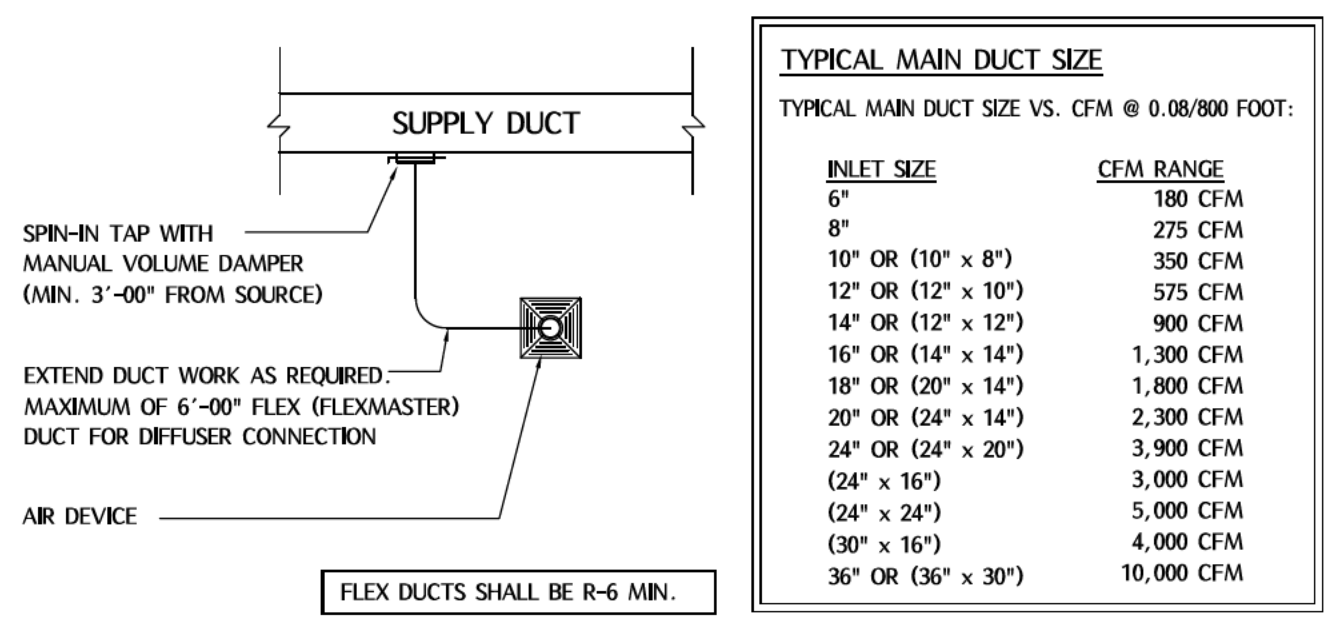
1. CODES, RULES AND REGULATIONS
 - A) ALL WORK AND MATERIALS SHALL BE IN FULL ACCORDANCE WITH ALL APPLICABLE FEDERAL, STATE, AND LOCAL LAWS, ORDINANCES AND CODES.
 - B) WHEN THE DRAWINGS CALL FOR MATERIALS OR CONSTRUCTION OF A BETTER QUALITY OR LARGER SIZES THAN REQUIRED BY THE ABOVE MENTIONED CODES AND RULES, WORK SHALL BE AS SPECIFIED OR SHOWN RATHER THAN AS REQUIRED BY CODE. ALL ITEMS OR FEATURES OF THE MECHANICAL SYSTEMS REQUIRED BY CODE SHALL BE INCLUDED, EVEN THOUGH NOT SPECIFIED HEREIN.
 - C) INSTALLATION OF THE SYSTEMS SHALL BE IN ACCORDANCE WITH THE ABOVE MENTIONED CODES AND REGULATIONS AND ALSO SHALL CONFORM TO GOOD, ACCEPTED MECHANICAL PRACTICES.
2. ALL OUTDOOR AIR INTAKES BY MECHANICAL EQUIPMENT SHALL HAVE A MINIMUM 10'-0" HORIZONTAL CLEARANCE FROM THE DISCHARGE OF ANY EXHAUST FAN, COMBUSTION EXHAUST OR PLUMBING VENT.
3. CONTRACTOR SHALL SUBMIT ALL EQUIPMENT AND MATERIAL SPECIFICATIONS TO THE OWNER PRIOR TO CONSTRUCTION.
4. ALL HVAC LABOR AND MATERIALS SHALL BE COVERED BY WRITTEN ONE YEAR WARRANTY.
5. ALL DUCT SIZE SHOWN ON PLANS ARE CLEAR INSIDE DIMENSIONS.
6. SUPPLY, RETURN, RESTROOM EXHAUST DUCT CONSTRUCTION SHALL BE GALVANIZED STEEL. GAUGES, SWAY BRACING AND SUSPENSION SHALL CONFORM TO SMACNA STANDARDS. SEAL ALL SEAMS AND JOINT AIR AND WATERTIGHT. FLEXIBLE ALUMINUM DUCTWORK OR FIBERGLASS DUCTBOARD IS NOT ALLOWED (UNO)
7. ALL WORK SHALL BE COORDINATED WITH OTHER TRADES.
8. THE MECHANICAL CONTRACTOR SHALL COORDINATE ALL DUCT AND DIFFUSER LOCATIONS WITH LIGHT FIXTURES AS WELL AS SPRINKLER PIPING AND HEADS(WHERE INCLUDED IN THE PROJECT) FOR A COMPLETE INSTALLATION.
9. THE LOCATION OF ALL ROOF PENETRATIONS SHALL BE COORDINATED WITH ARCHITECTURAL AND STRUCTURAL DRAWINGS.
10. ALL SUPPLY AND RETURN AIR DUCTWORK IN CONCEALED SPACES TO BE WRAPPED WITH 1" THICK 0.75 LB/FT3 DENSITY FIBERGLASS INSULATION. JOINTS TO OVERLAP 3" MINIMUM.
11. MANUAL VOLUME DAMPERS OR ADJUSTABLE EXTRACTORS TO BE INSULATED IN ALL BRANCH TAKE-OFFS. ALL DAMPERS ARE TO HAVE LOCKING QUADRANTS.
12. FLEX DUCT IS ACCEPTABLE ON THIS PROJECT.
13. PROVIDE UNISTRUT AND 3/4" TREADED ROD TO HANG AIR HANDLER UNIT.
14. ALL DUCTS/VENTS TERMINATING AT EXTERIOR OF BUILDING MUST BE PAINTED TO MATCH EXTERIOR BUILDING COLOR AND MUST HAVE SCREENS TO PREVENT ENTRY OF BIRDS AND OTHER WILDLIFE.

LEGEND

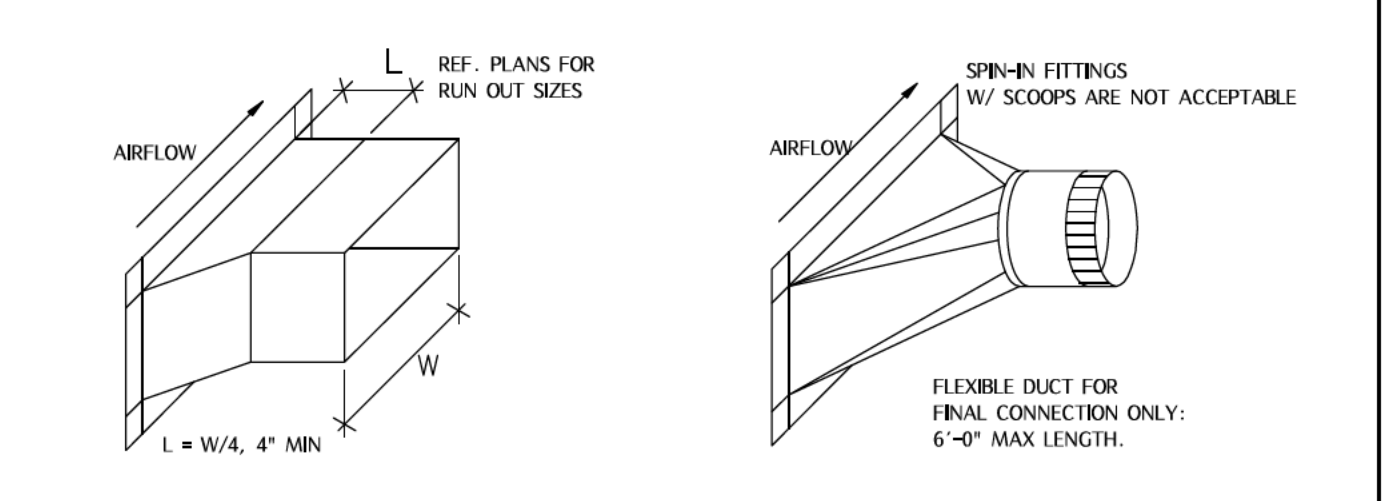
SYMBOL	DESCRIPTION
	AIR LAY IN SUPPLY DIFFUSER 24"x24"
	RAGR RETURN GRILLE 24"x24"
	SMOKE DETECTOR IN RETURN AIR DUCT > 2,000 CFM
	BLDG. STANDARD EXHAUST FAN WITH SWITCH AS REQUIRED BY CODE - WHITE

ALL SYMBOLS NOT NECESSARILY USED

TYP. DUCT DETAIL (TYP.)

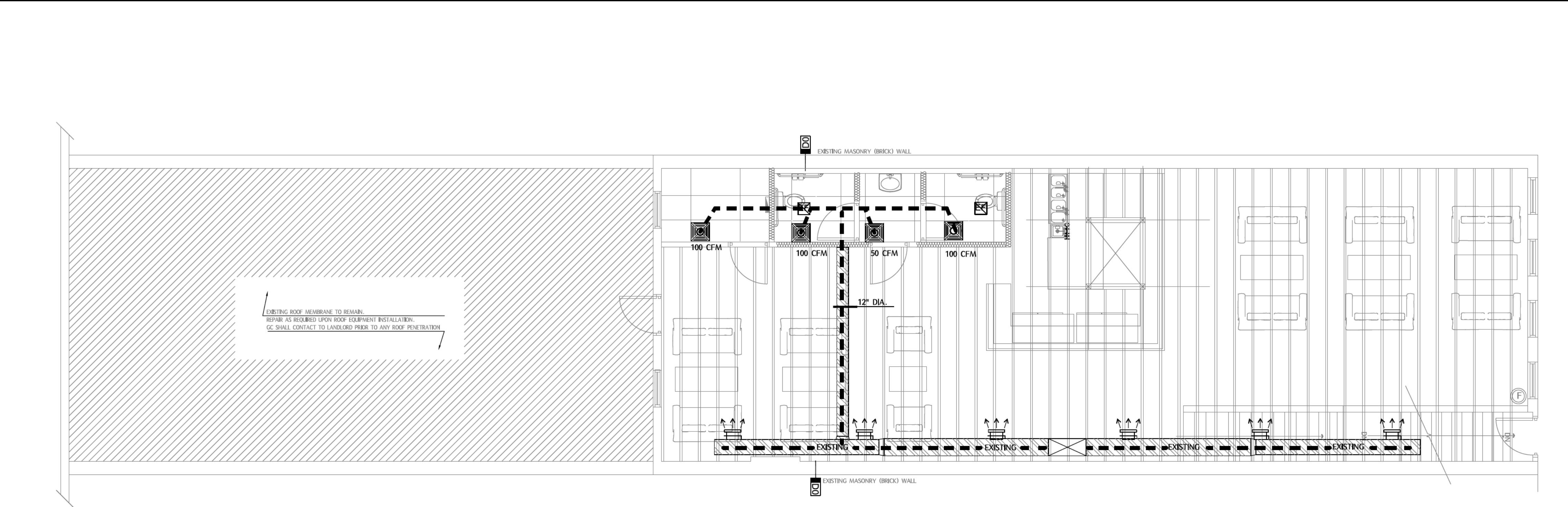
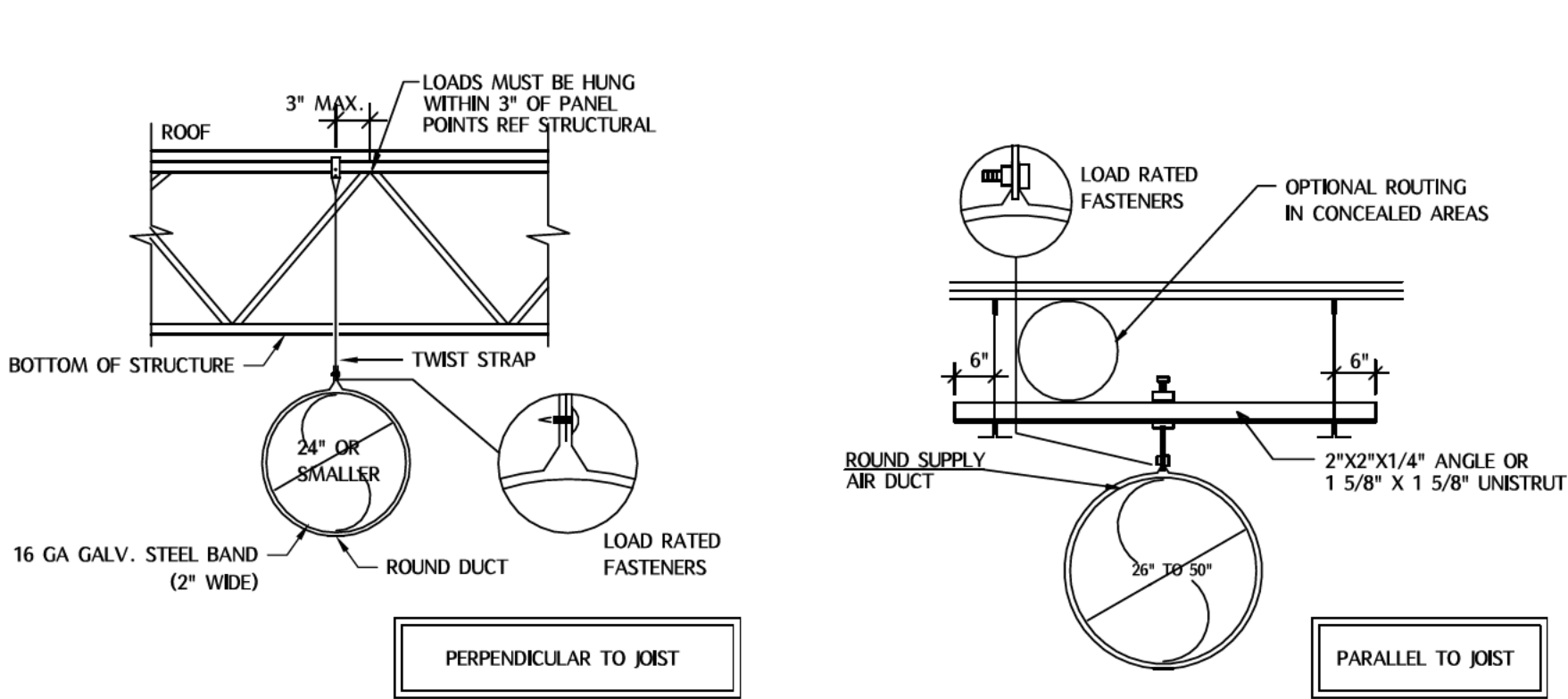


BRANCH DUCT FITTING



MECHANICAL KEYED NOTES

- 1 EXISTING DUCT TO REMAIN
- 2 EXISTING RTU TO REMAIN
- 3 N/A
- 4 N/A



ELECTRIC HOT WATER HEATER SCHEDULE

MARK	QTY	DESCRIPTION
WH-01	1	STATE INDUSTRIES ELECTRIC WATER HEATER, LIGHT DUTY LOWBOY TOP CONNECT, SERIES: PATRIOT, 50 GAL TANK, 208 VAC, 3000 W, 3 PH, 3/4 IN FNPT WATER CONNECTION, (2) ZINC PLATED COPPER SHEATH HEATING ELEMENT, 17 GPH AT 36 DEG F RISE RECOVERY, 150 PSI, 120 TO 181 DEG F, ASME YES/NO, BAKED ENAMEL, 26-1/2 IN DIA X 32-1/4 IN H

- REMARKS**
1. PROVIDE WITH A CIRCULATION PUMP AND ALL APPURTENANCES.
 2. PROVIDE AND INSTALL PLENUM GRADE FLUE/EXHAUST AND AIR INTAKE PER MANUFACTURES REQUIREMENTS.
 3. PROVIDE WITH EXPANSION TANK IF APPLICABLE.

PLUMBING KEYED NOTES (DOMESTIC WATER SUPPLY)

- A APPROXIMATE LOCATION OF EXISTING OVERHEAD WATER MAIN. FIELD VERIFY EXACT LOCATION AND SIZE.
- B CONNECT TO EXISTING WATER LINE ABOVE CEILING. FIELD VERIFY EXACT LOCATION AND SIZE. PROVIDE VALVE AT CONNECTION. PROVIDE REMOTE READING SUB-METER AS REQUIRED BY LANDLORD BASE BUILDING WATER METER READING SYSTEM. CONTRACTOR SHALL COORDINATE ALL REQUIREMENTS WITH THE LANDLORD PRIOR TO CONSTRUCTION.
- C N/A
- D PROVIDE ELECTRIC WATER HEATER WH-1 WITH 1" COLD & HOT WATER CONNECTIONS. INSTALL WATER HEATER ON 18" TALL ANGLE IRON PLATFORM. ROUTE WATER HEATER T&P DISCHARGE AND DRAIN LINE TO MOP SINK.
- E PROVIDE THERMOSTATIC MIXING VALVE (TMV-1) BLOW FUTURE TO TEMPER HOT WATER SUPPLY TO FEATURE AT A MAXIMUM OF 100

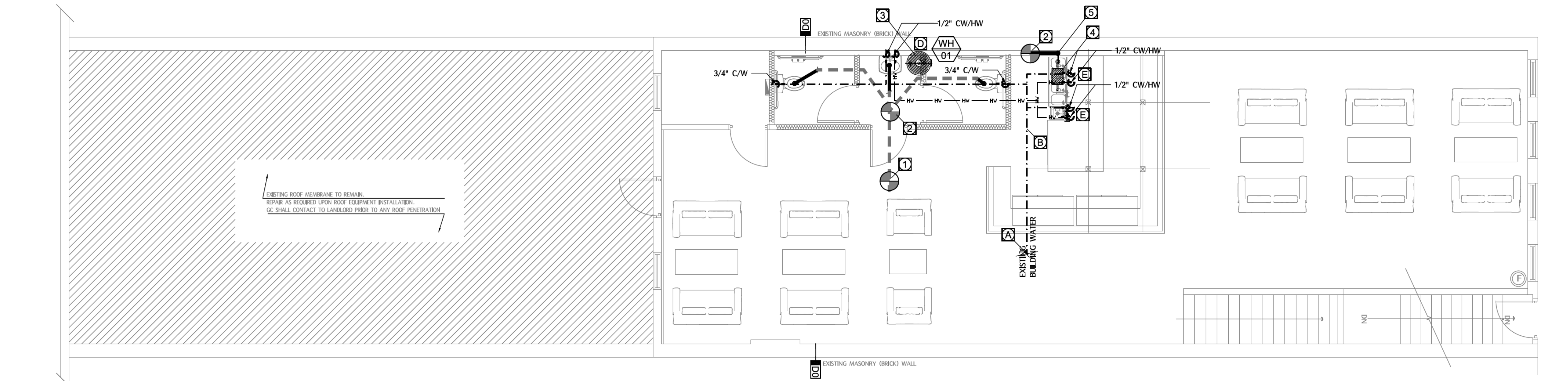
PLUMBING KEYED NOTES (WASTE & VENT)

- 1 APPROXIMATE LOCATION OF EXISTING UNDER SLAB SANITARY. FIELD VERIFY EXACT LOCATION AND SIZE.
- 2 CONNECT TO EXISTING SANITARY SEWER LINE BELOW SLAB. FIELD VERIFY EXACT LOCATION AND SIZE.
- 3 ROUTE WATER HEATER T&P DISCHARGE AND DRAIN LINE TO "P" TRAP OF HAND SINK
- 4 GREASE TRAP UNDER SINK TYPE
- 5 SAMPLE TEE
- 6 N/A
- 7 N/A
- 8 N/A

THERMOSTATIC MIXING VALVE SCHEDULE

MARK	MANUFACTURER	MODEL #	PRESSURE DROP	INLET HOT WATER		INLET COLD WATER		OUTLET COLD WATER		DESCRIPTION / REMARKS
				TEMP.	FLOW	TEMP.	FLOW	TEMP.	FLOW	
TMV	ARMSTRONG RADA	110	30 PSI		.5 GPM		.5 GPM		1.0	SEE NOTE #1

NOTES:
 T BRONZE BODY THERMOSTATIC MIXING VALVE WITH INTEGRAL FILTER WASHERS AND CHECK VALVES AND AN ADJUSTMENT CAP WITH LOCKING FEATURE. VALVE SHALL BE ASSE 1016, 1017 AND 1070 LISTED. IF VALVE SERVES WALL HUNG LAVATORY OR HAND SINK, LOCATE VALVE IN WALL DIRECTLY BEHIND A 12"x12" ACCESS PANEL WITH LOCKING COVER. COORDINATE LOCATION WITH ARCHITECT. IF VALVE SERVES A COUNTERTOP LAVATORY, LOCATE VALVE BELOW LAVATORY WITHIN CABINET. IF VALVE SERVES MULTIPLE LAVATORIES OR HAND SINKS, VALVE SIZE SHALL BE AS FOLLOWS: 1-2 LAVATORIES (1/2"), 3-4 LAVATORIES (3/4") AND 5-6 LAVATORIES (1").



02 HVAC PLAN
3/16"=1'-00"

01 PLUMBING PLAN
3/16"=1'-00"

DATE	REVISION/ISSUE

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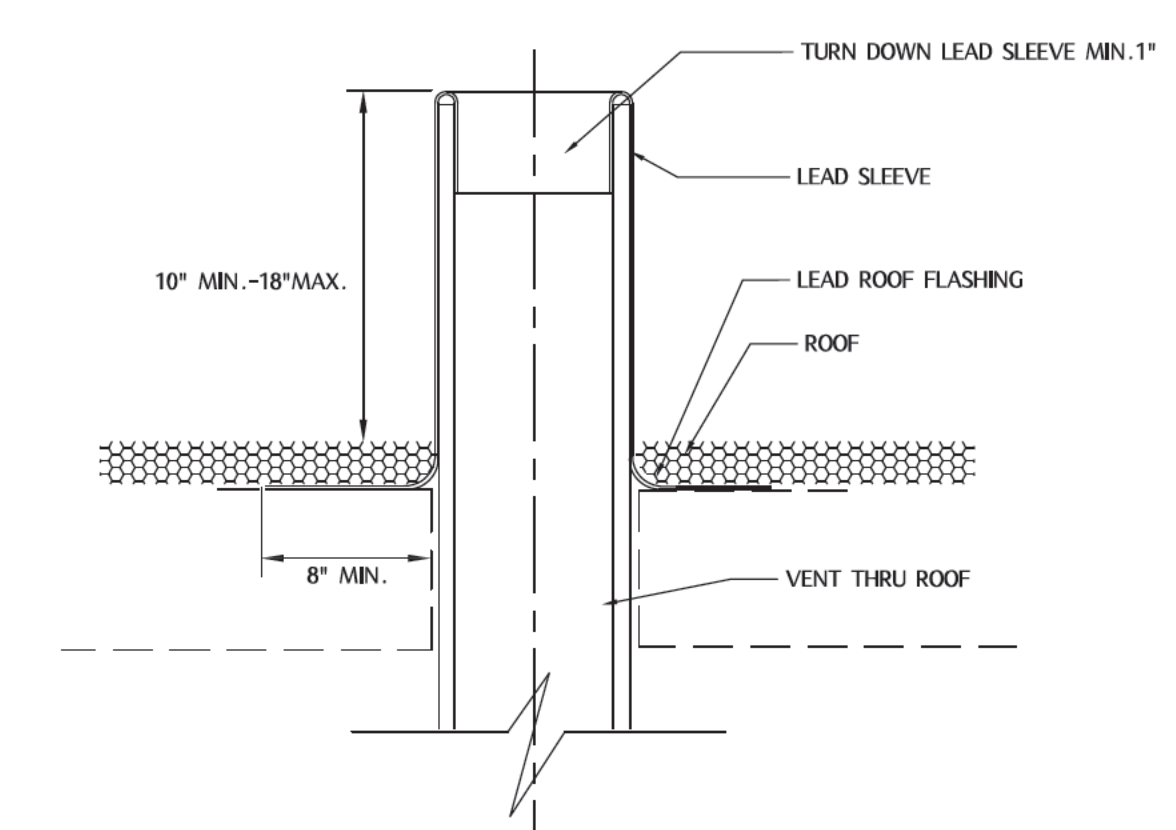
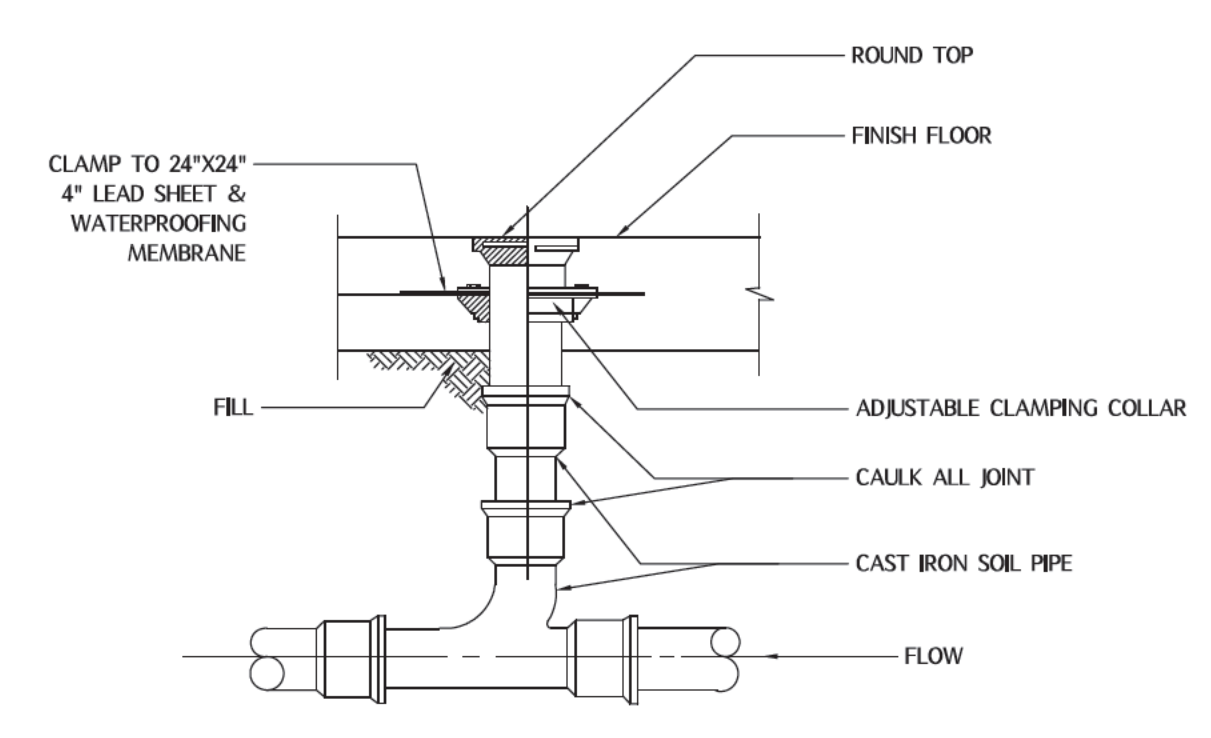
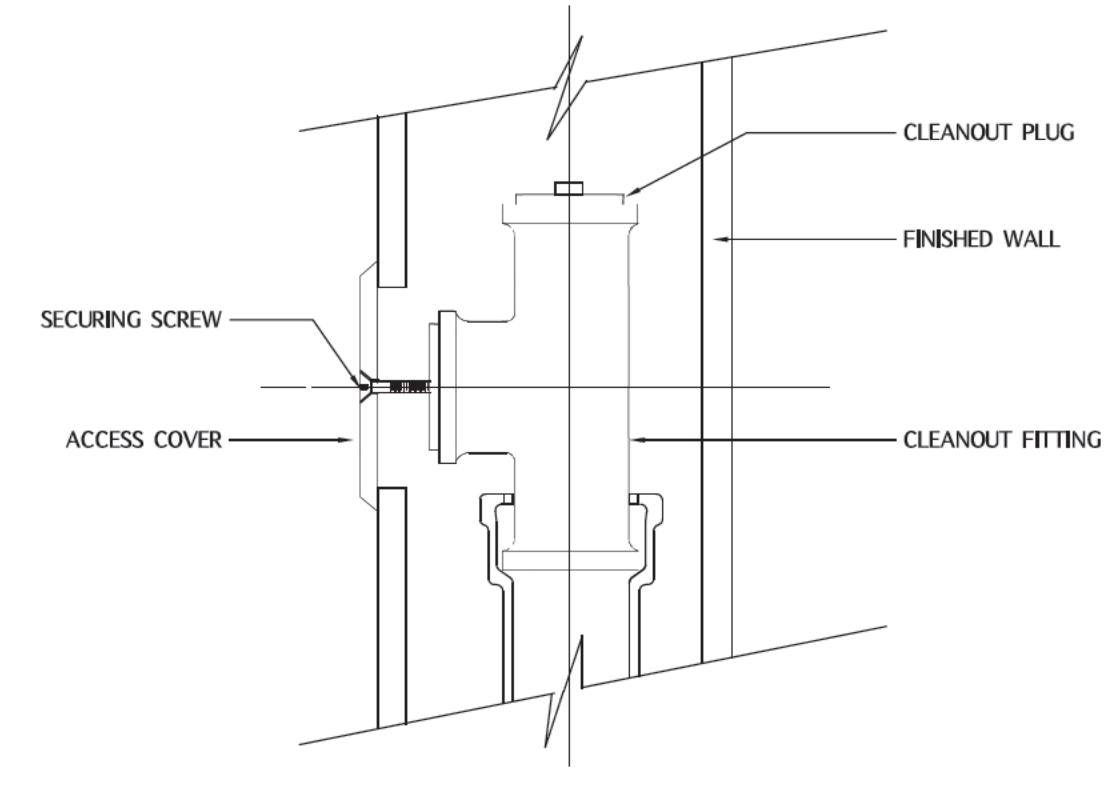
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 DENTON, TX 76201

REFERENCE NUMBER

SHEET TITLE

SHEET NUMBER

MEP.4



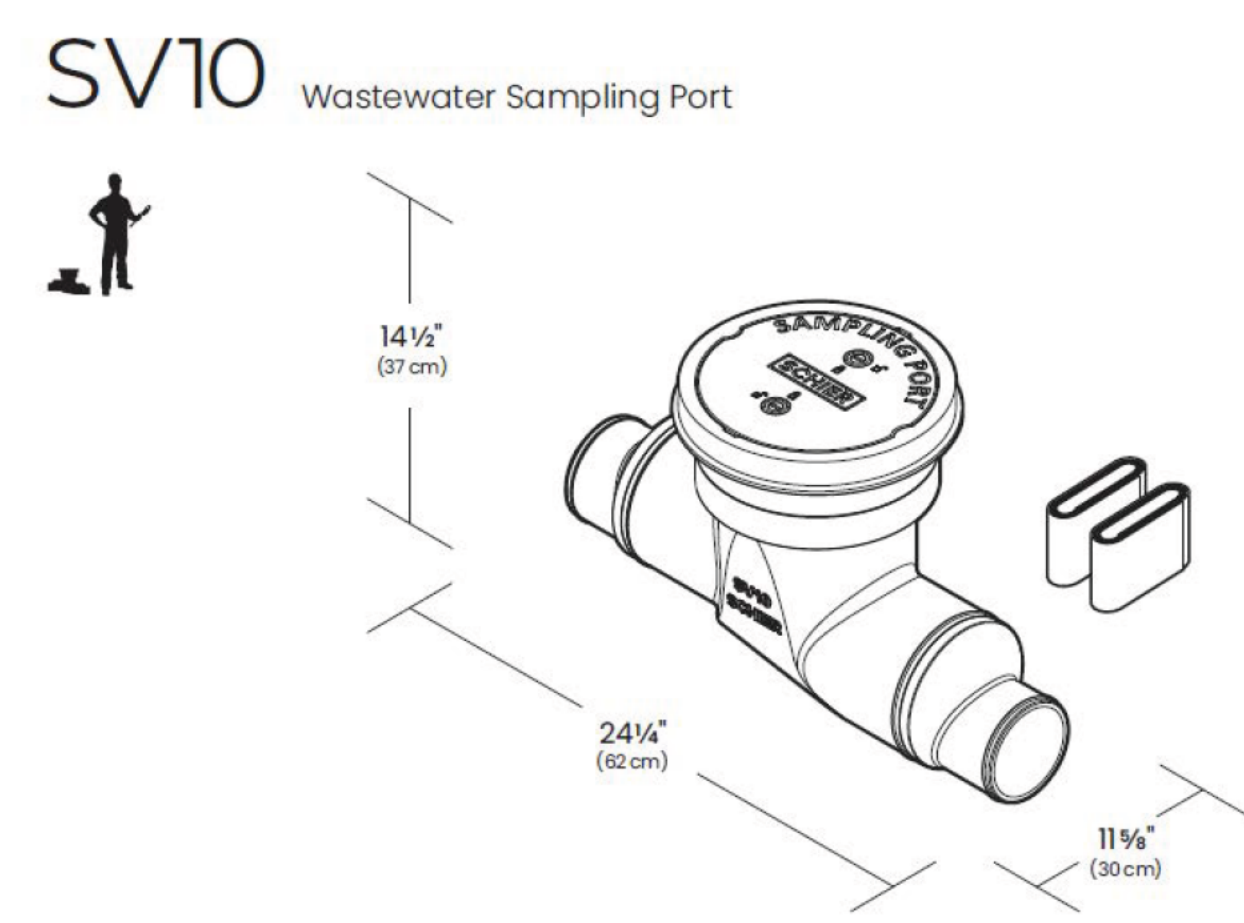
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REVISION/ISSUE	
NUMBER	

1 EXTERIOR TWO WAY CLEAN OUT NTS

2 WALL CLEAN OUT NTS

3 FLOOR CLEAN OUT NTS

4 VENT THRU DETAIL NTS



Standard
 Location: Indoor/Outdoor
 Installation: Above/Below grade
 Weight: 9 lbs.
 Connections: 4" (100 mm) and 6" (150 mm) Plain End
 Cover: Cam Locked Gas/Water Tight
 Polyethylene with 16,000 lb. H2O load rating

Options
 FCRI0 (0") - 31" Field Cut Risers
 FCRI0 (2) - 31" - 64" Field Cut Risers
 FCRI0 (3) - 64" - 97" Field Cut Risers

WATTS® **WD Series** **PDI Certified Grease Interceptor**

Tag: _____

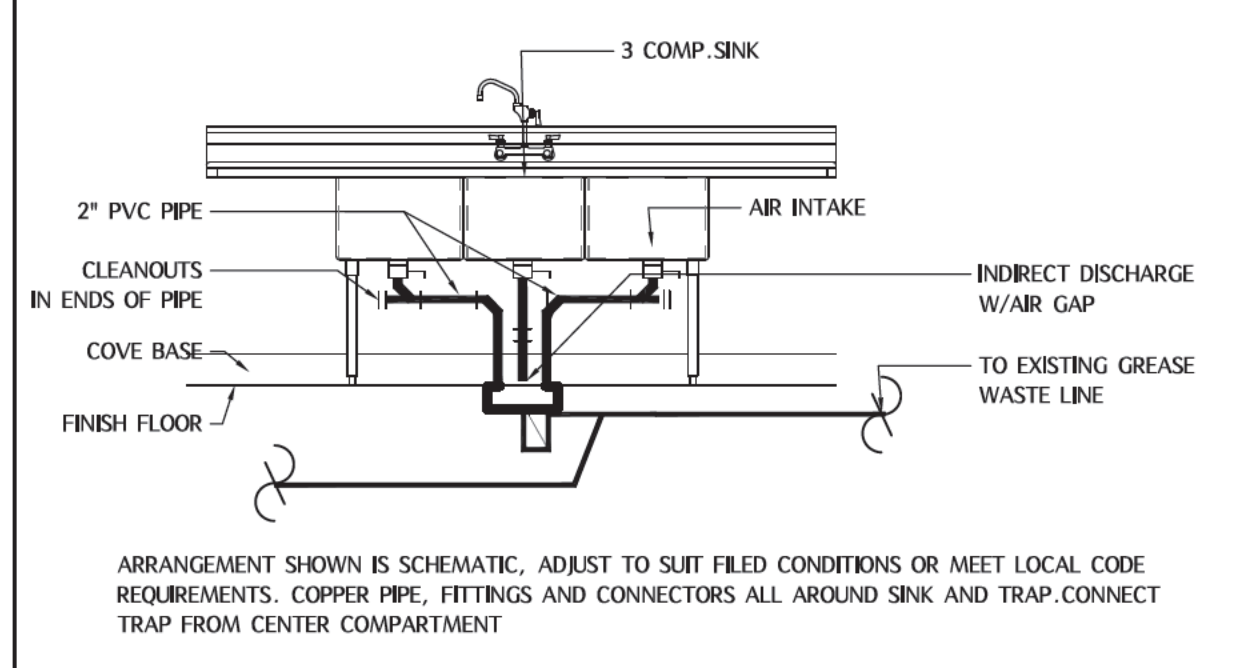
SPECIFICATION: Watts Drainage WD Series PDI Certified recessed or floor mounted epoxy coated steel grease interceptor with gasketed epoxy coated steel skid-proof cover secured with hex head center bolt(s), removable baffle assembly, deep seal trap with cleanout, external cast iron flow control fitting, and no hub (standard) connections.

Suffix	Flow Rate (Select One) Description
4	4 GPM
7	7 GPM
10	10 GPM
15	15 GPM
20	20 GPM
25	25 GPM
35	35 GPM
50	50 GPM

Suffix	Options (Select One or More) Description
-B	Sediment Bucket
-E	Extension
-FC	Flange & Clamp Device
-HD	Heavy Duty (10,000 lb.) Traffic Cover*
-O	Inlet & Outlet other than Standard Size
-SS	Stainless Steel
-THD	Threaded Connections

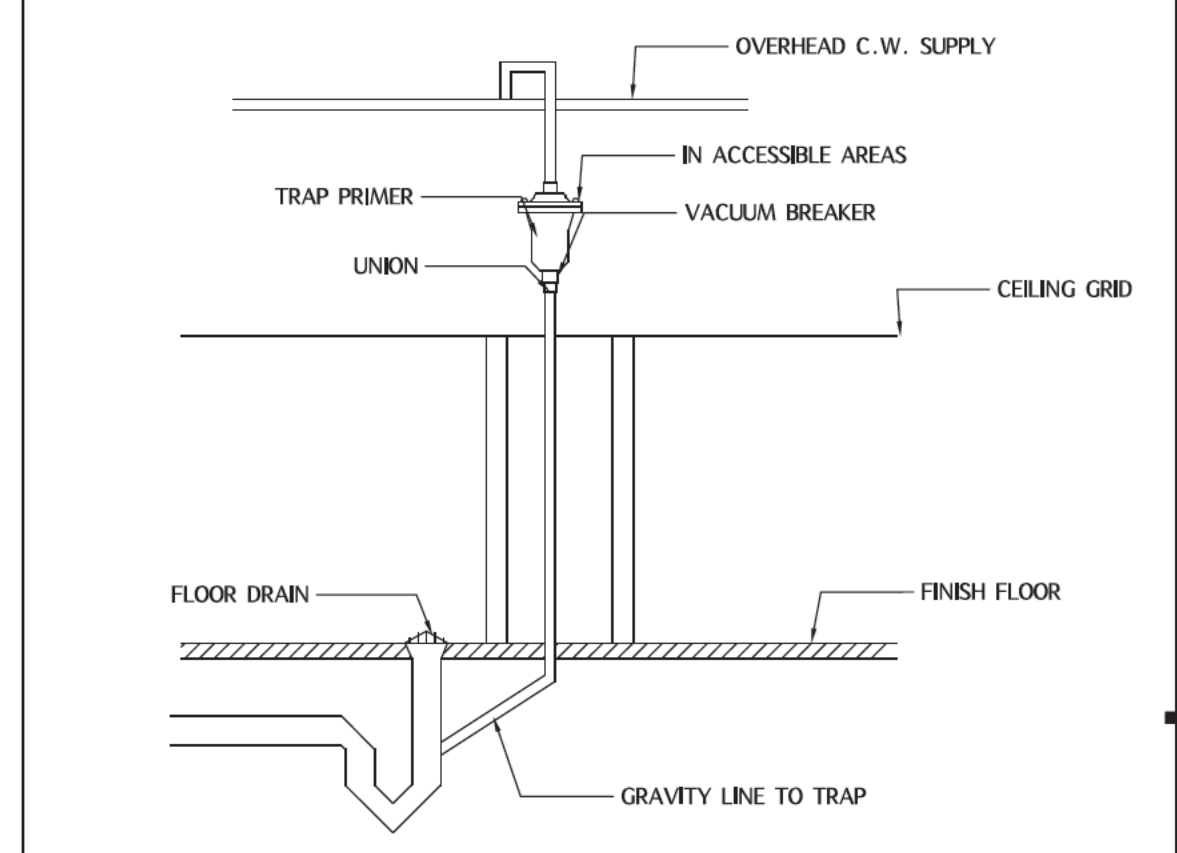
*HD Options Requires Minimum 3" Extension

Interceptor Catalog Number	Flow Rate GPM	Grease Capacity lbs.	A Inlet & Outlet	B Base to Center	C Top to Center	D Length	E Width	F Height
WD-4	4	8	2"(51)	7-3/4"(197)	3-1/4"(83)	16"(406)	10"(254)	11"(279)
WD-7	7	14	2"(51)	8-1/2"(216)	3-1/2"(89)	18"(457)	13"(330)	12"(305)
WD-10	10	20	2"(51)	8-1/2"(216)	3-1/2"(89)	21-3/4"(552)	14"(356)	12"(305)
WD-15	15	30	2"(51)	10-1/2"(267)	3-1/2"(89)	22"(559)	15"(381)	14"(356)
WD-20	20	40	3"(76)	11-1/2"(292)	3-1/2"(89)	24"(610)	15-3/4"(400)	15"(381)
WD-25	25	50	3"(76)	12"(305)	4-1/2"(114)	26"(660)	16-1/2"(419)	16-1/2"(419)
WD-35	35	70	3"(76)	14"(356)	5"(127)	30"(762)	18"(457)	19"(483)
WD-50	50	100	4"(102)	16"(406)	5-1/2"(140)	32"(813)	22"(559)	21-1/2"(546)



ARRANGEMENT SHOWN IS SCHEMATIC, ADJUST TO SUIT FIELD CONDITIONS OR MEET LOCAL CODE REQUIREMENTS. COPPER PIPE, FITTINGS AND CONNECTORS ALL AROUND SINK AND TRAP. CONNECT TRAP FROM CENTER COMPARTMENT

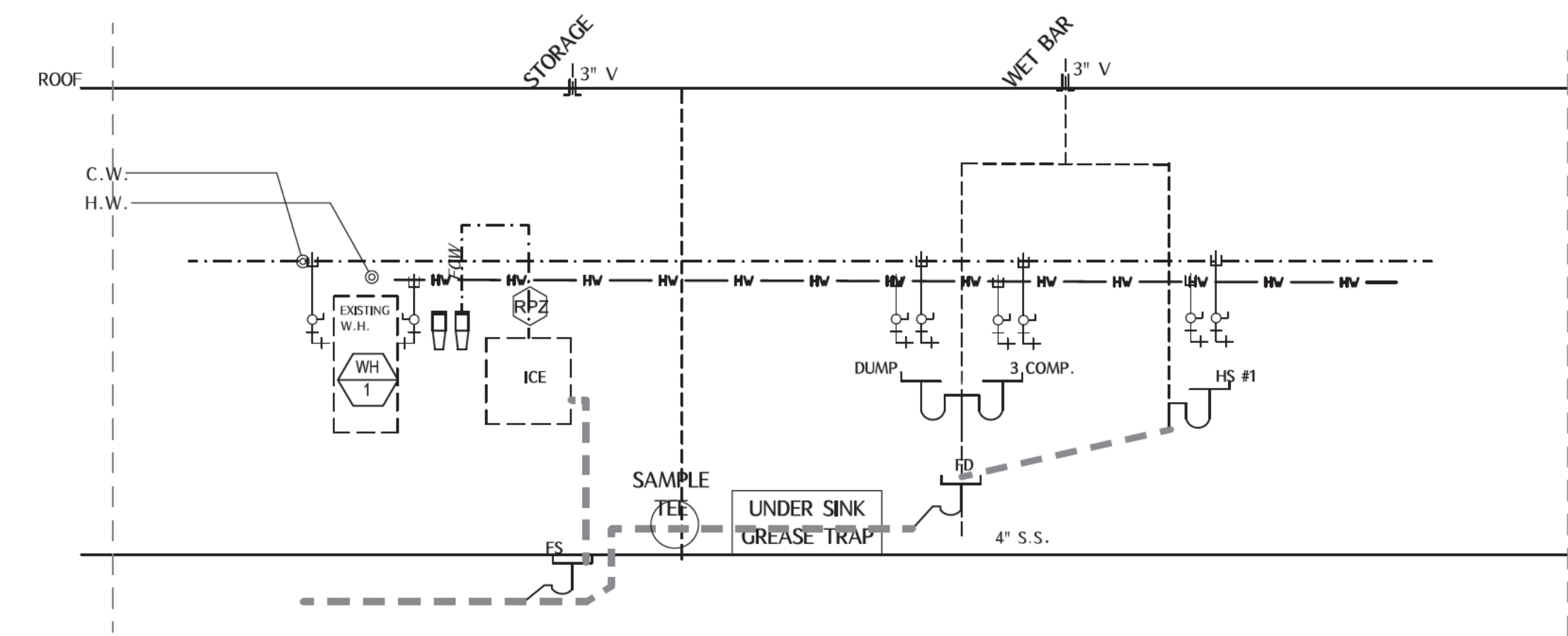
5 3 COMP. SINK NTS



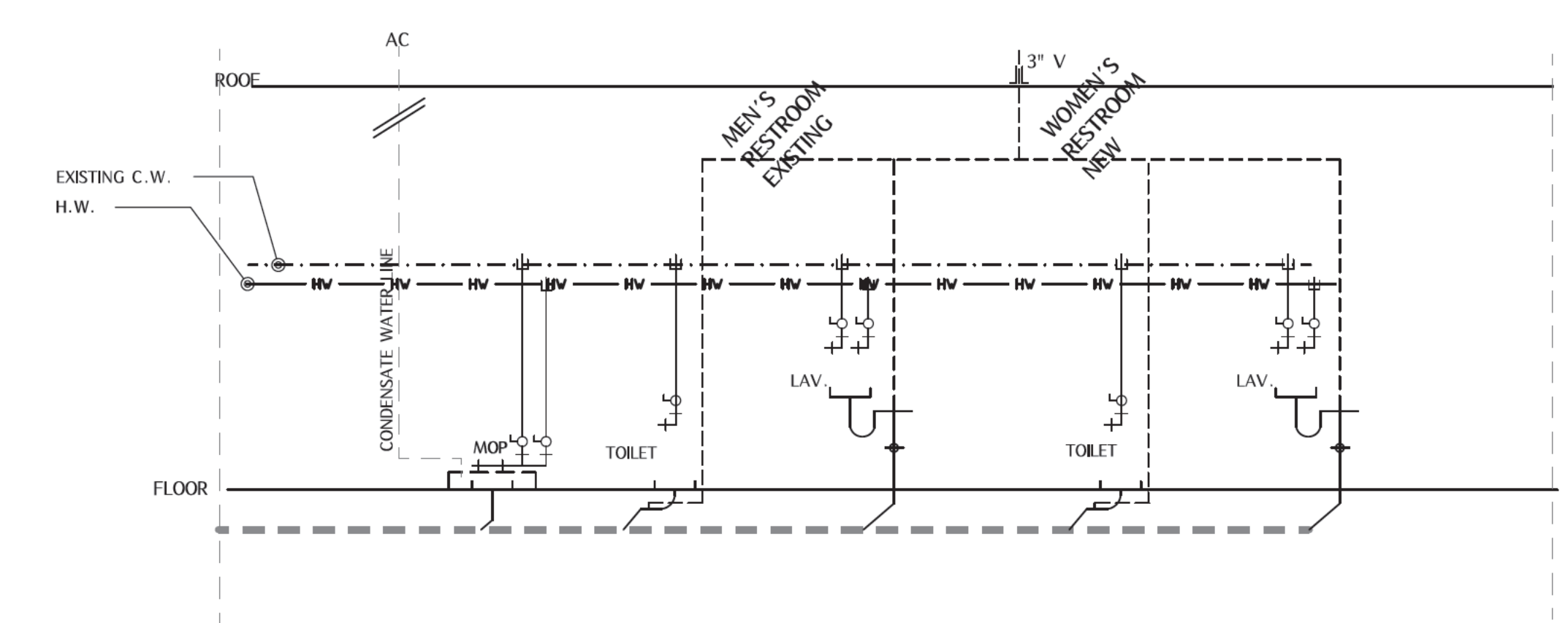
6 TRAP PRIMER DETAIL (TYP.) NTS

6 SAMPLE TEE NTS

7 GREASE TRAP ABOVE GROUND NTS



02 PLUMBING RISER DIAGRAM #2 (GREASE LINE) NTS



01 PLUMBING RISER DIAGRAM #1 (NON GREASE LINE) NTS



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PROJECT NAME / ADDRESS

SUITE COMBING & PARTIAL INTERIOR REMODELING
D20 TAVERN
 112 WEST OAK ST, SUITE #112-100
 DENTON, TX 76201

REFERENCE NUMBER

SHEET TITLE

SHEET NUMBER

MEP.5

Certificate Of Completion

Envelope Id: 4A488847-BADB-8EA3-80D6-D459186A516F
 Subject: Complete with Docusign: Exhibit 2 - Ordinance and Agreementd d20.pdf
 Source Envelope:
 Document Pages: 28
 Certificate Pages: 5
 AutoNav: Enabled
 Envelopeld Stamping: Enabled
 Time Zone: (UTC-06:00) Central Time (US & Canada)

Status: Completed
 Envelope Originator:
 Kelly Robinson
 901B Texas Street
 Denton, TX 76209
 Kelly.Robinson@cityofdenton.com
 IP Address: 198.49.140.10

Record Tracking

Status: Original
 7/2/2026 11:19:16 AM
 Holder: Kelly Robinson
 Kelly.Robinson@cityofdenton.com
 Location: DocuSign

Signer Events

Mark Michnevitz
 d20tavern@gmail.com
 Owner
 Security Level: Email, Account Authentication
 (None)

Signature

Signed by:

 E16A08B88B3145D...
 Signature Adoption: Drawn on Device
 Using IP Address: 216.76.52.57
 Signed using mobile

Timestamp

Sent: 7/2/2026 11:29:02 AM
 Resent: 7/6/2026 9:16:59 AM
 Viewed: 7/6/2026 3:09:04 PM
 Signed: 7/6/2026 3:10:20 PM

Electronic Record and Signature Disclosure:
 Accepted: 7/6/2026 3:09:04 PM
 ID: c2cc1290-a117-490f-922b-fcce373e8082

In Person Signer Events

Signature

Timestamp

Editor Delivery Events

Status

Timestamp

Agent Delivery Events

Status

Timestamp

Intermediary Delivery Events

Status

Timestamp

Certified Delivery Events

Status

Timestamp

Carbon Copy Events

Status

Timestamp

Kristen Pulido
 kristen.pulido@cityofdenton.com
 Security Level: Email, Account Authentication
 (None)

COPIED

Sent: 7/6/2026 3:10:21 PM
 Viewed: 7/6/2026 3:16:49 PM

Electronic Record and Signature Disclosure:
 Accepted: 6/9/2026 8:39:19 AM
 ID: 5458a0ca-5e15-44fd-9a2d-0cc0e809d758

Witness Events

Signature

Timestamp

Notary Events

Signature

Timestamp

Envelope Summary Events

Status

Timestamps

Event	Status	Timestamp
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Certified Delivered	Security Checked	7/6/2026 3:09:04 PM
Signing Complete	Security Checked	7/6/2026 3:10:20 PM
Completed	Security Checked	7/6/2026 3:10:21 PM

Payment Events

Status

Timestamps

Electronic Record and Signature Disclosure

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- i. decline to sign a document from within your DocuSign account, and on the subsequent page, select the check-box indicating you wish to withdraw your consent, or you may;
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Required hardware and software

Operating Systems:	Windows2000? or WindowsXP?
Browsers (for SENDERS):	Internet Explorer 6.0? or above
Browsers (for SIGNERS):	Internet Explorer 6.0?, Mozilla FireFox 1.0, NetScape 7.2 (or above)
Email:	Access to a valid email account
Screen Resolution:	800 x 600 minimum
Enabled Security Settings:	<ul style="list-style-type: none"> •Allow per session cookies •Users accessing the internet behind a Proxy Server must enable HTTP 1.1 settings via proxy connection

** These minimum requirements are subject to change. If these requirements change, we will provide you with an email message at the email address we have on file for you at that time providing you with the revised hardware and software requirements, at which time you will have the right to withdraw your consent.

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To confirm to us that you can access this information electronically, which will be similar to other electronic notices and disclosures that we will provide to you, please verify that you were able to read this electronic disclosure and that you also were able to print on paper or electronically save this page for your future reference and access or that you were able to e-mail this disclosure and consent to an address where you will be able to print on paper or save it for your future reference and access. Further, if you consent to receiving notices and disclosures exclusively in electronic format on the terms and conditions described above, please let us know by clicking the 'I agree' button below.

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d20 Keep

112 W. Oak St., Suite 200

Kristen Pulido
Main Street Program Manager
Office of Economic Development

ALIGNMENT WITH CITY PLANS

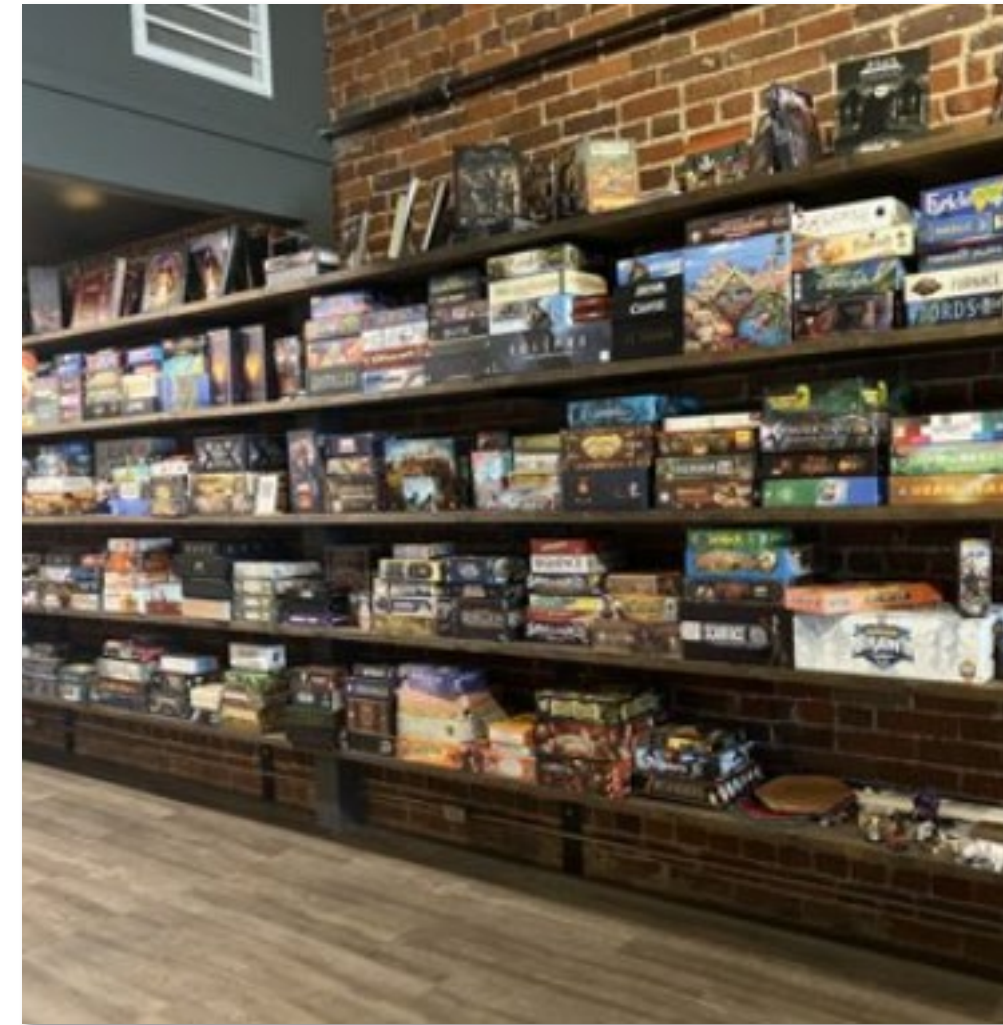
- **City's Strategic Plan**
 - Key Focus Area 3: Foster Economic Opportunity and Affordability
 - Grow Denton's Economic Vitality
 - Key Focus Area 4: Strengthen Community and Quality of Life
 - Preserve Community Character and Identity
 - Strengthen Community Amenities
- **Economic Development Strategic Plan**
 - 2D.2 Downtown Development
- **Design Downtown Plan**
 - Community Priority: Retail and Commercial Development

BACKGROUND

- 2022 – Mark Michnevitz opens d20 Tavern
 - A craft beer and boardgame venue.
 - Features 20 local craft beers and over 400 tabletop games

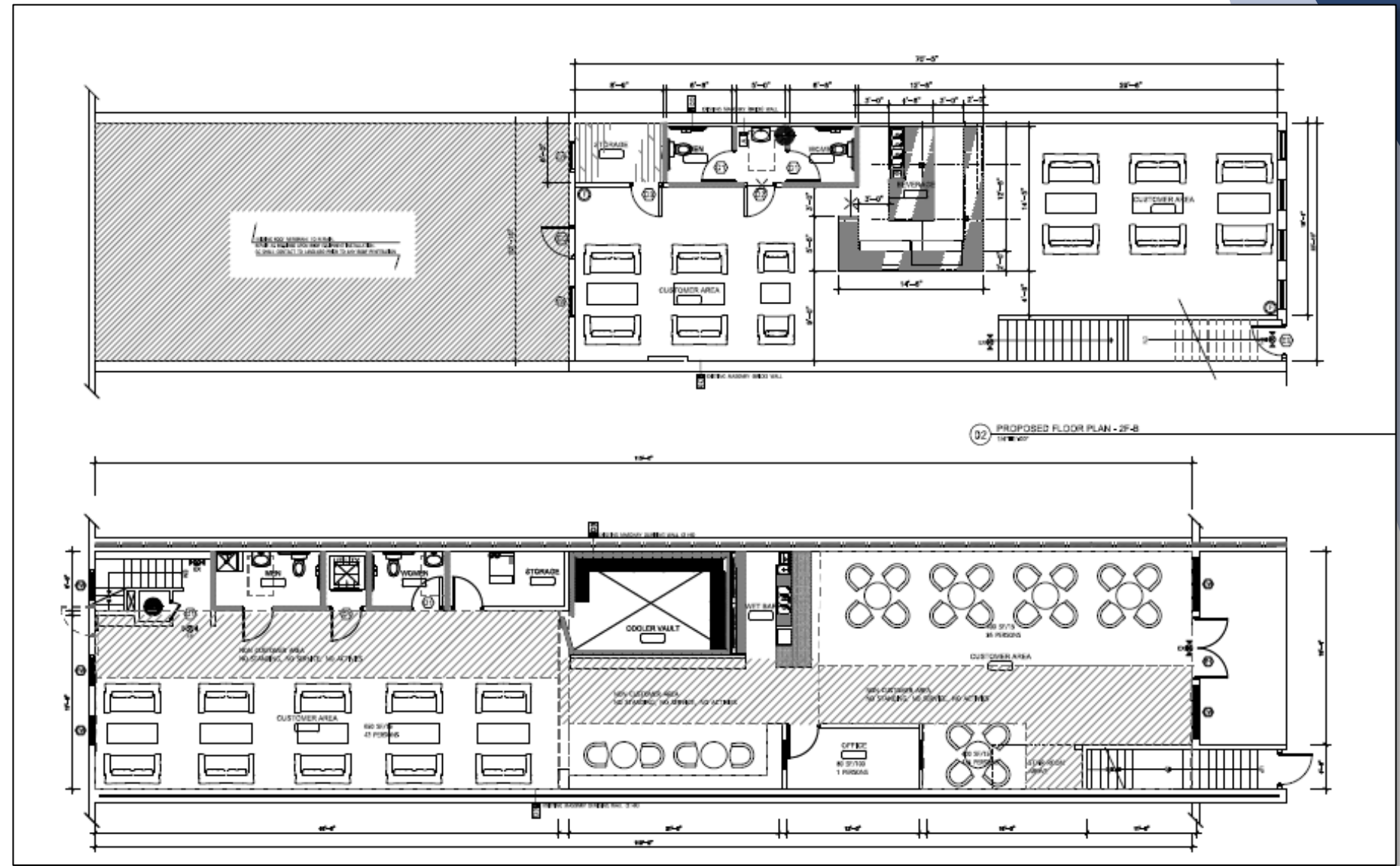
PROJECT

- After more than four years of successful operations, d20 plans to expand into the building's second floor. The new space, branded as "d20 Keep," will offer a similar experience to d20 Tavern.
 - Adds 1760 square feet
 - Increases opportunity for retail
 - 29 more occupants
 - Adds a bar and restrooms, as well as completing interior restoration.



UTILITY UPGRADES

- Mechanical
- Electrical
- Plumbing
- **Projected Cost: \$45,242**



INTERIOR/ CODE IMPROVEMENT

- ADA grab bar
- **Projected Cost: \$820.00**

ELIGIBLE EXPENSES

Projected Project Cost: \$46,062

TOTAL Capital Investment: \$99,638

112 W. Oak St. Suite 200, d20 Keep - Grant Application

Project Category	Estimated Cost	Grant Limit
Utility Upgrades	\$45,242	\$22,621
Interior/Code Improvement	\$820.00	\$410.00
Total Project Cost	\$46,062	\$23,031
Total Grant Request:	\$23,031	

SCORING

Downtown Reinvestment Grant Scoring – d20 Keep

Economic Impact: 0-5 Points	Historic Accuracy/Design: 0-5 Points	Upgrades to Utilities/Impact Fees: 0-5 Points	Increases Population: 0-5 Points	Interior/Code Improvements: 0-5 Points	Other 0-15 Points <ul style="list-style-type: none"> • Partners with other businesses • Project is a “target” business • Promotes development of Denton Arts and Entertainment • Longevity of Business 	Average
4	4	4	4	2	5	23
3	3	2	3	3	8	22
5	5	5	5	5	15	40
5	5	5	4	5	15	39
5	3	4	5	2	9	28
5	5	5	5	5	11	36
4	3	4	5	4	14	34
4	4	5	5	0	10	28
4.375	4	4.25	4.5	3.25	10.875	31.3

Review Process – Total project scores can range from 0-40

Recommendations will be based on:

0-9 points = No Funding

10-14 points = Grant recommendation of up to \$7,500

15-19 points - Grant recommendation of up to \$15,000

20-24 points = Grant recommendation of up to \$25,000

25-29 points = Grant recommendation of up to \$35,000

30-40 points = Grant recommendation of up to \$50,000

PRIOR ACTION

On April 2, 2026, the Downtown Economic Development Committee (DEDC) reviewed and scored the grant application. The application received an average score of 31 points, making it eligible for a recommendation of up to the max allowable amount of \$23,031. These scores support the recommendations to approve the application as requested. The Downtown Economic Development Committee recommends approval of up to \$23,031 (8-0).

On June 10, 2026, the Tax Increment Reinvestment Zone Number One Board reviewed the application and voted to recommend City Council approve the Downtown Reinvestment Grant Program application in the amount not to exceed \$23,031 as recommended by the DEDC for d20 Tavern LTD Company located at 112 W. Oak. St., Suite 200. The Tax Increment Reinvestment Zone Number One Board recommends approval (4-0).

THANK YOU

D20 Tavern LTD Company



Texas Secretary of State
Jane Nelson

[UCC](#) [Business Organizations](#) [Trademarks](#) [Account](#) [Help/Fees](#) [Briefcase](#) [Logout](#)

BUSINESS ORGANIZATIONS INQUIRY - VIEW ENTITY

Filing Number: 803282802
Original Date of Filing: April 3, 2019
Formation Date: N/A
Tax ID: 32070304921
Duration: Perpetual
Entity Type: Domestic Limited Liability Company (LLC)
Entity Status: In existence
FEIN:

Name: D20 TAVERN LTD COMPANY
Address: 112 W OAK ST STE 100
DENTON, TX 76201-4134 USA

REGISTERED AGENT	FILING HISTORY	NAMES	MANAGEMENT	ASSUMED NAMES	ASSOCIATED ENTITIES	INITIAL ADDRESS
Name REPUBLIC REGISTERED AGENT LLC			Address 17350 State Hwy 249 Ste 220 Houston, TX 77064 USA		Inactive Date	



City of Denton

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

AGENDA INFORMATION SHEET

DEPARTMENT: Denton Enterprise Airport

ACM: Frank Dixon

DATE: July 14, 2026

SUBJECT

Consider adoption of an ordinance of the City of Denton approving an Airport Land Lease Agreement between the City of Denton, Texas and Sheltair Aviation Denton, LLC, at the Denton Enterprise Airport; authorizing the City Manager to execute the Airport Lease Agreement; and providing an effective date. Airport Advisory Board recommends approval (6-0).

BACKGROUND

Sheltair Aviation Denton, LLC (“Sheltair”), a tenant of Denton Enterprise Airport currently leases land covering properties located at 4700 Spartan Drive, 4780 Spartan Drive, 4849 Spartan Drive, 4700 John Carrell, 4790 John Carrell, 4600 Spartan Drive, 4850 Spartan Drive, 5007 Airport Road, 5077 Sabre Drive, 5035 Warbird Drive, and 5050 Warbird Drive. In December 2025, Sheltair asked the City for approval to consolidate its seven leaseholds, which currently expire between 2047 and 2055, into a single unified lease agreement.

The consolidated lease will include 19 buildings totaling approximately 359,944 square feet, one (1) self-fueling station, two (2) fuel farms, and approximately 226,705 square feet of ramp area. The final ramp area includes approximately 185,000 square feet of that is currently covered under separate short-term license agreements. The assignment of this additional ramp space will support Sheltair’s long-term provision of services to itinerant (i.e. visiting) aircraft, such as corporate and cargo aviation operators.

Consolidating the leases and adding the licensed space to the leasehold, provides an opportunity to standardize lease provisions, align consumer price index (“CPI”) adjustment dates, and simplify long-term oversight for both the City and the tenant across all leased areas. The proposed consolidated lease would extend through 2056 with no extensions, resulting in 1 to 9 years added to the lease term for the existing facilities depending on the relevant lease agreement. The initial annual lease rate will be set at \$0.38 per square foot, increasing to \$0.40 per square foot beginning in 2027. Beginning in 2028, the rate will adjust every two years based on increases in the Consumer Price Index for All Urban Consumers (CPI-U). This rate is significantly higher than what is currently paid by many of the individual ground leases that will be consolidated. In addition to rental adjustments, Sheltair will commit to a \$3,330,000 capital investment in existing facilities during the first 10 years of the consolidated lease. The scale and nature of the required improvements are sufficient to justify the lease term extensions and must meet the criteria for enhancing the useful life of the facilities, Generally Accepted Accounting Principles standards for capital expenditures.

STAFF RECOMMENDATION

Airport Staff recommends approval of the Ordinance (**Exhibit 3**).

PRIOR ACTION/REVIEW (Council, Boards, Commissions)

June 10, 2026: Airport Advisory Board recommended approval of Lease Agreement (6-0).

FISCAL INFORMATION

The initial annual lease rate will be set at \$0.38 per square foot, resulting in a total first-year rent of \$598,921.42, which represents an increase over the current annual land lease of \$ \$132,537.36. Beginning one year after the commencement date, the rate will adjust to \$0.40 per square foot, yielding an annual total of \$630,443.60.

EXHIBITS


1. Agenda Information Sheet
2. Location Map
3. Ordinance – Sheltair Aviation Denton, LLC Lease Agreement
4. Lessee Information

Respectfully submitted:
Ryan Adams, C.M.
Airport Director

Location Map

Sheltair Aviation Denton, LLC

Legend

 Consolidated Land Lease



Denton Enterprise Airport

5000 Airport Rd

Spartan Dr

John Carrell Rd

Lockheed Ln

Skylane

Westcourt Rd

Westcourt Rd

Westcourt Rd

Google Earth

Image Landsat / Copernicus

ORDINANCE NO. _____

AN ORDINANCE OF THE CITY OF DENTON APPROVING AN AIRPORT LAND LEASE AGREEMENT BETWEEN THE CITY OF DENTON, TEXAS AND SHELTAIR AVIATION DENTON, LLC, AT THE DENTON ENTERPRISE AIRPORT; AUTHORIZING THE CITY MANAGER TO EXECUTE THE AIRPORT LEASE AGREEMENT; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, Sheltair Aviation Denton, LLC is the current lessee for fixed base operations and hangar leasing pursuant to Consent to Lease Assignments dated November 15, 2022, and March 7, 2023, , as approved by Ordinance 22-2353 and Ordinance 23-496, respectively (the “Existing Leases”); and

WHEREAS, the Existing Leases, prior to being assumed by Lessee, were approved by the City pursuant to Ordinance No. 2005-020, Ordinance No. 2005-311, Ordinance No. 98-133, Ordinance No. 2004-362, Ordinance No. 2007-186, Ordinance No. 2009-018, and Ordinance No. 2015-259 respectively, as each has been amended or assigned from time to time; and

WHEREAS, Lessee desires, and Lessor agrees, to enter into a consolidated lease agreement (the “Airport Land Lease Agreement”) that will supersede and terminate the Existing Leases subject to the terms and conditions contained therein; and

WHEREAS, at the June 10, 2026, meeting of the Airport Advisory Board, the Board recommended the City approve the Airport Land Lease Agreement by a vote of 6 to 0; and

WHEREAS, the City Council deems it in the public interest to enter into an Airport Land Lease Agreement; NOW, THEREFORE,

THE COUNCIL OF THE CITY OF DENTON HEREBY ORDAINS:

SECTION 1. The findings and recitations contained in the preamble of this ordinance are incorporated herein by reference.

SECTION 2. The Airport Land Lease Agreement in the form attached hereto as Exhibit A is hereby approved and made a part of this ordinance for all purposes.

SECTION 3. The City Manager, or their designee, is hereby authorized to execute the approved Airport Land Lease Agreement.

SECTION 4. This ordinance shall become effective immediately upon its passage and approval.

The motion to approve this ordinance was made by _____ and seconded by _____, the ordinance was passed and approved by the following vote [___ - ___]:

	Aye	Nay	Abstain	Absent
Mayor Chris Watts:	_____	_____	_____	_____
Jordan Villareal, District 1:	_____	_____	_____	_____
Nick Stevens, District 2:	_____	_____	_____	_____
Suzi Rumohr, District 3:	_____	_____	_____	_____
Joe Holland, District 4:	_____	_____	_____	_____
George Ferrie, At Large Place 5:	_____	_____	_____	_____
Jill Jester, At Large Place 6:	_____	_____	_____	_____

PASSED AND APPROVED this the _____ day of _____, 2026.

CHRIS WATTS, MAYOR

ATTEST:
KRISTI FOGLE, INTERIM CITY SECRETARY

BY: _____

APPROVED AS TO LEGAL FORM:
MACK REINWAND, CITY ATTORNEY

BY: DocuSigned by:
Marcella Lunn _____
4B070831B4AA435...

AIRPORT LEASE AGREEMENT

between

CITY OF DENTON

and

SHELTAIR AVIATION DENTON, LLC

dated as of

_____, 2026

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AIRPORT LEASE AGREEMENT

THIS AIRPORT LEASE AGREEMENT (this “Agreement”) effective as of this _____ day of _____, 2026, (by and between the CITY OF DENTON, TEXAS, a Texas home-rule municipal corporation (“City”), and Sheltair Aviation Denton, LLC, a Texas, foreign limited liability company (the “Lessee” and, together with City, the “Parties” and each a “Party”).

RECITALS

WHEREAS, City is the owner and operator of the Denton Enterprise Airport in the City of Denton, Texas (the “Airport”);

WHEREAS, Lessee is the current lessee pursuant to that certain Consent to Lease Assignment dated November 15, 2022, and March 7, 2023, for fixed base operations and hangar leasing, as approved by Ordinance 23-496, and Ordinance 22-2353 (the “Existing Leases”); and

WHEREAS, the Existing Leases, prior to being assumed by Lessee, were approved by the City pursuant to Ordinance No. 2005-020, Ordinance No. 2005-311, Ordinance No. 98-133, Ordinance No. 2007-186, Ordinance No. 2009-018, Ordinance No. 2004-362, and Ordinance No. 2015-259 respectively, as each has been amended or assigned from time to time; and

WHEREAS, the Lessee also has a License Agreement with the City for use of certain apron space which the Parties intend to add to the Leased Premises (as defined below); and

WHEREAS, the Lessee has requested to consolidate the Existing Leases and the License Agreement covering property described in **Exhibit A** attached hereto; and

WHEREAS, Lessee desires, and City agrees, to enter into a new consolidated lease agreement that will supersede the Existing Leases subject to the terms and conditions contained in this Agreement; and

WHEREAS, City has the right, title and interest in and to the real property on the Airport, together with the facilities, easements, rights, licenses, and privileges hereinafter granted, and has full power and authority to enter into this Agreement in respect thereof;

WHEREAS, City owns that certain real property located within the Airport legally described on **Exhibit A** and made part hereof which consists of One Million, Five Hundred Seventy-Six Thousand, One Hundred Nine square feet or 36.19 acres (such real property, together with all rights, privileges, easements and appurtenances benefiting such real property, are collectively referred to herein as the “Leased Premises”);

WHEREAS, the Parties hereto wish to memorialize their agreement herein and they agree as follows:

AGREEMENT

Signed by:
Ryan Adams CITY
76544D73C36F499...

Signed by:
Lisa Holland LESSEE
CFFD0602DCDD451...

NOW, THEREFORE, in consideration of the foregoing Recitals, which by this reference are hereby incorporated into this Agreement, and the mutual covenants contained in this Agreement, the Parties hereto hereby agree as follows:

**ARTICLE I
LEASE OF LEASED PREMISES; TERM**

Section 1.1 Lease of Leased Premises. City hereby leases to Lessee, and Lessee hereby rents from City for its exclusive use the Leased Premises, all herein described rights incident thereto, for and during the Lease Term and upon and subject to the terms, provisions and conditions herein set forth. All improvements existing in, on or under the Leased Premises as of the Commencement Date, as hereafter defined, shall be referred to herein as "Improvements". All improvements constructed by or on behalf of City from and after the Commencement Date, as hereafter defined, shall be referred to herein as "City Improvements".

Section 1.2 Lease Term. The term of this Agreement (the "Lease Term") shall be for a period of thirty (30) years commencing on _____, 2026 (the "Commencement Date"), and unless sooner terminated pursuant to the provisions of this Agreement, shall terminate on _____, 2056.

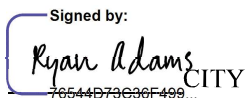
Section 1.3 Holding Over; Rights at Expiration.

A. If Lessee retains all or any portion of the Leased Premises after the expiration or termination of the Lease Term by lapse of time or otherwise, such holding over shall constitute the creation of a tenancy at will with respect to such retained portion, terminable by City at any time upon thirty (30) days prior written notice to Lessee. Under such tenancy at will, Lessee agrees to pay to City as liquidated damages, and not as a penalty, 150 % of the last monthly rental rate under this agreement for each month of holdover. All provisions of this Agreement shall remain in full force and effect during such holdover period.

B. Lessee further agrees that, upon the expiration or termination of the Lease Term, the Leased Premises will be delivered to City in as good a condition as when this Agreement began, reasonable wear and tear and matters covered by insurance excepted and the Improvements, as defined above, will be delivered to City in as good a condition as when such Improvements were constructed, located, installed, placed or erected in, upon or under the Leased Premises, reasonable wear and tear and matters covered by insurance excepted.

C. Except as otherwise expressly set forth elsewhere herein, Lessee shall have no rights with respect to any improvements made to the Leased Premises during the Lease Term that are not otherwise required to be removed by City.

Section 1.4 Inspection of Leased Premises; Access to Books and Records. City, through its duly authorized agents, shall have at any reasonable time the full and unrestricted right to enter the Leased Premises and the Improvements, as hereafter defined, for the purpose of periodic inspection for fire protection, maintenance and to investigate compliance with the terms of this Agreement; provided, however, that except in the case of emergency, such right shall be exercised upon reasonable prior notice to Lessee and with an opportunity for Lessee to have an employee or agent present, and will not interfere with Lessee's construction or operations. City or its duly

Signed by:

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CITY

Signed by:

CFFD0602DCDD451...
LESSEE

authorized representatives shall have the right at all reasonable times during business hours to inspect the books, records and receipts of Lessee, for the purpose of verification. Such records must be made available for City inspection within the Denton City limits within thirty (30) days of such request. Lessee must maintain an acceptable cost accounting system. Lessee agrees to provide City, the Federal Aviation Administration, and the Comptroller General of the United States or any of their duly authorized representatives access to any books, documents, papers, and records of the Lessee which are directly pertinent to this Agreement for the purpose of making audit, examination, excerpts, and transcriptions, provided that the confidentiality of business records is preserved subject to City’s obligations under state law or other similar federal laws. The Lessee agrees to maintain all books, records, and reports required under this Agreement for a period of not less than three years after final payment is made and all pending matters are closed

Section 1.5 Ownership of Leased Premises. City and Lessee intend and hereby agree that the Leased Premises shall be and remain the property of City during the entire term of this Agreement and thereafter.

Section 1.6 Existing Leases Terminated. City and Lessee hereby agree that the Existing Leases and License Agreement are terminated and of no further force and effect.

ARTICLE II

RENT

Section 2.1 Rent

A. In consideration for the use of the Leased Premises herein granted, Lessee shall pay to City the following rental amounts (the “Rent”). The monthly rent shall be in the sum of \$0.38 per net square foot per year, as determined and provided in Exhibit A, said sum being stipulated herein as **Five Hundred Ninety-Eight Thousand, Nine Hundred Twenty-One Dollars and forty-two cents (\$598,921.42)**, payable in twelve equal monthly installments of Forty-Nine Thousand, Nine Hundred Ten Dollars and Twelve Cents (\$49,910.12). All rental payment will be due in advance on the first of each calendar month thereafter. City will mail a courtesy statement on or about the first of each month. Failure to receive the statement in a timely manner does not absolve Lessee from making rental payment on the first of each month.


B. The monthly rent shall be increased to \$0.40 per net square foot, one year after the commencement date.

C. The Rent for the Leased Premises shall be readjusted at the end of each two (2) year period during the Lease Term, starting two (2) years after the Commencement Date and every two (2) years thereafter, on the basis of the proportion that the then current United States Consumer Price Index for all urban consumers (“CPI-U”) for the Dallas-Fort Worth Bureau of Labor Statistics (1982-84 = 100) bears to that of the Commencement Date.

D. Lessee shall pay City a percentage of (i) all hangar and tie -down rentals collected and (ii) fees collected by Lessee from persons renting facilities on the Leased Premises. Such fees shall be equal to 12% on gross receipts or such other percentage as established by the City Council from time to time. All such fees shall be paid monthly to City on or before the 15th day

Signed by:

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Signed by:

LESSEE
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of each month during the Lease Term. The fees shall be accompanied by the ledger verifying rental and fuel fees with at least as much information as provided on the sample ledger attached as Exhibit C.

Section 2.2 Insufficient Funds Charge. There shall be an extra charge of THIRTY DOLLARS (\$30.00) on any check returned by the bank for insufficient funds or account not existing.

Section 2.3 Time and Place of Payments. The Rent, as well as all other charges hereunder, shall be payable in equal monthly installments in advance on or before the first business day of each calendar month of the Lease Term at City’s offices of the Finance Department of the City of Denton, 215 E. McKinney, Denton, Texas, unless otherwise designated in writing by the City.

Section 2.4 Delinquent Rent. In the event Rent due pursuant to Section 2.1 or any other amounts payable by Lessee hereunder shall not be paid by Lessee on the due date thereof, Lessee shall pay to City as additional Rent, an interest charge of five percent (5%), or the maximum percentage allowed by law, whichever is greater, of the amount due for each full calendar month of delinquency, computed as simple interest. No interest shall be charged until payment is thirty (30) days overdue, but any such interest assessed thereafter shall be computed from the due date.

ARTICLE III

OCCUPANCY, USE AND CONDITIONS OF LEASED PREMISES

Section 3.1 Condition of Leased Premises. Lessee accepts the Leased Premises in their present “as is” condition. Lessee releases City and holds City and City’s officers, directors, elected and appointed officials, employees, and agents harmless for any claims arising out of or related to any condition of the Leased Premises.

Section 3.2 Construction and Ownership of Improvements.

A. Lessee shall make a minimum capital investment of Three Million Three Hundred Thousand Dollars (\$3,330,000.00) in life extension improvements (“Life Extension Improvements”) to the Leased Property within the first ten (10) years of the Lease Term. Such Life Extension Improvements shall be applied exclusively to the designated surveyed properties set forth in Section 3.2.A(a)-(o) and shall be consistent with Generally Accepted Accounting Principles standards for capital expenditures, with the intent of enhancing the useful life of the building and ramp infrastructure:

- (a) Surveyed Tract 7.
- (b) Surveyed Tract 8.
- (c) Surveyed Tract 3.
- (d) Surveyed Tract 4, Parcel 1

Signed by:
Ryan Adams CITY
76544D73C36F499...


Signed by:
Lisa Holland LESSEE
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- (e) Surveyed Tract 4, Parcel 2
- (f) Surveyed Tract 4, Parcel 3
- (g) Surveyed Tract 5.
- (h) Surveyed Tract 9.
- (i) Surveyed Tract 10.
- (j) Surveyed Tract 11.
- (k) Surveyed Tract 12.
- (l) Surveyed Tract 13.
- (m) Surveyed Tract 14.
- (n) Surveyed Tract 15.
- (o) All surveyed fuel farms.

B. The Lessee shall use the Leased Premises for the following aeronautical uses: Fixed Based Operator and hangar rental services. Any changes in aeronautical use must be approved in writing by the Director of Airport or designee. With respect to the hangar leasing services use, all subtenants of Lessee will be required to follow all Laws and Regulations, including the Airport Minimum Operating Standards and Airport Rules and Regulations. The Lessee shall ensure that its subtenants comply with such obligations and provide an annual report to City as to the uses of the hangars by its subtenants.

C. Lessee will own the Improvements during the Lease Term only. Effective upon the expiration or termination of this Agreement, the Improvements shall become the property of City, without the payment by City of any compensation or other consideration for any Improvements, and title to the Improvements shall merge with the title of, or be otherwise considered and deemed a part of, the real property of City, free and clear of any claim of Lessee and any persons or entities claiming under or through Lessee including, without limitation, the trustee, beneficiary or holder of any mortgage or deed of trust. Any other personal property of Lessee that can be removed by Lessee without material damage to the Leased Premises or to the Improvements may remain the personal property of Lessee and may be removed by Lessee at any time on or before the end of the Lease Term. Lessee shall, in removing any such personal property, repair all damage to the Leased Premises and Improvements caused by such removal.

Section 3.3 Access. City agrees that if Lessee is not in breach of this Agreement, Lessee and Lessee's employees, officers, directors, sublessees (that are approved by City pursuant to this Agreement), contractors, subcontractors, suppliers, agents, invitees, and other representatives ("Lessee's Associates") are authorized to ingress and egress across the common areas of the Airport (in the areas designated by City, for the purposes for which they were designed, and as permitted by applicable Laws and Regulations as defined in Section 3.4) on a non-exclusive basis

Signed by:

CITY
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Signed by:

LESSEE
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and to the extent reasonably necessary for Lessee's use, occupancy, and operations at the Leased Premises. Lessee agrees to comply with any driver training program or guidelines established by the City. Lessee further agrees to ensure that Lessee's Associates shall comply with such program or guidelines. During special events at the Airport, Lessee acknowledges that the standard operation procedure at the Airport may be altered such that egress and ingress to the Leased Premises may be altered by City. City will notify Lessee in writing of any special events or closures that will impede Lessee's use of the Leased Premises. Lessee's failure to comply with the altered procedure is a default of this Agreement, and City may proceed to terminate this Agreement. In accordance with Executive Order 13513, "Federal Leadership on Reducing Text Messaging While Driving", (10/1/2009) and DOT Order 3902.10, "Text Messaging While Driving", (12/30/2009), the Federal Aviation Administration encourages recipients of Federal grant funds to adopt and enforce safety policies that decrease crashes by distracted drivers, including policies to ban text messaging while driving when performing work related to a grant or subgrant. In support of this initiative, City encourages the Lessee to promote policies and initiatives for its employees and other work personnel that decrease crashes by distracted drivers, including policies that ban text messaging while driving motor vehicles while performing work activities associated with the project.

Section 3.4 Use of Leased Premises and Compliance with all Laws and Regulations.

Lessee agrees that it shall use the Leased Premises and the Improvements only for aeronautical purposes and Lessee and Lessee's Associates shall comply at all times, at Lessee's sole cost, with any and all laws and regulations (as amended or otherwise modified from time to time) that are applicable to Lessee's use, occupancy, or operations at the Leased Premises, the Improvements or the Airport (the "Laws and Regulations"), which include, but are not limited to, all laws, statutes, ordinances, regulations, rules, orders, writs, judgments, decrees, injunctions, directives, rulings, guidelines, standards, codes, policies, common law, and other pronouncements of any kind having the effect of law that may be applicable at any time during the term of this Agreement including, but not limited to, the Airport Rules and Regulations, Minimum Operating Standards, master plans and zoning codes, and all Laws and Regulations pertaining to the environment (the "Environmental Laws"); any and all plans and programs developed in compliance with such requirements (including, but not limited to, any Airport Security Plan); and all lawful, reasonable, and nondiscriminatory Airport policies and other requirements. Lessee shall provide all required notices under the Laws and Regulations. Upon a written request by City, Lessee will verify, within a reasonable time frame, compliance with any Laws and Regulations. Further, in its use of the Leased Premises and the Improvements, Lessee shall comply with the following:

A. Address. Lessee shall file with the Airport Director and keep current its mailing addresses, telephone numbers, and contacts where it can be reached in an emergency.

B. List of Sublessee and Aircraft. At least quarterly, Lessee shall file with the Airport Director and keep current a list of its sublessees and a list of all aircraft hangared or tied down on the Leased Premises within the previous four (4) month period.

Signed by:

 CITY
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Signed by:


 LESSEE
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Section 3.5 No Unauthorized Use. Lessee and Lessee's Associates shall use the Leased Premises, the Improvements and the Airport only for purposes that are expressly authorized by this Agreement and shall not engage in any unauthorized use of the same. Unauthorized uses include, but are not limited to, restricting access on any road or other area that Lessee does not lease; placing waste materials on the Airport or disposing of such materials in violation of any Laws and Regulations; any use that would constitute a public or private nuisance or a disturbance or annoyance to other Airport users; driving a motor vehicle in a prohibited Airport location; the use of automobile parking areas in a manner not authorized by City; any use that would interfere with any operation at the Airport or decrease the Airport's effectiveness (as determined by City in its sole discretion); and any use that would be prohibited by or would impair coverage under either Party's insurance policies or would cause an increase in the existing rate of insurance upon the Leased Premise.

Section 3.6 Permits and Licenses. Lessee shall obtain and maintain in current status all permits and licenses that are required under any Laws and Regulations in connection with Lessee's construction of Improvements and the use, occupancy, or operations at the Leased Premises, the Improvements or the Airport. Those permits and licenses include, but are not limited to, (i) all contractors doing work on the Leased Premises, including work on or for the Improvements, must be licensed by the State of Texas, (ii) prior to commencing construction of any Improvements, a permit must be obtained from the City of Denton and a copy of the permit must be furnished to the Airport Manager, and (iii) if applicable, clearance must be obtained from the responsible health department or other agency. In the event that Lessee receives notice from any governmental entity that Lessee lacks, or is in violation of, any such permit or license, Lessee shall provide City with timely written notice of the same.

Section 3.7 Payment of Taxes. Lessee shall pay (before their respective due dates) all taxes, fees, assessments, and levies that relate to Lessee's use, occupancy, or operations at the Leased Premises, the Improvements or the Airport and all other obligations for which a lien may be created relating thereto (including, but not limited to, utility charges and work for any Improvements). Lessee shall be responsible for any and all taxes generated by the Denton County Tax Assessor / Collector.

Section 3.8 No Liens. No liens may be placed upon the Leased Premises. Within thirty (30) days, Lessee shall pay all lawful claims made against City and discharge all liens filed or which exist against the Leased Premises or any other portion of the Airport (other than Lessee's trade fixtures or trade equipment) to the extent such claims arise out of or in connection with, whether directly or indirectly, the failure to make payment for work done or materials provided by Lessee, its contractors, subcontractors, or materialmen. However, Lessee shall have the right to contest the amount or validity of any such claim or lien without being in default under this Agreement upon furnishing security in form acceptable to City, in an amount equal to one hundred percent (100%) of such claim or lien, which insures that such claim or lien will be properly and fully discharged forthwith in the event that such contest is finally determined against Lessee or City. City shall give timely notice to Lessee of all such claims and liens of which it becomes aware. When contracting for any work in connection with the Leased Premises or the Improvements, Lessee shall include in such contract a provision prohibiting the contractor or any subcontractor or supplier from filing a lien or asserting a claim against City's real property or any interest therein. Lessee is solely responsible for ensuring that all requirements are met such that

Signed by:

CITY
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Signed by:

LESSEE
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such lien waivers are effective and enforceable (such as filing such contracts, if necessary). Furthermore, when completed, the Improvements on the Leased Premises shall be free from all construction liens.

Section 3.9 Compliance with 2252.909 of Texas Government Code.

A. In connection with Lessee’s construction, alteration or repair of the Improvements or any other construction on the Leased Property, Lessee shall require their contractor to:

(a) execute a payment bond that conforms to Subchapter I, Chapter 53, Property Code; and

(b) execute a performance bond in an amount equal to the amount of the contract for the protection of the City and conditioned on the faithful performance of the contractor’s work in accordance with the plans, specifications, and contract documents.

B. Lessee shall provide City with a notice of commencement of construction no later than ninety (90) days prior to the commencement of construction, alteration, or repair of any improvement to the Leased Property (“Notice of Commencement”), which will materially conform with the requirements under Texas Local Government Code 2252.909.

C. Notice of Commencement must:

(a) identify the public property where the work will be performed;

(b) described the work to be performed;

(c) state the total cost of the work to be performed;

(d) include copies of the performance and payment bonds required; and

(e) include a written acknowledgment signed by the contractor stating that copies of the required performance payment bonds will be provided to all subcontractors not later than the fifth day after the date a subcontract is executed.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

Section 4.1 Representations by City. City represents and warrants that it has the right, power, and legal capacity to enter into and perform its obligations under this Agreement, has duly executed and delivered this Agreement, and that this Agreement constitutes a legal, valid, and binding obligation of City.

Section 4.2 Representations by Lessee. Lessee represents and warrants that it has the right, power, and legal capacity to enter into and perform its obligations under this Agreement, has duly executed and delivered this Agreement, and that this Agreement constitutes a legal, valid, and binding obligation of Lessee.

Signed by:
Ryan Adams
CITY
76544D73C36F499...

Signed by:
Lisa Holland
LESSEE
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ARTICLE V

OBLIGATIONS OF LESSEE

Section 5.1 Plans and Specifications. With respect to any Improvements, Lessee shall select qualified architects and engineers to prepare, prior to construction or on a phased basis during construction, the architectural, site, structural, mechanical, and/or electrical drawings and specifications for the Improvements in the form and content required by the appropriate local planning and zoning authorities and pursuant to all applicable Laws and Regulations and this Agreement, which shall be approved in writing by the Director of Airport or designee (collectively, the "Plans and Specifications").

Section 5.2 Capital Expenditure Report. Lessee shall, at its own expense, provide City (not more than once each Lease year) a report of the total capital expenditures relating to the Life Extension Improvements that have been incurred as of the date of the report including detailed invoices and confirmation of the cost of the Life Extension Improvements.


Section 5.3 Operations and Maintenance.

A. Lessee shall maintain the Leased Premises and all Improvements in a condition that is clean, free of debris, safe, sanitary, and in good repair and shall not accumulate or permit the accumulation of any trash, refuse, debris, or of anything that is unsightly, which creates a fire hazard, nuisance, or causes inconvenience to adjoining properties. Lessee shall at its own expense create, execute, and maintain a comprehensive landscaping and irrigation plan for the Leased Premises in accordance with relevant local landscaping codes. Lessee shall perform all work in accordance with Laws and Regulations and in a good and workmanlike manner. Lessee shall promptly remedy any condition that fails to meet this standard. Without limiting the foregoing obligations, Lessee shall not store on the Leased Premises any inoperable equipment, discarded or unsightly materials, or materials likely to create a hazard; shall not use areas outside of enclosed buildings for storage; and shall store trash in covered metal receptacles or any other receptacles approved in writing by the Director of Airport, or designee. Any substance or material that is regulated by any Environmental Law ("Hazardous Materials") shall be governed by Section 5.8. In addition, Lessee agrees to comply with all applicable provisions of City's Texas Pollutant Discharge Elimination Multi-Sector General Permit.

B. Lessee shall conduct a condition assessment on all Improvements no later than the tenth (10th) anniversary of the Commencement Date, and every five (5) year anniversary thereafter (the "Condition Assessment"). The Condition Assessment shall be conducted by a licensed commercial building inspector, whom shall be approved in writing by the City. The Condition Assessment, which shall be at the Lessee's sole expense, shall, at minimum, examine the building's structural components, electrical, plumbing, heating and cooling systems, roof, and asphalt and/or concrete paving. The Condition Assessment shall be provided to the City within 30 days of the Condition Assessment being due. Any extensions must be requested by the Lessee and approved by the City in writing. Any deficiencies due to Lessee's failure to meet its obligations under this Agreement shall be corrected at the Lessee's sole expense within one (1) year of the completion of the Condition Assessment, with Lessee providing the City documentation of such correction. Failure to correct such deficiencies will constitute a breach of this Agreement.

Signed by:

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Signed by:

LESSEE
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Section 5.4 Utilities. City represents that there are water, sewer, and 3-phase electrical lines accessible within the general vicinity of the Leased Premises. Lessee shall be responsible, at Lessee's sole cost and expense, for obtaining all utility connections at or for the Leased Premises and the Improvements. Further, Lessee shall pay for telecommunications, television, internet, gas, light bulbs, electricity, water, sewer, and garbage and trash removal services provided to or used by Lessee and shall make such deposits as are required to secure service. Lessee shall be responsible for any water or sewer impact fees incurred by their use of the Leased Premises. Any repairs of the utility lines, other than those which are the responsibility of the utility service, are the responsibility of Lessee. If utilities are billed to a common meter, Lessee shall pay to City the pro-rated amount based on square footage leased.

Section 5.5 Signs. With the exception of signage denoting an on-site, permitted business and in compliance with any applicable Laws and Regulations, Lessee shall not place, or cause to be placed, any sign or signs on the Leased Premises or the Improvements unless otherwise agreed to in writing by the Director of Airport, or designee. Any signage must meet all applicable Laws and Regulations.

Section 5.6 Security. Lessee is responsible to comply (at Lessee's sole cost) with all security measures that City, the United States Transportation Security Administration, the United States Department of Homeland Security ("Homeland Security"), the United States Federal Aviation Administration ("FAA"), or any other governmental entity having jurisdiction may require in connection with the Airport, including, but not limited to, any access credential requirements, any decision to remove Lessee's access credentials, and any civil penalty obligations and other costs arising from a breach of security requirements caused or permitted by Lessee or Lessee's Associates. Lessee agrees that Airport access credentials are the property of City and may be suspended or revoked by City for security-related reasons in its sole discretion at any time. Lessee shall pay all fees associated with such credentials, and Lessee shall immediately report to the Airport Manager any lost credentials or credentials that Lessee removes from any employee or any of Lessee's Associates. Lessee shall protect and preserve security at the Airport. Lessee acknowledges that FAA, Homeland Security, or a subdivision of either may enact laws or regulations regarding security at general aviation airports such that City may not be able to comply fully with its obligations under this Agreement, and Lessee agrees that City will not be liable for any damages to Lessee or Lessee's personal property that may result from said noncompliance.

Section 5.7 Obstruction Lights. Lessee shall, at its expense, provide and maintain obstruction lights on any structure on the Leased Premises, including the Improvements, if required by City or FAA regulations. Any obstruction lights so required shall comply with the specifications and standards established for such installations by City or FAA.

Section 5.8 Hazardous Materials.

A. No Violation of Environmental Laws. Lessee shall not cause or permit any Hazardous Materials to be used, produced, stored, transported, brought upon, or released on, under, or about the Leased Premises or the Airport by Lessee or Lessee's Associates in violation of applicable Environmental Laws. Lessee is responsible for any such violation as provided by Section 7.1. In addition to the above, Lessee specifically agrees to comply with all applicable standards, orders, and regulations issued pursuant to the Clean Air Act (42 U.S.C. §§ 7401-7671q)

Signed by:

 Ryan Adams CITY
 76544D73C36F499...

Signed by:


 Lisa Holland LESSEE
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and the Federal Water Pollution Control Act as amended (33 U.S.C. §§ 1251-1387). Lessee shall not be responsible for any violations occurring prior to Lessee's entering into the Existing Leases.

B. Response to Violations. Lessee agrees that in the event of a release or threat of release of any Hazardous Material by Lessee or Lessee's Associates at the Airport, Lessee shall provide City with prompt notice of the same. Lessee shall respond to any such release or threat of release in accordance with applicable Laws and Regulations. If City has reasonable cause to believe that any such release or threat of release has occurred, City may request, in writing, that Lessee conduct reasonable testing and analysis (using qualified independent experts acceptable to City) to show that Lessee is complying with applicable Environmental Laws. City may conduct the same at Lessee's expense if Lessee fails to respond in a reasonable manner. Lessee shall cease any or all of Lessee's activities as City determines necessary, in its sole and absolute discretion, in connection with any investigation, cure, or remediation. If Lessee or Lessee's Associates violate any Environmental Laws at the Airport (whether due to the release of a Hazardous Material or otherwise), Lessee, at Lessee's sole expense, shall have the following obligations, which shall survive any expiration or termination of this Agreement: (i) promptly remediate such violation in compliance with applicable Environmental Laws; (ii) submit to City a written remediation plan, and City reserves the right to approve such plan (which approval shall not be unreasonably withheld) and to review and inspect all work; (iii) work with City and other governmental authorities having jurisdiction in connection with any violation; and (iv) promptly provide City copies of all documents pertaining to any environmental concern that are not subject to Lessee's attorney-client privilege.

C. Obligations upon Termination and Authorized Transfers. Upon any expiration or termination of this Agreement or any change in possession of the Leased Premises authorized by City, Lessee shall demonstrate to City's reasonable satisfaction that Lessee has removed any Hazardous Materials and is in compliance with applicable Environmental Laws. Such demonstration may include, but is not limited to, independent analysis and testing to the extent that facts and circumstances warrant analysis and testing, such as evidence of past violations or specific uses of the Leased Premises. If the site is contaminated during Lessee's possession, Lessee shall bear all costs and responsibility for the required clean up, and shall hold City, its officers, elected and appointed officials, employees, and agents harmless therefrom. Notwithstanding anything to the contrary, the obligations of this Section 5.8 shall survive any termination of this Agreement.

Section 5.9 Trash, Garbage, and Other Refuse. Lessee shall pick up and provide for a complete and proper arrangement for the adequate sanitary handling and disposal, away from the Airport through the City or any other licensed refuse hauler. Lessee is responsible for contacting the Master Refuse Hauler and arranging for disposal and payment of such services. Lessee shall provide and use suitable covered metal receptacles, or any other receptacles approved by the Director of Airport, or designee, for all such garbage, trash, and other refuse on the Leased Premises. Lessee shall not pile boxes, cartons, barrels, pallets, debris, or similar items in an unattractive or unsafe manner, on or about the Leased Premises.

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ARTICLE VI

INDEMNIFICATION AND INSURANCE

Section 6.1 Insurance. Lessee agrees to purchase general liability covering the Lessee and Lessee's Associates, and its operations on the Airport as described in Section 3 in an amount not less than \$1,000,000 per occurrence and provide coverage for premises/operations and contractual liability AND where exposure exists in the opinion of the City, coverage for: products/completed operations; explosions, collapse, and underground property damage; and environmental impairment.

A. All risk property insurance on a one hundred percent (100%) replacement cost basis covering loss or damage to all facilities and improvements located on the Lease premises, either as a part of this Lease Agreement or erected by the Lessee subsequent to this Lease Agreement. Covered perils shall include, but not be limited to, Fire, Extended Coverage, and Vandalism & Malicious Mischief. Under no circumstances shall the City be liable for any damages to fixtures, merchandise, or personal property of the Lessee or its sub-lessees. The City of Denton will be shown as a loss payee, as their interest may appear.

B. Additional Insurance requirements may be necessary as identified in the Airport Minimum Operating Standards for specific aeronautical uses.

C. Coverage Requirements

- i. All liability policies shall be endorsed to include the city of Denton, and its officers and employees as an Additional Insured. All all-risk property policies shall be endorsed to name the City of Denton as a loss payee. All required insurance policies shall provide for a minimum of 30 days written notice to the City of any cancellation or material change to the policy.
- ii. All insurance required by the Lease Agreement must be issued by a company or companies of sound and adequate financial responsibility and authorized to do business in the State of Texas. All policies are subject to the examination and approval of the City's office of Risk Management for their adequacy as to content, form of protection and providing company.
- iii. Required insurance naming the City as an additional insured must be primary insurance and not contributing with any other insurance available to the City whether from a third-party liability policy or other. Said limits of insurance shall in no way limit the liability the Lessee hereunder. Such policies shall contain a waiver of subrogation in favor of the City of Denton.
- iv. The City shall be provided with a copy of all such policies and renewal certificates within ten (10) days of expiration of any policy required herein. Failure to Lessee to comply with the minimum specified amounts or types of insurance as required by City shall constitute Lessee's default of this Lease Agreement.

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- v. During the Lease Term, or any extension thereof, City herein reserves the right to, with one hundred twenty (120) days' notice, adjust or increase the liability insurance amounts required of the Lessee, and to require any additional rider, endorsement, provisions, or certificates of insurance, and Lessee hereby agrees to provide any such insurance requirements as may be required by City.

Section 6.2 Lessee's Indemnification and Duty to Pay Damages.

A. LESSEE SHALL HOLD CITY AND CITY'S OFFICERS, ELECTED AND APPOINTED OFFICIALS, EMPLOYEES, AND AGENTS EXEMPT AND HARMLESS, TO THE EXTENT ALLOWED BY LAW, FROM AND AGAINST ANY AND ALL CLAIMS, DEMANDS, SUITS, JUDGMENTS, COSTS, AND EXPENSES ASSERTED BY ANY PERSON OR PERSONS (INCLUDING AGENTS OR EMPLOYEES OF CITY, LESSEE, OR SUBLESSEE) BY REASON OF DEATH OR INJURY TO PERSONS OR LOSS OF OR DAMAGE TO PROPERTY RESULTING FROM LESSEE'S OPERATIONS, OR ANYTHING DONE OR OMITTED BY LESSEE UNDER THIS AGREEMENT EXCEPT TO THE EXTENT THAT SUCH CLAIMS, DEMANDS, SUITS, JUDGMENTS, COSTS, AND EXPENSES MAY BE ATTRIBUTED TO THE INTENTIONAL ACTS OR OMISSIONS OF CITY, ITS AGENTS, OR EMPLOYEES.

B. CITY SHALL NOT BE LIABLE TO LESSEE FOR ANY DAMAGE BY OR FROM ANY ACT OR NEGLIGENCE OF ANY CO-TENANT OR OTHER OCCUPANT OF THE SAME BUILDING, OR BY ANY OWNER OR OCCUPANT OF ADJOINING OR CONTIGUOUS PROPERTY.


C. LESSEE AGREES TO PAY FOR ALL DAMAGES TO THE LEASED PREMISES, THE IMPROVEMENTS, ITS APPARATUS, OR APPURTENANCES CAUSED BY LESSEE'S MISUSE OR NEGLIGENCE THEREOF.

D. LESSEE SHALL BE RESPONSIBLE AND LIABLE FOR THE CONDUCT OF LESSEE'S ASSOCIATES IN, ON AND AROUND THE LEASED PREMISES.

ARTICLE VII

DEFAULT AND REMEDIES

Section 7.1 Lessee's Default. The occurrence of any of the following events shall constitute a default by Lessee under this Agreement unless cured within thirty (30) days following written notice of such violation from City: (i) Lessee fails to timely pay any Rent; (ii) Lessee or Lessee's Associates violate any requirement under this Agreement (including, but not limited to, abandonment of the Leased Premises); (iii) Lessee assigns or encumbers any right in this Agreement, delegates any performance hereunder, or subleases any part of the Leased Premises (except as expressly permitted in this Agreement); (iv) Lessee files a petition in bankruptcy or has a petition filed against Lessee in bankruptcy, insolvency, or for reorganization or appointment of a receiver or trustee which is not dismissed within sixty (60) days; (v) Lessee petitions for or enters

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 Lisa Holland
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into an arrangement for the benefit of creditors, or suffers this Agreement to become subject to a writ of execution and such writ is not released within thirty (30) days; (vi) Lessee defaults in constructing any Improvements that are required to be constructed under this Agreement; or (vii) Lessee dissolves or dies.

Section 7.2 Default by City. City shall not be in default under this Agreement unless City fails to perform an obligation required of City under this Agreement within thirty (30) days after written notice by Lessee to City. If the nature of City’s obligation is such that more than thirty (30) days are reasonably required for performance or cure, City shall not be in default if City commences performance within such thirty (30) day period and thereafter diligently prosecutes the same to completion.

Section 7.3 Remedies for Failure to Pay Rent. If any Rent required by this Agreement shall not be paid when due, City shall have the option to:

A. Terminate this Agreement, take possession of the Improvements, resume possession of the Leased Premises for its own account, and recover immediately from Lessee the differences between the Rent and the fair rental value of the property for the term, reduced to present worth, or

B. Terminate this Agreement, take possession of the Improvements, resume possession of the Leased Premises, re-lease the Leased Premises for the remainder of the term for the account of Lessee, and recover from Lessee, at the end of the term or at the time each payment of Rent comes due under this Agreement as City may choose, the difference between the Rent and the rent received on the re-leasing or renting.

In either event, City shall also recover all expenses incurred by reason of breach, including reasonable attorney’s fees.

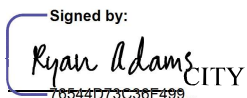
Section 7.4 Remedies for Breach of Agreement. If Lessee shall fail to perform or breach any provision of this Agreement other than the agreement of Lessee to pay Rent, City shall provide written notice to Lessee specifying the performance required. Thirty (30) days after such notice is provided under this Section 7.4, City may terminate this Agreement or take any such action it is legally entitled to take, including instituting litigation to compel performance of this Agreement. Should litigation be filed by City and it is the prevailing party in that litigation, Lessee shall be liable for all expenses related to such litigation, including City’s attorney’s fees. The duties and obligations imposed by the Agreement and the rights and remedies available thereunder are in addition to, and not a limitation of, any duties, obligations, rights and remedies otherwise imposed or available by law.

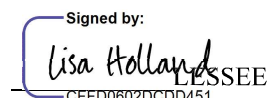
Section 7.5 Survival. The provisions of this Article VII and the remedies and rights provided in this Article VII shall survive any expiration or termination of this Agreement.

ARTICLE VIII

ASSIGNMENT AND SUBLEASING

Section 8.1 Assignment by Lessee.

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A. Except as expressly set forth herein. Lessee shall not assign any of its rights under this Agreement, including, but not limited to, rights in any Improvements, (whether such assignment is voluntarily or involuntarily, by merger, consolidation, dissolution, change in control, or any other manner), and shall not delegate any performance under this Agreement, except with the prior written consent of City to any of the same, in City's sole discretion. As a condition of obtaining such consent, the City reserves the right to require the transferee receiving any such rights from Lessee to execute a new lease agreement provided by City. Regardless of City's consent, Lessee shall not be released from any obligations for matters arising during the time when this Agreement was in effect. Any purported assignment or delegation of rights or delegation of performance in violation of this section is void.

B. Upon the expiration or termination of this Agreement, Lessee hereby assigns, transfers, and conveys to City, without warranty, the following:

(a) The right to the use of the Plans and Specifications on the Premises to the extent owned by Lessee;

(b) Any copyright interests in the Plans and Specifications held by Lessee; and

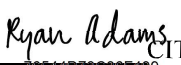
(c) The right to enforce, in Lessee's own name as a proper party, (i) any subcontracts related to the Improvements or other maintenance or services contracts in force with respect to the Leased Premises or Improvements and any warranties arising under any of them or in connection with the performance thereof, as the case may be.


Section 8.2 Assignment by City. City shall have the right, in City's sole discretion, to assign any of its rights under this Agreement (and in connection therewith, shall be deemed to have delegated its duties), and upon any such assignment, Lessee agrees that Lessee shall perform its obligations under this Agreement in favor of such assignee.

Section 8.3 Encumbrances. Lessee shall not encumber or permit the encumbrance of any real property at the Airport. Except for a Leasehold Mortgage as defined in Section 8.5, Lessee shall not encumber or permit the encumbrance of any of Lessee's rights under this Agreement without City's prior written consent, in City's sole discretion. Lessee shall not record this Agreement or any document or interest relating thereto. Any purported encumbrance of rights in violation of this Section 8.3 is void.

Section 8.4 Leasehold Mortgage –

A. **Right to Mortgage**. Lessee may encumber its leasehold estate by granting a mortgage or other similar instrument creating a mortgage lien against the Lessee's leasehold interest. Any such instrument which creates a first mortgage lien is hereinafter referred to as "Leasehold Mortgage", and the holder thereof is referred to as "Leasehold Mortgagee") during the Lease Term and any extension thereof; provided that, City shall not be obligated to, nor deemed to have subjected or subordinated City's fee simple interest in the Leased Premises to any Leasehold Mortgage, nor subordinated the City's interest in this Lease to such Leasehold Mortgage. City's interests in the fee and in this Lease are and shall always remain superior and prior in right to any Leasehold Mortgage.

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B. Notice of Default, Default. A Leasehold Mortgagee may provide written notice of its Leasehold Mortgage in the same manner and at the same address as required by this Lease for notices delivered to City, together with the name and address of the Leasehold Mortgagee. In the event such notice is delivered to City, City upon serving Lessee with any notice of default under this Lease, shall also serve a copy of that notice of default upon the Leasehold Mortgagee in the same manner as required by this Lease for notices delivered to Lessee. The delivery shall be made at the address the Leasehold Mortgagee shall have designated in writing to City.

C. Right to Cure. In case Lessee shall default under any of the provisions of this Lease, the Leasehold Mortgagee shall have the right to cure such default, within the time periods set forth for Lessee in this Lease Agreement, whether same consists of the failure to pay rent and other payments as further set forth in Article II, or the failure to perform any other matter or thing which Lessee is required to do or perform and City shall accept such performance on the part of the Leasehold Mortgagee as though the same had been done or performed by Lessee subject to City's rights to damages, restitution, or other legal or equitable monetary remedies related directly to the default(s) at issue. The Leasehold Mortgagee, upon receiving such notice, shall have, in addition to any time to cure a default (a "Cure Period") extended to Lessee under the terms of this Lease, a period of an additional thirty (30) days within which to cure the default or cause same to be cured or, if such default cannot reasonably be cured within such 30 days, to commence to cure such default with diligence and continuity, notwithstanding the foregoing:

- i. Where a provision of this Lease provides less than a thirty (30) day Cure Period, the Leasehold Mortgagee shall also have an additional fifteen (15) days Cure Period following the Lessee's Cure Period; or
- ii. Where a provision of this Lease expressly provides that Lessee has no opportunity to cure, the Leasehold Mortgagee shall have no Cure Period.

In case Lessee shall default under any of the provisions of this Lease, the Leasehold Mortgagee shall have the right to cure such default, within the time periods set forth above, whether same consists of the failure to pay rent and other payments as further set forth in Article II, or the failure to perform any other matter or thing which Lessee is required to do or perform and City shall accept such performance on the part of the Leasehold Mortgagee as though the same had been done or performed by Lessee.

D. Cure of Default or Termination. City will take no action to affect a termination of the Lease until such time as the Cure Period provided herein has expired and the defaults remain uncured. During the Cure Period, the Leasehold Mortgagee shall be entitled to: 1) obtain possession of the Premises (including possession by a receiver) and cure such default in the case of a default which is susceptible of being cured when the Leasehold Mortgagee has obtained possession; or 2) institute foreclosure proceedings or otherwise acquire Lessee's interest under this Lease with diligence and continuity and thereafter proceed to cure such default; provided, however, that the Leasehold Mortgagee shall not be required to continue such possession or continue such foreclosure proceedings if the default which would have been the reason for City serving such notice of default shall be cured, and provided further, that nothing in this paragraph shall preclude City from exercising any other rights or remedies under this Lease with respect to the default.

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E. **Foreclosure.** The Leasehold Mortgagee may become the legal owner and holder of this Lease by foreclosure of its Leasehold Mortgage or as a result of the assignment of this Lease in lieu of foreclosure, subject to City's written consent, which shall not be unreasonably withheld, and effective upon such assignment whereupon such Leasehold Mortgagee or assignee shall become and remain liable under this Lease as provided in this paragraph, except that such Leasehold Mortgagee may assign this Lease with City's consent, which shall not be unreasonably withheld, and subject to the assignee's meeting the requirements of sub-paragraph I of this Section 8.4 to the City's reasonable satisfaction, and effective upon such assignment, the new lessee shall become and remain liable to CitL under this Lease, and the Leasehold Mortgagee shall no longer be liable to City. If a Leasehold Mortgagee shall become the owner or holder of Lessee's interest in this Lease by foreclosure of its Leasehold Mortgage or by assignment of this Lease in lieu of foreclosure, the term "Lessee" as used in this Lease, shall include the owner or holder of Lessee's interest in the event of a sale, assignment or other disposition of Lessee's interest in this Lease by the Leasehold Mortgage.

Reference in this Lease to acquisition of Lessee's interest in this Lease by the Leasehold Mortgagee shall be deemed to include, where circumstances require, to acquisition of Lessee's interest in this Lease by any purchaser at a sale on foreclosure of the Leasehold Mortgage and provisions applicable to the Leasehold Mortgagee in such instance or instances shall also be applicable to any such purchaser. Leasehold Mortgagee's acquisition of Lessee's interest in this Lease and any assignment of the acquired interest by the Leasehold Mortgagee shall not be deemed a novation of Lessee's obligations under this Lease. City does not authorize any novation of Lessee's obligations under this Lease.

F. **Prohibition on Fee Simple Transfer.** So long as Lessee's interest in this Lease shall be mortgaged to a Leasehold Mortgagee, the parties agree, for the benefit of such Leasehold Mortgagee, that City shall not sell, grant or convey to Lessee all or any portion of City's fee simple title to the Premises without the prior written consent of such Leasehold Mortgagee (which consent shall not be unreasonably withheld, conditioned, or delayed, provided the parties agree in writing that such sale, grant, or conveyance shall not result in a merger of this Lease into fee simple title to the Premises). In the event of any such sale, grant, or conveyance by City to Lessee, City and Lessee agree that no such sale, grant or conveyance shall create a merger of this Lease into a fee simple title to the Premises. This paragraph shall not be construed to prevent any, or to require any consent of any Leasehold Mortgagee or Lessee to any, sale, grant, or conveyance of City's fee simple title by City to any person, firm, or corporation other than Lessee, its successors, legal representatives, and assigns.

G. **Leasehold Mortgagee.** Reference in this Lease to a Leasehold Mortgagee shall be deemed to refer where circumstances require, to any assignee of a Leasehold Mortgagee; provided that such assignee shall forward to City, pursuant to Section 8.4.B a duplicate original of the assignment of the Leasehold Mortgage in a form proper for recording or a copy of such assignment, as recorded in the Public Records, together with a written notice setting forth the name and address of the assignee and, to the extent available, the name, telephone number, facsimile number and email address of a representative of the assignee to whom notices may be sent.

H. **Subordination.** Any leasehold mortgage shall be specifically subject and subordinate to City's rights under this Lease and City's fee simple interest in the Leased Premises. Despite any

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provision which is or may appear to the contrary in this Lease, under no circumstances whatsoever shall the fee simple title interest of City in the Leased Premises, or any portion of same, be subordinated to the leasehold mortgage or encumbered by the leasehold mortgage.

I. **Assignees.** Notwithstanding anything herein to the contrary, after a default by Lessee whereby any Leasehold Mortgagee shall acquire any rights and/or obligations under this Lease, including as a result of bidding or lack thereof at auction after foreclosure (this also includes any rights/obligations a Leasehold Mortgagee shall acquire under any other lease of Lessee at the Airport, as a result of cross-default provisions), and thereafter the Leasehold Mortgagee or referee at sale proposes to assign, sell, rent, or otherwise transfer any interests, rights, and obligations to a special purpose entity and/or third party, or allow use of the property under this Lease (or any other property under any other lease at the Airport that Lessee is a party to as a result of cross-default provisions) by a special purpose entity and/or third party, any such assignment, sale, transfer, or use of the property under this Lease (or any other property under any other lease at the Airport that Lessee is a party to as a result of cross-default provisions) by a special purpose entity and/or third party is contingent upon City confirming to its reasonable satisfaction that the special purpose entity and/or third party has the financial and operational capabilities sufficient for the proper conduct of a fixed base operator as those capabilities are defined in this Lease and the Minimum Standards for Aeronautical Activities and Rules and Regulations, as may be amended from time-to-time by City applicable to the Airport. In such case, the Leasehold Mortgagee agrees to make commercially reasonable efforts to promptly find such a special purpose entity and/or third party meeting the requirements of this Section 8.4.I to enter into a new agreement with the City for the remainder of the Lease Term and/or to temporarily perform fixed based operator services at the property while the Leasehold Mortgagee secures a replacement lessee. City may also submit nominees to the Leasehold Mortgagee, and the Leasehold Mortgagee shall negotiate in good faith and act with such nominees in order to determine whether any such nominee meets the Leasehold Mortgagee's qualifications.

J. **Estoppel Certificates.** Each party agrees, at any time and from time to time upon not less than twenty (20) days prior written notice by the other party, to execute, acknowledge and deliver to the other party a statement in writing, in substantially the same form as **Exhibit B** certifying: (a) whether this Lease is in full force and effect, and if it is alleged that this Lease is not in full force and effect, setting forth the nature thereof in reasonable detail; (b) whether this Lease has been supplemented or amended, specifying the manner in which it has been supplemented or amended; (c) the date to which all rental payments have been made; (d) the commencement and expiration date of this Lease; and (e) whether or not, to the best of the knowledge of the signer of such statement, the other party is in default or may be with notice or the passage of time, or both, in keeping, observing or performing any term, covenant, agreement, provision, condition or limitation contained in this Lease and if in default, specifying each such default, it being intended that any such statement delivered pursuant to this Section may be relied upon by the other party, any prospective assignee of the other party's interest in this Lease or any Leasehold Mortgagee, but reliance on such certificate may not extend to any default as to which the signer shall not have had actual knowledge.

Section 8.5 Sublease. Any sublease of Improvements shall be for aviation-related purposes only. Any sublease agreement for the purpose of conducting commercial aeronautical activities as identified in the Airport Minimum Operating Standards will require an approved

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 Lisa Holland LESSEE
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Airport Business Permit prior to commencing operation. All sublease agreements shall be provided to the City at the time of execution.

ARTICLE IX

MISCELLANEOUS PROVISIONS

Section 9.1 Waiver of Exemption. Any constitutional or statutory exemption of Lessee of any property usually kept on the Leased Premises, from distress or forced sale, is waived.

Section 9.2 Addresses. All notices given under this Agreement to City shall be sent to the Airport Manager at 5000 Airport Road, Denton, Texas 76207, with a copy to the City Attorney at 215 E. McKinney, Denton, Texas 76201, or such other place as City shall specify in writing. All notices given under this Agreement to Lessee shall be sent to:

Sheltair Aviation Denton, LLC
Attn: Lisa Holland, President
4860 NE 12th Avenue, Fort Lauderdale, FL 33334
lholland@sheltairaviation.com

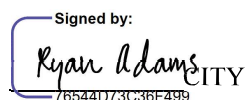
All notices given under this Agreement to the Mortgagee shall be sent to the address provided by Mortgagee to City. Any notice properly mailed by registered mail, postage and fee prepaid, shall be deemed delivered when mailed, whether it is received or not.


Section 9.3 No Waiver. The waiver by City of any breach of any term, covenant, or condition herein contained shall not be deemed to be a waiver of such term, covenant, or condition or any subsequent breach of the same or any other term, covenant, or condition herein contained. The subsequent acceptance of rent hereunder by City shall not be deemed to be a waiver of any preceding breach by Lessee of any term, covenant, or condition of this Agreement, other than the failure of Lessee to pay the particular rental so accepted, regardless of City's knowledge of such preceding breach at the time of acceptance of such rent.

Section 9.4 Lessee's Subordination. Lessee hereby subordinates and makes this Agreement inferior to all existing and future mortgages, trust indentures or other security interest of City or City's successor in interest. Lessee shall execute and deliver any documents required to evidence and perfect such subordination.

Section 9.5 Additional Charges as Rent. Any charges against Lessee by City for services or for work done on the Leased Premises or the Improvements by order of Lessee or otherwise accruing under this Agreement shall be considered as Rent due.

Section 9.6 Subordination to Grant Assurances. This Agreement shall be subordinate to the Grant Assurances, as amended. In the event that this Agreement, either on its own terms or by any other reason, conflicts with or violates any such Grant Assurances, City has the right to

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amend, alter or otherwise modify the terms of this Agreement in order to resolve such conflict or violation.

Section 9.7 Non-Interference With Operation of the Airport. Lessee expressly agrees for itself, its successors, and assigns that Lessee will not conduct operations in or on the Leased Premises or the Improvements in a manner that in the reasonable judgment of City, (i) interferes or might interfere with the reasonable use by others of common facilities at the Airport, (ii) hinders or might hinder police, fire fighting, or other emergency personnel in the discharge of their duties, (iii) would or would be likely to constitute a hazardous condition at the Airport, (iv) would or would be likely to increase the premiums for insurance policies maintained by City unless such operations are not otherwise prohibited hereunder and Lessee pays the increase in insurance premiums occasioned by such operations, (v) is contrary to any applicable Grant Assurance; (vi) is in contradiction to any rule, regulation, directive, or similar restriction issued by agencies having jurisdiction over the Airport including FAA, Homeland Security, Transportation Security Administration and Customs and Border Patrol, or (vii) would involve any illegal purposes. In the event this covenant is breached, City reserves the right, after prior written notice to Lessee, to enter upon the Leased Premises and the Improvements and cause the abatement of such interference at the expense of Lessee. In the event of a breach in Airport security caused by Lessee, resulting in fine or penalty to City of which Lessee has received prior written notice, such fine or penalty will be charged to Lessee.

Section 9.8 Emergency Closures. During time of war or national emergency, City shall have the right to enter into an agreement with the United States Government for military or naval use of part or all of the landing area, the publicly-owned air navigation facilities and/or other areas or facilities of the Airport. If any such agreement is executed, the provisions of this Agreement, insofar as they are inconsistent with provisions of the agreement with the Government, will be suspended.

Section 9.9 Interpretation.


A. References in the text of this Agreement to articles, sections, or exhibits pertain to articles, sections, or exhibits of this Agreement, unless otherwise specified.

B. The terms “hereby,” “herein,” “hereof,” “hereto,” “hereunder,” and any similar terms used in this Agreement refer to this Agreement. The term “including” shall not be construed in a limiting nature, but shall be construed to mean “including, without limitation.”

C. Words importing persons shall include firms, associations, partnerships, trusts, corporations, and other legal entities, including public bodies, as well as natural persons.

D. Any headings preceding the text of the articles and sections of this Agreement, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Agreement, nor shall they affect the meaning, construction or effect of this Agreement.

E. Words importing the singular shall include the plural and vice versa. Words of the masculine gender shall be deemed to include correlative words of the feminine and neuter genders.

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LESSEE
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Section 9.10 Force Majeure. No act or event, whether foreseen or unforeseen, shall operate to excuse Lessee from the prompt payment of rent or any other amounts required to be paid under this Agreement. If City (or Lessee in connection with obligations other than payment obligations) is delayed or hindered in any performance under this Agreement by a force majeure event, such performance shall be excused to the extent so delayed or hindered during the time when such force majeure event is in effect, and such performance shall promptly occur or resume thereafter at the expense of the Party so delayed or hindered. A “force majeure event” is an act or event, whether foreseen or unforeseen, that prevents a Party in whole or in part from performing as provided in this Agreement, that is beyond the reasonable control of and not the fault of such Party, and that such Party has been unable to avoid or overcome by exercising due diligence, and may include, but is not limited to, acts of nature, war, riots, strikes, accidents, fire, and changes in law. Lessee hereby releases City and City’s officers, elected and appointed officials, employees, and agents from any and all liability, whether in contract or tort (including strict liability and negligence) for any loss, damage, or injury of any nature whatsoever sustained by Lessee, its employees, agents, or invitees during the Lease Term, including, but not limited to, loss, damage, or injury to the aircraft or other personal property of Lessee that may be located or stored in, on or under the Leased Premises or the Improvements due to a force majeure event.


Section 9.11 Governing Law and Venue. This Agreement has been made in and will be construed in accordance with the laws of the State of Texas. In any action initiated by one Party against the other, exclusive venue and jurisdiction will be in the appropriate state courts in and for Denton County, Texas.

Section 9.12 Amendments and Waivers. No amendment to this Agreement shall be binding on City or Lessee unless reduced to writing and signed by both Parties. No provision of this Agreement may be waived, except pursuant to a writing executed by the Party against whom the waiver is sought to be enforced.

Section 9.13 Severability. If any provision of this Agreement is determined to be invalid, illegal, or unenforceable, the remaining provisions of this Agreement shall remain in full force and effect if both the economic and legal substance of the transactions that this Agreement contemplates are not affected in any manner materially adverse to any Party. If any provision of this Agreement is held invalid, illegal, or unenforceable, the Parties shall negotiate in good faith to modify this Agreement to fulfill as closely as possible the original intents and purposes of this Agreement.

Section 9.14 Merger. This Agreement constitutes the final, complete, and exclusive agreement between the Parties on the matters contained in this Agreement. All prior and contemporaneous negotiations and agreements between the Parties on the matters contained in this Agreement are expressly merged into and superseded by this Agreement. In entering into this Agreement, neither Party has relied on any statement, representation, warranty, nor agreement of the other Party except for those expressly contained in this Agreement.

Section 9.15 Relationship of Parties. This Agreement does not create any partnership, joint venture, employment, or agency relationship between the Parties. Nothing in this Agreement shall confer upon any other person or entity any right, benefit, or remedy of any nature.

Signed by:

76544D73C36F499...

Signed by:


LESSEE
CFFD0602DCDD451...

Section 9.16 Further Assurances. Each Party shall execute any document or take any action that may be necessary or desirable to consummate and make effective a performance that is required under this Agreement.

Section 9.17 Required Federal Clauses. Lessee and Lessee's Associates shall comply with all Laws and Regulations, including all of the required federal clauses in this Section 9.17 and any amendments or successor requirements during the Term of this Agreement.

A. During the performance of this contract, Lessee, for itself, Lessee's Associates, its assignees, and successors in interest (hereinafter collectively referred to as the "Lessee") agrees as follows:

1. **Compliance with Regulations:** Lessee will comply with the Title VI List of Pertinent Nondiscrimination Acts And Authorities, as they may be amended from time to time, which are herein incorporated by reference and made a part of this Agreement.
2. **Non-discrimination:** Lessee, with regard to the work performed by it or use of the Leased Premises and the Improvements during the Lease Term, will not discriminate on the grounds of race, color, national origin, creed, sex, age, or disability in the selection and retention of contractors, including procurements of materials and leases of equipment. Lessee will not participate directly or indirectly in the discrimination prohibited by the Nondiscrimination Acts and Authorities, including employment practices when the contract covers any activity, project, or program set forth in Appendix B of 49 CFR Part 21, including amendments thereto.
3. **Solicitations for Contracts, including Procurements of Materials and Equipment:** In all solicitations, either by competitive bidding, or negotiation made by Lessee for work to be performed under a contract, including procurements of materials, or leases of equipment, each potential contractor or supplier will be notified by Lessee of Lessee's obligations under this Agreement and the Nondiscrimination Acts and Authorities on the grounds of race, color, or national origin.
4. **Information and Reports:** Lessee will provide all information and reports required by the Acts, the Regulations, and directives issued pursuant thereto and will permit access to its books, records, accounts, other sources of information, and its facilities as may be determined by the sponsor or the Federal Aviation Administration to be pertinent to ascertain compliance with such Nondiscrimination Acts and Authorities and instructions. Where any information required of Lessee is in the exclusive possession of another who fails or refuses to furnish the information, Lessee will so certify to City or the Federal Aviation Administration, as appropriate, and will set forth what efforts it has made to obtain the information.
5. **Sanctions for Noncompliance:** In the event of Lessee's noncompliance with the non-discrimination provisions of this contract, City will impose such sanctions as

Signed by:

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Signed by:

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it or the Federal Aviation Administration may determine to be appropriate, including, but not limited to cancelling, terminating, or suspending the Lease, in whole or in part.

6. **Incorporation of Provisions:** Lessee will include the provisions of paragraphs one through six of this Section 9.17(A) in every contract, including procurements of materials and leases of equipment, unless exempt by the Acts, the Regulations, and directives issued pursuant thereto. Lessee will take action with respect to any contract or procurement as City or the Federal Aviation Administration may direct as a means of enforcing such provisions including sanctions for noncompliance. Provided, that if Lessee becomes involved in, or is threatened with litigation by a contractor, or supplier because of such direction, Lessee may request City to enter into any litigation to protect the interests of City. In addition, Lessee may request the United States to enter into the litigation to protect the interests of the United States.

B. Lessee for itself, its heirs, personal representatives, successors in interest, and assigns, as a part of the consideration hereof, does hereby covenant and agree as a covenant running with the land that in the event facilities are constructed, maintained, or otherwise operated on the property described in this Agreement for a purpose for which a Federal Aviation Administration activity, facility, or program is extended or for another purpose involving the provision of similar services or benefits, Lessee will maintain and operate such facilities and services in compliance with all requirements imposed by the Nondiscrimination Acts and Regulations listed in the Pertinent List of Nondiscrimination Authorities (as may be amended) such that no person on the grounds of race, color, or national origin, will be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination in the use of said facilities.

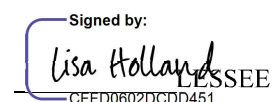
C. Lessee for itself, its heirs, personal representatives, successors in interest, and assigns, as a part of the consideration hereof, does hereby covenant and agree as a covenant running with the land that (1) no person on the ground of race, color, or national origin, will be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination in the use of said facilities, (2) that in the construction of any improvements on, over, or under such land, and the furnishing of services thereon, no person on the ground of race, color, or national origin, will be excluded from participation in, denied the benefits of, or otherwise be subjected to discrimination, and (3) that Lessee will use the Leased Premises and the Improvements in compliance with all other requirements imposed by or pursuant to the List of discrimination Acts and Authorities.

D. During the performance of this contract, the contractor, for itself, its assignees, and successors in interest (hereinafter referred to as the “contractor”) agrees to comply with the following non-discrimination statutes and authorities; including but not limited to:

- i. Title VI of the Civil Rights Act of 1964 (42 U.S.C. § 2000d *et seq.*, 78 stat. 252) (prohibits discrimination on the basis of race, color, national origin);
- ii. 49 CFR Part 21 (Non-discrimination in Federally-Assisted programs of the Department of Transportation—Effectuation of Title VI of the Civil Rights Act of 1964) including amendments thereto;

Signed by:

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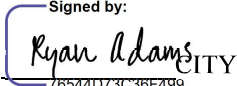
Signed by:

LESSEE
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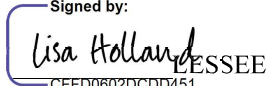
- iii. The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, (42 U.S.C. § 4601) (prohibits unfair treatment of persons displaced or whose property has been acquired because of Federal or Federal-aid programs and projects);
- iv. Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. § 794 *et seq.*), as amended (prohibits discrimination on the basis of disability); and 49 CFR part 27 (Nondiscrimination on the Basis of Disability in Programs or Activities Receiving Federal Financial Assistance);
- v. The Age Discrimination Act of 1975, as amended (42 U.S.C. § 6101 *et seq.*) (prohibits discrimination on the basis of age);
- vi. Airport and Airway Improvement Act of 1982 (49 U.S.C. § 47123), as amended (prohibits discrimination based on race, creed, color, national origin, or sex);
- vii. The Civil Rights Restoration Act of 1987 (P.L. 100-259) (broadened the scope, coverage and applicability of Title VI of the Civil Rights Act of 1964, the Age Discrimination Act of 1975 and Section 504 of the Rehabilitation Act of 1973, by expanding the definition of the terms “programs or activities” to include all of the programs or activities of the Federal-aid recipients, sub-recipients and contractors, whether such programs or activities are Federally funded or not);
- viii. Titles II and III of the Americans with Disabilities Act of 1990 (42 U.S.C. § 12101, *et seq.*) (prohibit discrimination on the basis of disability in the operation of public entities, public and private transportation systems, places of public accommodation, and certain testing entities) as implemented by U.S. Department of Transportation regulations at 49 CFR Parts 37 and 38;
- ix. Title IX of the Education Amendments of 1972, as amended, which prohibits you from discriminating because of sex in education programs or activities (20 U.S.C. § 1681, *et seq.*).

E. In all its activities within the scope of this Agreement, Lessee and its transferee agree to comply with pertinent statutes, Executive Orders, and such rules as identified in Title VI List of Pertinent Nondiscrimination Acts and Authorities to ensure that no person shall, on the grounds of race, color, national origin, creed, sex, age, or disability be excluded from participating in any activity conducted with or benefiting from Federal assistance. This provision obligates Lessee or its sublessee for the period during which Federal assistance is extended to the Airport through the Airport Improvement Program. In cases where Federal assistance provides, or is in the form of personal property; real property or interest therein; structures or improvements thereon, this provision obligates the party or any transferee for the longer of the following periods: (i) the period during which the property is used by the City or any transferee for a purpose for which Federal assistance is extended, or for another purpose involving the provision of similar services or benefits; or (ii) the period during which the airport sponsor or any transferee retains ownership or possession of the property.

F. In the event of breach of any of the above nondiscrimination covenants, City will have the right to terminate this Agreement and to enter, re-enter, and repossess said lands and facilities thereon, and hold the same as if the Agreement had never been made or issued.

G. This Agreement incorporates by reference the provisions of 29 CFR Part 201, the Federal Fair Labor Standards Act (“FLSA”), with the same force and effect as if given in full text. The FLSA sets minimum wage, overtime pay, recordkeeping, and child labor standards for full

Signed by:

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and part time workers. Lessee has full responsibility to monitor compliance to the referenced statute or regulation. Lessee must address any claims or disputes that arise from this requirement directly with the U.S. Department of Labor – Wage and Hour Division.

H. This Agreement incorporates by reference the requirements of 29 CFR Part 1910 with the same force and effect as if given in full text. Lessee must provide a work environment that is free from recognized hazards that may cause death or serious physical harm to the employee. Lessee retains full responsibility to monitor its compliance and any sublessee's compliance with the applicable requirements of the Occupational Safety and Health Act of 1970 (20 CFR Part 1910). Lessee must address any claims or disputes that pertain to a referenced requirement directly with the U.S. Department of Labor – Occupational Safety and Health Administration.

I. Lessee agrees that it shall insert the above eight provisions (Section 9.17(A) through Section 9.17(H)) in any agreement by which said Lessee grants a right or privilege to any person, firm, or corporation to render accommodations and/or services to the public on the Leased Premises or at the Improvements, herein leased or owned, as applicable.

J. Lessee agrees to furnish service on a fair, equal, and not unjustly discriminatory basis to all users thereof, and to charge fair, reasonable, and not unjustly discriminatory prices for each unit or service; provided that Lessee may be allowed to make reasonable and nondiscriminatory discounts, rebates, or other similar types of price reductions to volume purchasers. (Grant Assurance 22)

K. It is hereby specifically understood and agreed that nothing herein contained shall be construed to grant or authorize the granting of an exclusive right to provide aeronautical services to the public as prohibited by the Grant Assurances, and City reserves the right to grant to others the privilege and right of conducting any one or all activities of an aeronautical nature. (Grant Assurance 23)

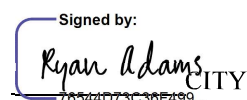
L. City reserves the right to further develop or improve the landing area of the Airport as it sees fit, regardless of the desires or view of Lessee, and without interference or hindrance. (FAA Order 5190.6B)


M. City reserves the right, but shall not be obligated to Lessee, to maintain and keep in repair the landing area of the Airport and all publicly-owned facilities of the Airport, together with the right to direct and control all activities of Lessee in this regard. (FAA Order 5190.6B)

N. This Agreement shall be subordinate to the provisions of and requirements of any existing or future agreement between City and the United States, relative to the development, operation, or maintenance of the Airport. (FAA Order 5190.6B)

O. If the Lessee assigns this Agreement or transfers an obligation in accordance with its terms, the transferee is obligated in the same manner as Lessee. These obligations apply to the Lessee for the term of the Lease as long as the Airport remains obligated to the Federal Aviation Administration.

P. Lessee agrees to comply with the notification and review requirements covered in Part 77 of the Federal Aviation Regulations in the event any future structure or building is planned

Signed by:

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Signed by:

LESSEE
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for the Leased Premises, or in the event of any planned modification or alteration of any present or future building or structure situated on the Leased Premises. (FAA Order 5190.6B)

Q. It is clearly understood by Lessee that no right or privilege has been granted which would operate to prevent any person, firm, or corporation operating aircraft on the Airport from performing any services on its own aircraft with its own regular employees (including but not limited to, maintenance and repair) that it may choose to perform. (Grant Assurance 22(f))

R. Lessee agrees to comply with mandatory standards and policies relating to use and procurement of certain telecommunications and video surveillance services or equipment in compliance with the National Defense Authorization Act P.L. 115-232, § 889(f)(1)).

[SIGNATURE PAGES FOLLOW]

Signed by:
Ryan Adams
CITY
76544D73C36F499...

Signed by:
Lisa Holland
LESSEE
CFFD0602DCDD451...

IN WITNESS WHEREOF, the Parties have set their hands and seals this _____ day of _____, 2026.

CITY OF DENTON, TEXAS, CITY

By: _____
Cassey Ogden, Interim City Manager

ATTEST:
Kristi Fogle, Interim City Secretary

By: _____

APPROVED AS TO LEGAL FORM:
Mack Reinwand, City Attorney

By: DocuSigned by:
Marcella Lunn
4B070831B4AA438... _____

Sheltair Aviation Denton, LLC, LESSEE

By: Signed by:
Lisa Holland
CFED0002DCDD451... _____
Lisa Holland, President

VICINITY MAP
NOT TO SCALE

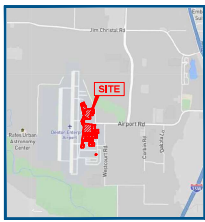
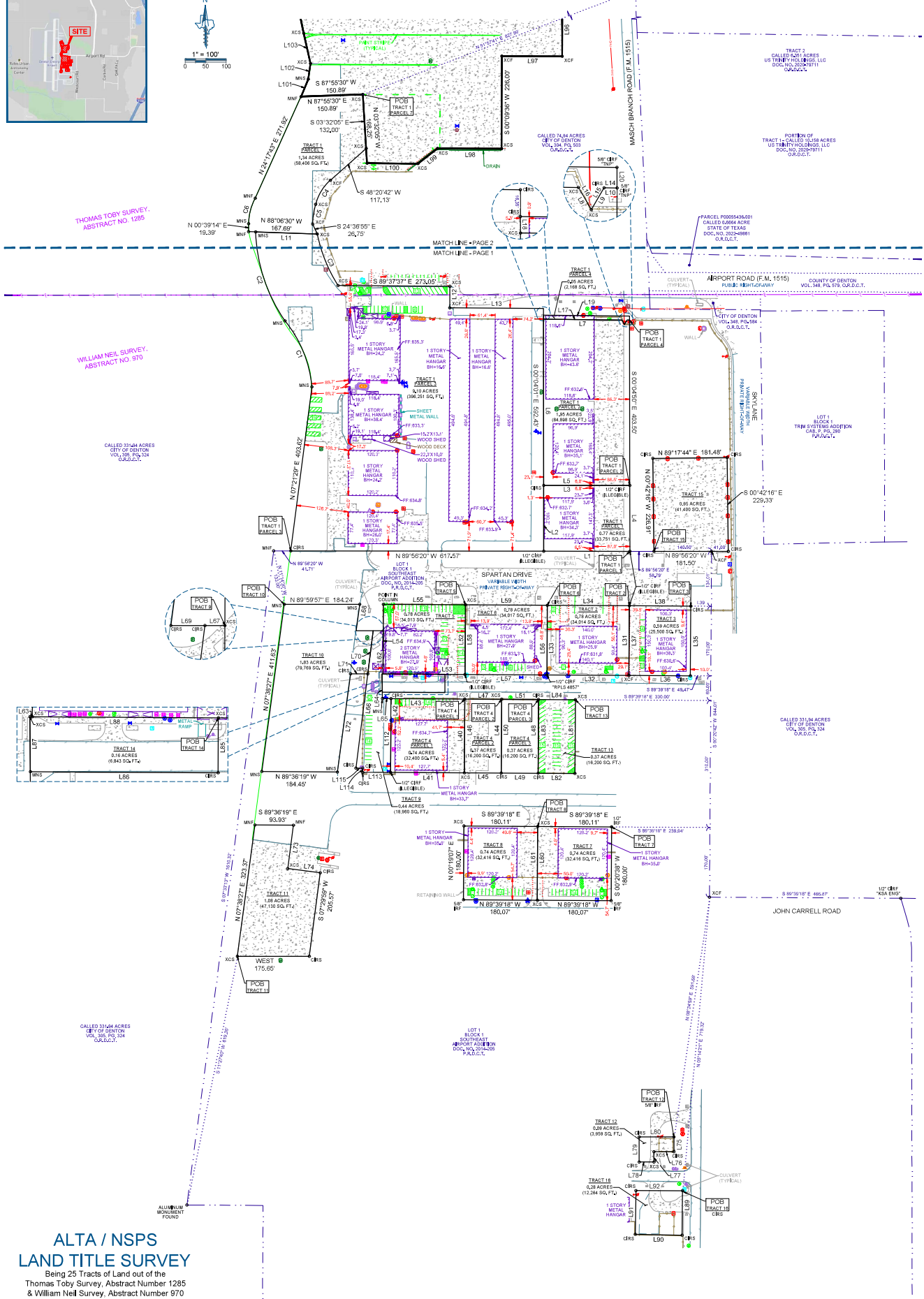


EXHIBIT A - LEASED PREMISES LEGAL DESCRIPTION



**ALTA / NSPS
LAND TITLE SURVEY**
Being 25 Tracts of Land out of the
Thomas Toby Survey, Abstract Number 1285
& William Neil Survey, Abstract Number 970
in the City of Denton, Denton County, Texas

LEGEND

0	Horizontal Line	1	Asymmetrical	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
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JOB NUMBER
2207.028
DATE
08-19-2022
REVISION
05-22-2026
DRAWN BY
CHM/TER

Eagle Surveying, LLC
222 South Elm Street
Suite: 200
Denton, TX 76201
940.222.3009
www.eaglesurveying.com
TX Firm # 10194177

VICINITY MAP NOT TO SCALE

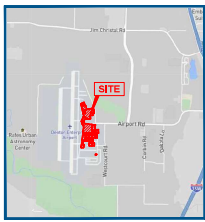
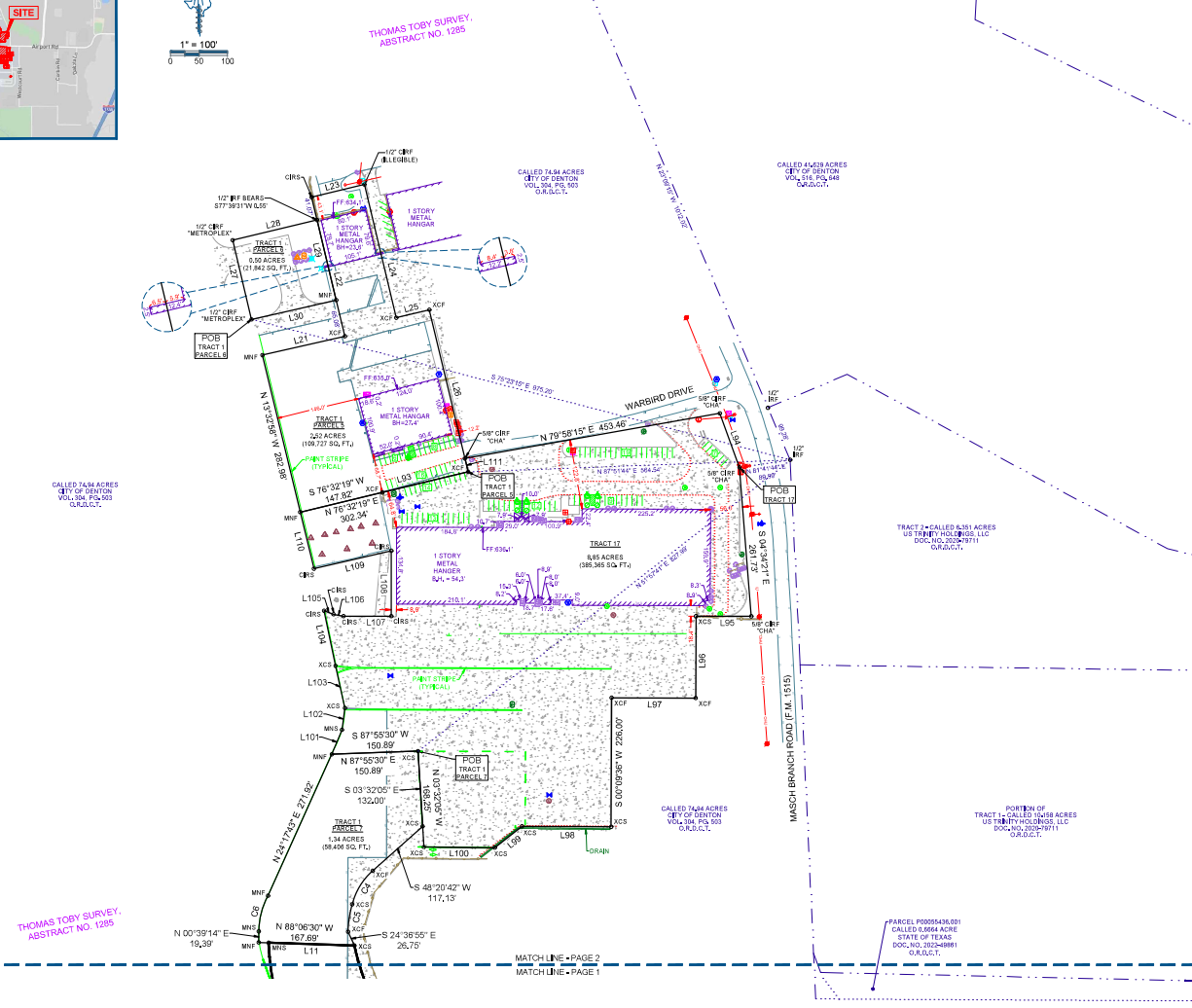


EXHIBIT A - LEASED PREMISES LEGAL DESCRIPTION



SCHEDULE B EXCEPTIONS OF COVERAGE
Subject to the easements as shown on Schedule 'B' of the commitment provided by Title Resources Guaranty Company with G/L No. 2045138 as listed...

- GENERAL NOTES
1. Eagle Surveying, LLC did not abstract the subject property. This survey was based off of a Legal description provided by Title Resources Guaranty Company with G/L No. 2045138, an effective date of February 23, 2020 and issued on February 27, 2021...

Table with 4 columns: CURVE, ARC LENGTH, RADIUS, CHORD BEARING, CHORD BEARING, CHORD LENGTH. Contains data for curves 01 through 08.

Table with 3 columns: LINE TABLE, UNIT TABLE, UNIT TABLE. Contains detailed survey data for various lines and units.

ALTERATIONS AND ERRORS
This survey is the work product of the signing surveyor and may not be altered or modified in any manner, except by the signing surveyor. Any alteration or modification performed to this survey by any party except for the signing surveyor will be prosecuted to the fullest extent of the law...

FLOOD NOTE
This property is located in Non-Flooded Zone "X" as shown on the F.C.A.A. Flood Insurance Rate Map dated April 18, 2011 and is located in Community Number 48194 as shown on Map Number 48121005054. The location of the Flood Zone is approximate. For additional information regarding Flood Zone designation, please contact (877) FEMA MAPS.

ALTA / NSPS LAND TITLE SURVEY
Being 25 Tracts of Land out of the Thomas Toby Survey, Abstract Number 1285 & William Neil Survey, Abstract Number 970 in the City of Denton, Denton County, Texas

LEGEND
List of symbols and colors used in the survey, including bearings, distances, easements, and other survey features.

EXHIBIT A - LEASED PREMISES LEGAL DESCRIPTION

JOB NUMBER: 2207.028
DATE: 08-19-2022
REVISION: 05-22-2026
DRAWN BY: CHM/TER
Eagle Surveying, LLC
222 South Elm Street
Suite: 200
Denton, TX 76201
940.222.3009
www.eaglesurveying.com
TX Firm # 10194177

Exhibit B

GROUND LESSOR ESTOPPEL AND CONSENT AGREEMENT

WHEREAS, _____ a _____ **[corporation]** **[limited liability company]** (hereinafter “Landlord”), or its predecessor in interest, has heretofore leased certain lands described on Exhibit A attached hereto (hereinafter the “Premises”) to _____ a _____ **[corporation]** **[limited liability company]** (hereinafter “Tenant”), or its predecessor in interest, pursuant to an agreement of lease, as more particularly described on Exhibit B (as same may have been amended, modified, substituted or extended, hereinafter the “Lease”);

WHEREAS, Tenant and certain other affiliates of Borrower, as co-borrowers or guarantors (collectively, “Loan Parties”) intend to enter into a Credit Agreement among Borrower, the Loan Parties, SunTrust Bank, as Administrative Agent and Collateral Agent (together with its successors and assigns, the “Administrative Agent”), Swingline Lender and Issuing Bank, and the Lenders from time to time party thereto (as the same may be amended, restated, supplemented or otherwise modified from time to time, the “Credit Agreement”; capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Credit Agreement). As security for the Obligations under the Credit Agreement and the other Loan Documents, Tenant intends to execute a first leasehold **[mortgage]** **[deed of trust]** **[deed to secure debt]** for the benefit of Administrative Agent upon Tenant’s interest as tenant under the Lease in the Premises (the “Leasehold Mortgage”); and

WHEREAS, the Administrative Agent and the Lenders are unwilling to enter into the Credit Agreement unless Landlord reaffirms to Administrative Agent that the provisions of the Lease respecting leasehold mortgages are restated and confirmed for Administrative Agent’s benefit **[and certain additional agreements are made with Administrative Agent with respect to Administrative Agent’s rights as the holder of the Leasehold Mortgage];**

NOW THEREFORE, in consideration of ten dollars (\$10.00) and other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, Landlord hereby certifies to and agrees with Administrative Agent as follows:

1. **[Upon the recording of the Leasehold Mortgage, Landlord hereby recognizes Administrative Agent as a “Leasehold Mortgagee” as defined in Section ___ of the Lease, for all purposes under the Lease] [Landlord hereby consents to the granting by Tenant of a mortgage on Tenant’s interest pursuant to the Lease to Administrative Agent.]**

2. **[All of the leasehold mortgagee protection provisions contained in the Lease, including but not limited to Sections(s) _____, and all other provisions inuring to the benefit of leasehold mortgagees or their successors and assigns contained in the Lease, are hereby incorporated into this agreement by reference and restated and confirmed by Landlord for the benefit of Administrative Agent, its successors and assigns.] Landlord [confirms that pursuant to the provisions contained in Section(s) ___ of the Lease] [covenants and agrees] that Landlord is not permitted, in the absence of an uncured default of Tenant under**

the Lease or a default of Tenant where a provision of the Lease expressly provides that Tenant has no opportunity to cure, to disturb the possession, interest or quiet enjoyment of Tenant or any subtenant of the Tenant, or in any manner, which would adversely affect the security provided in the Leasehold Mortgage.

3. Landlord hereby **[confirms that pursuant to Section ___ of the Lease,]** **[agrees that]** the Lease shall not be modified, terminated, amended, altered or cancelled, nor shall a surrender of the Premises be accepted by Landlord, without prior written notice to Administrative Agent and after the expiration of all applicable opportunities to cure provided for in the Lease, and that any such action taken without such notice and expiration shall not be binding on Tenant or Administrative Agent.

4. Landlord hereby **[confirms that, pursuant to Section ___ of the Lease]** **[covenants and agrees that]**, in the event that the Lease is terminated for any reason including, without limitation, as a result of a rejection of the Lease in a bankruptcy proceeding, upon Administrative Agent's request, and subject to the requirements in Section IX.I of the Lease Landlord shall enter into a new ground lease with Administrative Agent and such new ground lease shall be upon the same terms and conditions of the unexpired term of the Lease immediately prior to such termination.

5. Landlord hereby confirms with respect to the new ground lease referred to in **[Section ___ of the Lease]** **[paragraph 4 above]** that, should Administrative Agent become the tenant under a new lease **[pursuant to Section ___ of the Lease]:**

(a) title to all improvements now owned by Tenant **[including the Building, as defined in the Lease]**, situate on the Premises shall automatically vest in Administrative Agent **[pursuant to Section ___ of the Lease];** and

(b) Landlord shall promptly assign to Administrative Agent all space leases and subleases under which the tenants have attorned, with the consent of Administrative Agent **[pursuant to Section ___ of the Lease]**, to Landlord.

6. Landlord hereby **[confirms]** **[covenants and agrees]** that the Leasehold Mortgage shall not be subject or subordinate to any mortgage encumbering the fee estate of the Premises.

7. Landlord hereby **[confirms the provisions of Section ___ of the Lease to the effect]** **[covenants and agrees]** that Landlord shall deliver to Administrative Agent written notice of any default by Tenant under the Lease simultaneously with sending such notice to Tenant and that no notice of default given to Tenant, and no exercise of any remedy by Landlord as a result of any such default, shall be effective unless such notice shall have been delivered to Administrative Agent. Landlord hereby further **[confirms the provisions of Section ___ of the Lease to the effect]** **[covenants and agrees]** that Administrative Agent shall have the right, but not the obligation, to cure any default by Tenant under the Lease and Administrative Agent shall be afforded (a) 30 additional days to cure any such default where Tenant has 30 days to cure pursuant to the Lease; or (b) 15 additional days where the Tenant has less than 30 days to cure such default pursuant to the Lease; or (c) in the event that any such default cannot, with reasonable

diligence, be cured within such cure period, such longer period as may be required to complete such cure including, without limitation, such time as may be required for Administrative Agent to gain possession of Tenant's interest under the Lease, provided that Administrative Agent notifies Landlord of its intention to cure such default and Administrative Agent promptly commences and diligently pursues such cure to completion.

8. Subject to any assignee or sublessee meeting the requirements of Section IX.I of the Lease, Landlord hereby **[confirms] [agrees]** that Tenant shall have the right to assign or sublet Tenant's interest under the Lease to Administrative Agent, its successor or assign without the consent of Landlord, and in the event Tenant's interest under the Lease is so assigned or sublet to Administrative Agent, its successor or assign (as applicable, the "Assignee"), such Assignee shall have the right to further assign or sublet the Tenant's interest in the Lease without the need to obtain the consent of Landlord.

9. Landlord hereby **[confirms] [covenants and agrees]** that Administrative Agent shall be entitled to participate in any settlement regarding insurance or condemnation proceeds or awards, to collect and hold any such proceeds or awards and to determine and direct whether any such proceeds or awards are made available for the restoration of the Premises or are applied to the repayment of the Obligations under the Credit Agreement and the other Loan Documents.

10. Landlord hereby **[confirms the provisions of Section ___ to the effect] [agrees]** that Administrative Agent shall have the right, pursuant to the terms of the Lease, to exercise any option to renew the term of the Lease or any option to purchase the Premises, if the Tenant shall fail to exercise any option to so extend or purchase.

11. Landlord hereby certifies as follows:

(a) Landlord is the owner of the fee simple estate in the Premises and is the landlord under the Lease.

(b) Tenant is the owner of the leasehold estate in the Premises and is the tenant under the Lease.

(c) The Lease is in full force and effect in accordance with its terms and has not been further assigned, supplemented, modified or otherwise amended except as set forth in Exhibit B attached hereto and each of the obligations on Landlord's part to be performed to date under the Lease have been performed.

(d) To the best of Landlord's knowledge, each of the obligations on Tenant's part to be performed to date under the Lease have been performed.

(e) To the best of Landlord's knowledge, Borrower has no offsets, counterclaims, defenses, deductions or credits whatsoever with respect to the Lease.

(f) Except as set forth in Exhibit B attached hereto, there do not exist any other agreements (including Subordination, Non-Disturbance and Attornment Agreements) concerning the Premises, whether oral or written between Landlord and Tenant (or their respective predecessors or successors) under the Lease.

(g) As of the date hereof, no basic rent or additional rent is due from Tenant under the Lease. The basic rent currently payable by Tenant under the Lease is \$ _____ per annum. Basic rent due under the Lease has been paid through _____.

(h) The term commencement date of the Lease was _____, and the initial term/current extension term of the lease shall expire on _____.

(i) Neither Landlord nor Tenant has assigned the Lease or sublet the Premises.

(j) Landlord has not assigned, conveyed, transferred, sold, encumbered or mortgaged its interest in the Lease or the Premises and there are currently no mortgages, deeds of trust or other security interests encumbering Landlord's fee interest in the Premises and no third party has an option or preferential right to purchase all or any part of the Premises.

(k) Landlord has not received written notice of any pending eminent domain proceedings or other governmental actions or any judicial actions of any kind against the Landlord's interest in the Premises.

(l) Landlord has not received written notice that it is in violation of any governmental law or regulation applicable to its interest in the Premises and its operation thereon, including, without limitation, any environmental laws or the Americans with Disabilities Act, and has no reason to believe that there are grounds for any claim or such violation.

(m) The Lease attached hereto is a true, correct and complete copy thereof.

12. Notices. All notices, demands, requests or other communications to be sent by one party to the other hereunder or required by law shall be in writing and shall be deemed to have been validly given or served by delivery of the same in person to the intended addressee, or by depositing the same with Federal Express or another reputable private courier service for next business day delivery, or by depositing the same in the United States mail, postage prepaid, registered or certified mail, return receipt requested, in any event addressed to the intended addressee at its address set forth on the first page hereof and, if addressed to Administrative Agent, to _____, _____, _____, Attention: _____, and if addressed to Landlord, to _____, _____, _____, Attention: _____, or at such other address as may be designated by such party as herein provided. All notices, demands and requests shall be effective upon such personal delivery, or one (1) business day after being deposited with the private courier service, or two (2) business days after being deposited in the United States mail as required above. By giving to the other party hereto at least fifteen (15) days' prior written notice thereof in accordance with the provisions hereof, the parties hereto shall have the right from time to time to change their respective addresses and each shall have the right to specify as its address any other address within the United States of America.

This Estoppel and Agreement and the representations and agreements made herein are given with the understanding that this Estoppel and Agreement constitutes a material inducement for Administrative Agent and the Lenders to enter into the Credit Agreement and that Administrative Agent and the Lenders shall rely hereon in entering into the Credit Agreement. This Estoppel and Agreement and the representations and agreements made herein shall inure to the benefit of Administrative Agent, its successors and assigns and shall be binding on Landlord, its heirs, legal representatives, successors and assigns.

This Estoppel and Agreement may be executed in any number of counterparts, each of which shall be effective only upon delivery and thereafter shall be deemed an original, and all of which shall be taken to be one and the same instrument, for the same effect as if all parties hereto had signed the same signature page. Any signature page of this Estoppel and Agreement may be detached from any counterpart of this Estoppel and Agreement without impairing the legal effect of any signatures thereon and may be attached to another counterpart of this Estoppel and Agreement identical in form hereto but having attached to it one or more additional signature pages.

Executed this ____ day of _____, 202__.

LANDLORD:

[INSERT SIGNATURE BLOCK]

[INSERT EXHIBIT A AND B]

Exhibit C -Sample Ledger

Sheltair Denton Jet Center, LLC

Fuel and Hanger / Tie-Down and Rent Commission

MONTH:

Flowage Fee:
\$ 0.22

Deliveries Date	Invoice #	Jet-A Gallons	Avgas Gallons	Commission
--------------------	-----------	---------------	---------------	------------

-
-

Total Fuel
Commission -

Hanger/Tie-Down Date		Amount	12% Commission
GL	Nightly Hangar Fees		
GL	Nightly Ramp Fees		
	Properties Rentals		
	Total Commission		-

TOTAL PAYMENT -

FOR ACCOUNTING:			
5004	Jet-A Flowage	\$	-
5102	Avgas Flowage	\$	-
4710	Hangar Fees		-
4708	RON Fees		-
1201	Exchange		-
		\$	-

-

Exhibit C

Supporting Documentation

[Fueling Receipts]

[General Ledger Reports]

[Account Detail Reports]

BUSINESS ORGANIZATIONS INQUIRY - VIEW ENTITY

Filing Number: 804791550 **Entity Type:** Foreign Limited Liability Company (LLC)
Original Date of Filing: November 1, 2022 **Entity Status:** In existence
Formation Date: N/A
Tax ID: 32087002708 **FEIN:** 883969325
Name: Shellair Aviation Denton, LLC
Address: 4860 NE 12TH AVENUE
 FORT LAUDERDALE, FL 33334 USA
Fictitious Name: N/A
Jurisdiction: FL USA
Foreign Formation Date: August 23, 2022

REGISTERED AGENT	FILING HISTORY	NAMES	MANAGEMENT	ASSUMED NAMES	ASSOCIATED ENTITIES	INITIAL ADDRESS
Last Update		Name	Title	Address		
December 13, 2024		LISA HOLLAND	PRESIDENT	[REDACTED]		
December 13, 2024		LISA HOLLAND	DIRECTOR	[REDACTED]		



AGENDA INFORMATION SHEET

DEPARTMENT: Denton Enterprise Airport

ACM: Frank Dixon

DATE: July 14, 2026

SUBJECT

Consider approval of a resolution of the City of Denton approving an amended Airport Leasing and Development Policy; and providing an effective date. Airport Advisory Board recommends approval (6-0)

BACKGROUND

The Airport Leasing and Development Policy (“Policy”), adopted on Oct. 15, 2024, sets forth the parameters that shall be used by the City of Denton (“City”) for leasing land and/or improvements for commercial or non-commercial general aviation purposes at the Denton Enterprise Airport (“Airport”).

A policy governing the Airport's approach to leasing property supports a well-organized and comprehensive approach to leasing, encourages transparency and consistency, demonstrates equity between leases, and creates process efficiency in the application and lease negotiation process. It also reduces the risk of inadvertent non-compliance with federal regulations.

The current policy is organized into five (5) articles:

Article I	•Introduction, Purpose, Authority, Applicability
Article II	•Principal Development Criteria, Application, Approval, RFPs
Article III	•Lease Terms and Conditions, Maintenance and other Requirements
Article IV	•Rent, Fees, Lease Term
Article V	•Lease Reversion

Airport Leases

As the Airport Sponsor (i.e., owner and governing entity), the City is required to own and maintain control of airport land at all times; thus, airport property may not be sold for development. Instead, the City leases land on a long-term basis (up to 30 years or more), after which the lessee will construct and occupy an aircraft hangar or aeronautical facility. At the end of the lease term, ownership of the improvements will revert/transfer to the City, at which point the City may elect to:

- Lease the improvements, generally for 3-5 year terms; or
- Redevelop the land for a new aeronautical use

The lease relationship is designed to be mutually beneficial to both the lessee and the City:

City Receives:

- Good, dependable aeronautical activity
- A reliable Airport revenue stream
- Broader economic benefits from commercial developments (jobs, tax revenues, etc.)
- Expectation of ownership of the improvements (post-lease)

Lessee Receives:

- Airfield access
- Below market value lease rental rate
- Sufficient time to amortize investment
- Reliable customer base and profit opportunity for commercial developments

Federal Obligations and FAA Grant Assurances

As a recipient of Federal Aviation Administration (“FAA”) Airport Improvement Program funding, in addition to other federal funding, the City is obligated to operate Denton Enterprise Airport (“Airport”) under FAA Grant Assurances.

The Policy supports the City’s compliance with the Grant assurances by:

- Ensuring the City maintains sufficient control over airport property,
- Maintains equity and prevents unjust discrimination in its leasing practices,
- Ensuring leases do not inhibit the City’s ability to operate and maintain the Airport, and
- Promotes a fee and rental structure that is as self-sustaining as possible,

Policy Amendments

The following amendments to the policy are being proposed:

All Articles

- Minor grammatical corrections and clarifications

Article I

- New provision granting the ability of the Director to modify the Policy in certain cases. This language is consistent with similar language in the Airport Rules and Regulations (approved in October 2025) and the Airport Minimum Operating Standards.

Article II

- An Airport Pre-Leasing Application Meeting (PLAM) is required for prospective applicants.
- Establishes the documents that must be provided at the PLAM, including a site plan.
- Clarifies criteria for lease application approval:
 - Airport application approval (i.e., conformance with Principal Development Criteria);
 - Participation by the applicant in a Development Services Pre-Application Conference; and
 - Payment of the applicable fee.
- Establishes that if two or more applications are received for a property prior to any one application being approved, the Airport will initiate a Request for Proposals process.
- Establishes that if the application is incomplete/rejected, the applicant may reapply within 90 days with no additional fee.
- Extends the exclusive negotiating period for Airport leases extended by 60 days (to a total of 180 days).
- Establishes that the applicant is responsible for acquiring an updated appraisal for the subject site.

- Removes detailed criteria required in order to consider a competitive process (in conflict with other provisions).

Article III

- Establishes a requirement that all leases include building permit and construction completion deadlines.
- Clarifies requirements for subleasing.
- Clarifies that a licensed commercial building inspector shall perform a condition assessment required under the lease.

Articles VI and V

- No substantive changes

OPTIONS

1. Approve the amended Policy
2. Table the item pending additional information or clarification

RECOMMENDATION

Staff recommends that the amended Policy be approved by the City Council for approval.

ESTIMATED SCHEDULE OF PROJECT

The amendments will take effect immediately for any new leases.

PRIOR ACTION/REVIEW (Council, Boards, Commissions)

June 13, 2026:	AAB Recommendation of the amended Airport Leasing and Development Policy
May 13, 2026:	AAB Work Session
Jan. 14, 2026:	AAB Work Session
Oct. 15, 2024:	City Council Approval of Airport Leasing and Development Policy
Sept. 11, 2024:	AAB Recommendation of Airport Leasing and Development Policy
May 8, 2024:	AAB Work Session
June 12, 2024:	AAB Work Session
Aug. 14, 2024:	Airport Advisory Board Work Session

EXHIBITS

1. Agenda Information Sheet
2. Resolution
3. Draft Airport Leasing and Development Policy (redline)
4. Draft Airport Leasing and Development Policy (clean)

Respectfully submitted:
Ryan Adams, C.M.
Director of Airport

RESOLUTION NO. 26-_____

A RESOLUTION OF THE CITY OF DENTON APPROVING AN AMENDED AIRPORT LEASING AND DEVELOPMENT POLICY; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the City of Denton is obligated, as a recipient of Federal Aviation Administration (FAA) Airport Improvement Program funding, to comply with FAA Grant Assurances, which require Denton Enterprise Airport to be operated for public use and made available to all types, kinds, and classes of aeronautical activity on reasonable terms and without unjust discrimination; and

WHEREAS, FAA Grant Assurances further require that the City maintain a fee and rental structure that ensures the financial self-sustainability of Denton Enterprise Airport, while avoiding unjust economic discrimination within user classes; and

WHEREAS, the Leasing and Development Policy formalizes practices and provides clear, consistent guidelines for the leasing of airport land and facilities, thereby supporting compliance with FAA regulations and fostering transparency, equity, and process efficiency; and

WHEREAS, the Leasing and Development Policy is designed to maximize airport revenue, attract private investment, and minimize the financial obligations of the Airport by clearly defining the terms and conditions of lease agreements; and

WHEREAS, the City Council approved the adoption of the Airport leasing and development policy on Oct. 15, 2024, and

WHEREAS, updates to the Leasing and Development Policy will provide additional clarity for prospective developers and lessees, particularly regarding the application submittal and approval process, construction timelines, and condition assessments; and

WHEREAS, the Airport Advisory Board has reviewed the proposed amendments to the Leasing and Development Policy in detail over multiple meetings and unanimously recommended its approval by the City Council; and

WHEREAS, the City Council recognizes that timely and regular updates to the Leasing and Development Policy is essential for supporting the long-term growth and development of Denton Enterprise Airport, promoting its continued operational success, and ensuring compliance with federal requirements; NOW, THEREFORE,

THE COUNCIL OF THE CITY OF DENTON HEREBY RESOLVES:

SECTION 1. The findings and recitations contained in the preamble of this resolution are incorporated herein by reference.

SECTION 2. The amended Airport Leasing and Development Policy in the form attached hereto as Exhibit A is hereby approved and made a part of this resolution for all purposes.

SECTION 3. This resolution shall become effective immediately upon its passage and approval.

The motion to approve this resolution was made by _____ and seconded by _____, the resolution was passed and approved by the following vote [___ - ___]:

	Aye	Nay	Abstain	Absent
Mayor Chris Watts:	_____	_____	_____	_____
Jordan Villareal, District 1:	_____	_____	_____	_____
Nick Stevens, District 2:	_____	_____	_____	_____
Suzi Rumohr, District 3:	_____	_____	_____	_____
Joe Holland, District 4:	_____	_____	_____	_____
George Ferrie, At Large Place 5:	_____	_____	_____	_____
Jill Jester, At Large Place 6:	_____	_____	_____	_____

PASSED AND APPROVED this the _____ day of _____, 2026.

CHRIS WATTS, MAYOR

ATTEST:
KRISTI FOGLE, INTERIM CITY SECRETARY

BY: _____

APPROVED AS TO LEGAL FORM:
MACK REINWAND, CITY ATTORNEY

BY: DocuSigned by:
Marcella Lunn
4B070831B4AA438... _____

Airport Leasing and Development Policy

Article I. Introduction

As a recipient of Federal Aviation Administration (“FAA”) Airport Improvement Program funding, in addition to other federal funding, the City of Denton (“City”) is obligated to operate Denton Enterprise Airport (“Airport”) in accordance with FAA Grant Assurances. Among these federal obligations is the requirement to operate the Airport for the use and benefit of the public and for the Airport to be made available to all types, kinds, and classes of aeronautical activity on reasonable terms and without unjust discrimination.

These Grant Assurances further obligate the City to maintain a fee and rental structure for the facilities and services at the airport, making the Airport as self-sustaining as possible under existing circumstances and avoiding unjust economic discrimination within classes of users.

Section 1.01 Purpose

The Airport Lease and Development Policy (“Policy”) sets forth the parameters that shall be used by the City for leasing land and/or improvements for commercial or non-commercial general aviation purposes at the Airport.

The Policy seeks to:

1. **Promote Aviation Growth** by encouraging the provision of essential aeronautical activities and aviation services for the benefit of the public while preserving the City’s financial investment in the Airport. Non-aeronautical uses of Airport land will be permitted only on portions of the Airport not needed for aviation purposes and in accordance with FAA policy.
2. **Apply Standards Uniformly** through equitable, reasonable, and not unjustly discriminatory treatment of all lessees and permittees while promoting the highest and best use of Airport property. The Policy facilitates orderly management of and ensures consistent quality of facilities at the Airport.
3. **Promote Long-Term Financial Self-Sufficiency** through a rental, rates, and fees structure that maximizes Airport revenue for its current and future development, management, maintenance, and operating expenses.
4. **Ensure Compliance** with applicable laws, regulations, ordinances, policies, guidelines, and requirements as they relate to the application for and acceptance of federal funds. This includes FAA regulations and current airport Minimum Operating Standards, Rules and Regulations, and other regulatory requirements as may be adopted or amended by the City.

All new and renewed lease agreements will require adherence to Citythis Policy. ~~City policy, and, at a minimum,~~ will promote and require fairness and consistency, uniform application of this policy, and prohibit economic discrimination relative to aviation leases.

The City will establish rents and fees associated with this Policy, consistent with FAA policy and in support of grant assurances, balancing competitiveness with financial sustainability, with provisions for periodic review and adjustment based on market conditions and operational needs.

Section 1.02 Authority of the City

The Airport is owned, operated, and governed by the City, which expressly reserves the authority to lease Airport-owned land and/or improvements, ~~allow~~allows the occupancy and/or development of Airport-owned land or improvements, ~~grant~~grants the right to engage in any activity at the Airport, and ~~implement, supplement, amend, modify, approve~~implements, supplements, amends, modifies, approves, or ~~adopt~~adopts any agreement, policy, standard, rule, regulation, or ~~directives~~directive.

Any person wishing to lease for the exclusive use of any parcel of land on the Airport, or of any ~~city~~City-owned or operated facility, must enter into a written lease agreement with the City specifying the terms and conditions of such use. The City Council may establish by ordinance those rates and fees, and those terms and conditions it deems appropriate and applicable to Airport use.

The Airport Director, acting under the authority of the City Manager, shall take those necessary decisions and/or actions to ensure compliance with:

- Existing leases, licenses, permits, and other written agreements between the City and persons within the Airport;
- This Policy, and those other policies, rules, ~~or~~regulations, ~~or~~ordinances established by the authority of the City Council, which apply within the Airport;
- Those responsibilities levied on the City by the federal or state governments concerning Airport operations and management.

The Airport Director may authorize an interim or emergency agreement to occupy or use City-owned improvements and infrastructure by appropriate public agencies. Examples of situations that may be suitable for such authorizations are military or law enforcement activities ~~and~~ the temporary occupation of airport areas by government agencies during natural disasters, or aircraft accident investigations.

The Airport Manager may waive or modify any portion of this Policy for the benefit of any governmental agency performing non-profit public services, fire protection, or firefighting operations. The City manager or designee may waive or modify any portion of this Policy for any person when it is determined that such waiver or modification is in the best interest of the City and will not result in unjust discrimination among airport users or a violation of the Grant Assurances.

Section 1.03 Applicability

This Policy shall apply to any new agreement or any new amendment to an existing agreement relating to the leasing of land and/or improvements, including the establishment or ~~adjusting~~adjustment of rents, rates, fees, and other charges for commercial or non-commercial general aviation aeronautical activities.

This Policy shall not affect any agreement or amendment thereto that is properly executed before the date of adoption of this Policy, except as provided for in such agreement, in which case, this Policy shall apply to the extent provided by such agreement.

The City reserves the right from time to time to amend, supplement, revise, alter, rescind, or add to the policies and procedures listed herein, either in part or in their entirety. The Airport further reserves the

right to use this ~~Leasing~~ Policy for the selection of non-aeronautical ~~service providers and concessionaires~~uses as it deems appropriate.

Section 1.04 Compliance with Federal, State, and Local Law

This Policy is subject to federal law, FAA regulations, state statute, and local ordinance. In the event of provisions of this policy conflicting with the aforementioned ~~law~~laws, the aforementioned laws shall prevail.

If any section, subsection, sentence, clause, or phrase of these policies and procedures is, for any reason, held to be invalid or unconstitutional by any court of competent jurisdiction, such decision shall neither affect nor impair any of the remaining provisions.

Article II. Leasing Airport Land or Improvements

Entities shall not occupy Airport land or improvements for any purpose unless the entity has an agreement ~~or with the City, occupies a hangar under an approved~~ sublease, or occupies a hangar under a rental agreement with a duly permitted hangar rental business. Any use of leased property must be listed and approved within the lease agreement prior to allowing such use. In addition, entities shall not conduct aeronautical or non-aeronautical commercial activities at the airport unless the entity has an Airport Business Permit authorizing such activities. Entities shall also comply with the Denton Code of Ordinances, Airport Rules and Regulations, Minimum Operating Standards, and any other applicable federal, state, and local laws and regulations.

Section 2.01 Principal Development Criteria

The Airport has limited land resources, ~~so and it is important to shall~~ adequately evaluate proposed Airport leases and ~~development~~developments to ensure that the highest and best use of each property is realized and that such use is compatible with future Airport development and land use plans. ~~Proposed leasing~~Leasing or development ~~requests~~proposals will be evaluated in accordance with this ~~policy~~Policy. Such evaluation will look to whether the proposed use conforms to the following (collectively, the “Principal Development Criteria”):

1. The use is shown to be appropriate and consistent with the Airport Layout Plan (“ALP”), Airport Master Plan, ~~Airport Appraisal~~qualified appraisals, and other relevant Airport planning documents or Airport expansion or development plans or goals.
2. The use will not interfere with the normal and efficient operation of the Airport or with the ability of other Airport users to enjoy reasonable access to their leaseholds or the public areas of the Airport, including its runway ~~and~~, public taxiways_z, and aprons. The use also considers access to public areas of the Airport from adjacent land.
3. The use will advance the goal of achieving financial self-sustainability for the Airport by providing a consistent, reliable, and appropriately substantial source of revenue to the Airport, whether in the form of rent or other rates, fees, or charges.
4. The use will provide long-term benefits to the Airport through the tenant’s construction, expansion, maintenance, or other development of useful and valuable improvements or facilities (or through the tenant’s efficient use of improvements to existing Airport property or facilities).

5. The use will support the City's efforts to make the Airport an attractive, aesthetically pleasing gateway to, and source of economic development for, the City.
6. The use will not involve non-aeronautical use of Airport property designated for an aeronautical use on the Airport Layout Plan, or facilities more appropriate or necessary for aeronautical use, as determined at the sole discretion of the City.
7. The use does not pose exceptional or unreasonable financial, legal, or operational risk to the Airport or the City.
8. The use does not violate any applicable laws or regulations or any Grant Assurances or similar state or local obligations and does not pose a substantial risk of causing the City to violate any such laws, regulations, Grant Assurances, or obligations.

Section 2.02 Designated Areas

The City reserves the right to designate specific Airport land and/or improvements in which commercial and/or non-commercial aeronautical activities may or may not be conducted. The right to use the Airport and any airport land or improvements is non-exclusive except for the land and or improvements leased exclusively to an entity by the City.

The City may establish, through the Airport Master Plan or other Council-approved plan, certain areas approved for particular types of commercial and non-commercial activities within the Airport. These designated areas will indicate proposed future uses and activities for segments of the Airport property. If designated areas are established, all proposed activities and developments must be located in a designated area that corresponds to and does not conflict with such use.

To the extent allowed under FAA regulations, the City reserves the right to refuse proposals to use or develop ~~airport~~Airport land for aeronautical or non-aeronautical purposes.

Section 2.03 Pre-Leasing Application Meeting

Section 2.03—Prior to submission of a Lease Application

~~Prior to entering into formal lease discussions or negotiations~~, a prospective lessee shall ~~complete a written~~ schedule an Airport pre-leasing application meeting with Airport staff. The purpose of the meeting is for a leaseairport staff to provide information on the leasing process, discuss the requirements of this Policy, and provide basic feedback on the proposal's alignment with the principal development criteria.

Prior to the pre-leasing application meeting, and in a form prescribed by the City and pay any associated fees as established by the City Council. The application shall, a prospective lessee must, at a minimum, provide the following to Airport staff:

1. A conceptual plan or layout of the development area, to include, at ~~minimum~~:a minimum, leasehold boundaries, all proposed buildings, including hangar door height, if known, paved ramp or apron areas, vehicular parking points of ingress and egress, fencing, and gates. It shall further include the total area of the leasehold, in square feet, and of any buildings, ramps, aprons, and vehicular parking areas.
2. The estimated value of the capital investment, if known.
- 1.3. A description of the activity or activities that the applicant proposes to conduct under its requested development, with sufficient narrative detail to adequately explain the benefits of the

activity or activities to the Airport and the City and to demonstrate that it meets the Principal Development Criteria.

4. The estimated increase in based aircraft and itinerant air traffic resulting from the development.
5. For any commercial activity, the projected number of employees and hours of operation.
- ~~2-6.~~ The names and contact information of the prospective lessee(s) or, if an incorporated entity, of all parties owning an interest in the entity.
- ~~3.~~ A description of the premises intending to be leased.
- ~~4.~~ The type of facilities which the applicant proposes to construct on or for the proposed leasehold, if applicable.

Section 2.04 Airport Lease Application

After the pre-leasing application meeting, but prior to entering into formal lease discussions or negotiations, a prospective lessee shall complete a written application for an Airport lease in a form prescribed by the City and pay any associated fees as established by the City Council. The application shall include, at a minimum:

1. All information required for the pre-leasing application meeting, to include any updates recommended by Airport staff.
- ~~5.~~ An estimate of the value of the proposed capital investment on the premises, if applicable.
- ~~6-2.~~ For any commercial activity, the services to be not previously provided, proposed hours of operation, number of aircraft to be based, and projected number of employees, and other relevant information.

The City reserves the right to request additional information from the lease applicant. Upon receipt, Airport staff will review the application and determine if the proposed use and leasehold location comply with this ~~policy~~ Policy. Noncompliance may result in the rejection of the lease application.

~~Submission of~~ The City Council shall have the right to adopt an application fee and publish it in the Airport Rates and Fees schedule.

In the event two or more complete applications are received for the same property prior to any one applicant's application being approved, the City will initiate a Request for Proposals (RFP) process (See Section 2.06)

Section 2.05 Lease Negotiation and Approval/Rejection

A lease application shall not be considered approved until:

- Review and written notification of approval of the proposed development application by the Airport
- Participation by the applicant in a Development ~~Services~~ Pre-Application Conference
- Payment of the applicable fee

Where applications are incomplete or, after review, do not meet the requirements of this Policy, the application will be rejected and the applicant notified. The applicant may resubmit their application within 90 days of the original application submission without payment of ~~applicable fees~~ the application fee.

Approval of an application secures for the prospective Lessee applicant the exclusive right to pursue a lease with the City for 120 days. During this time, the Airport will not consider nor discuss the leasing or development of the subject property with other interested parties. If no lease agreement is executed by the end of the 120 days, the application will expire, and the City may accept applications for the property from other parties. This 120 or a resubmittal of the application by the prospective lessee whose original application expired. This 180-day timeframe may be extended in writing by the Airport Director.

~~The~~ At the request of the City Council, the applicant shall have the right:

1. Be responsible for acquiring, at its sole cost, a new or updated survey of the proposed lease boundaries, provided by a surveyor qualified to adopt an application fee perform such work in the State of Texas.
2. Be responsible for acquiring, at its sole cost, a new or updated appraisal of the proposed leasehold property for the purpose of confirming the fair market value rental rate for the proposed use. The appraiser shall be approved by the City and publish it qualified to perform such work in the Airport Rates and Fees schedule State of Texas.

~~Section 2.04~~ Lease Approval

Within 60 days of receiving a completed application, including survey and appraisal, as required, the Airport shall convey the key terms and conditions (including rents, fees, and other charges) of a proposed lease agreement to the applicant. The applicant shall, within a reasonable amount of time, indicate if the key terms and conditions proposed by the Airport are acceptable or provide revised key terms and conditions. The Airport Director may negotiate the revised key terms and conditions and/or initiate the competitive proposal process described in Section 2.05.

All new lease agreements, lease assignments or transfers, and subleases amendments shall be reviewed by Airport staff and considered for recommendation to the City Council by the Airport Advisory Board. Approval by the City Council shall be required for any lease agreement or amendment.

~~Section 2.05~~ Section 2.06 Requests for Proposals

~~As~~ As Airport land and/or improvements exist or become available for leasing, the City may, at its sole discretion and at any time, including upon receipt of an application for a lease or development, issue a request for proposals to optimize the development of or to assess the level of market demand and competitiveness for a proposed activity or use of Airport property. Any competitive proposal or bidding process shall comply with the City of Denton's purchasing policies and directives.

~~To determine whether it is appropriate to utilize competitive proposal or bidding, the City shall consider factors including, but not limited to:~~

- ~~1. The size and proposed use of the property.~~
- ~~2. The availability of similar property at the Airport.~~
- ~~3. Whether the property is going to be used for Aeronautical or Non-Aeronautical Activities.~~
- ~~4. Whether the property is developed or vacant.
 - ~~a. If the property is vacant, the proposed use; type of Improvements will be developed; number of employees to work on the property.~~~~

- ~~b. Whether infrastructure (such as utility lines) needs to be installed or and if so, who will be responsible for such installation?~~
- ~~5. The financial strength and experience of the Applicant.~~
- ~~6. Economic impact the proposed use of the Airport property will have on the Airport.~~
- ~~7. Whether the proposed use of the Airport property will generate new revenue for the Airport or generate new activity at the Airport.~~

The request for proposals shall also list the criteria the City will use to make its selection, including but not limited to, compliance with this Policy and the Principal Development Guidelines, the benefits generated by the proposed activity, and the long-term revenue generated by the proposal. The City may consider additional factors that it deems relevant to make its final decision regarding the use or disposition of the Airport premises and privileges in question. The City shall examine all applications and select a proposal for further lease negotiations, if, in the City's opinion, it is in the best interest of the Airport and the community.

Article III. The Lease Agreement

Lease Agreements are designed to protect the public interest and contain more restrictive clauses than private-sector leases. Liabilities associated with possession and control of real property will be transferred to the Lessee to the greatest extent possible, including compliance with and subordination to all applicable federal, state, and local laws and regulations. Leases will additionally be subordinate to the City's Grant Assurances, other applicable federal and state laws and regulations, and City ordinances and regulations.

The following are not inclusive of all lease terms, conditions, and obligations. Authority is granted to City staff to negotiate leases that promote the Principal Development Criteria and the objectives of this Policy.

Section 3.01 Key Terms and Conditions

(a) Recitals:

All recitals shall include, at a minimum, the desires of the City and the Lessee. All recitals shall be incorporated into the agreement by reference.

(b) Premises:

Each agreement shall meticulously describe the specific area of Airport property to be occupied, including precise boundaries and any shared or common areas. Leases will clearly outline the permitted activities and any special conditions or restrictions on usage, ensuring compatibility with airport operations and safety regulations.

(c) Use:

Each agreement shall make clear the intended use of the premises.

1. **Commercial aeronautical activities** – The agreement shall identify the products, services, and/or facilities to be provided by the operator. The agreement may identify optional products, services, and/or facilities that may be provided by the operator with or without the approval of the Airport Director.

2. **Non-commercial aeronautical activities** – For non-commercial occupancy and/or use of the Airport land and/or improvements, the Agreement shall stipulate that the Lessee shall not offer or provide commercial products, services, or facilities or conduct commercial activities at the Airport or from the leased premises without an amendment of the lease agreement.
3. **Non-aeronautical activities** – Leasing Airport land and/or improvements for non-aeronautical activities is not generally favored by the City of the FAA. The City may, in its sole discretion, consider such use in the event the non-aeronautical use of Airport land and/or improvements does not interfere with the primary aeronautical use of Airport land and/or improvements and is not in violation of any legal requirements, including the Grant Assurances. If such use is contemplated, the applicant must prove that the subject Airport land and/or Improvements will not conflict with the existing or foreseeable aeronautical use of the property during the entire term of a proposed agreement. The leasing of Airport land and/or Improvements for non-aeronautical activities will not be allowed without the prior written consent of the FAA.
4. **Prohibited Activities:** All prohibited uses and activities of the premises shall be identified; however, no lease agreement will allow any activities prohibited by applicable federal, state, or local laws and regulations even if such use is not specifically set out by the lease agreement.

(d) Term

The original term, commencement date, and ending date shall be conveyed in the Agreement. The term of the agreement shall be commensurate with the value of capital investment made by the Lessee into the leased premises and/or on the Airport and sufficient for the Lessee's amortization of the investment, consistent with Article IV of this policy.

(e) Rents and Fees

The applicable rents and fees to be paid by the Lessee to the City shall be identified in the agreement. Rents and fees shall be established and adjusted in accordance with Article IV of this policy.

(f) Improvements

A description of the improvements, including minimum square footage of occupied space, shall be included in the agreement. The Lessee shall procure all necessary permits and certificates, including, but not limited to, all City building, fire, safety, final certificate of occupancy, and meet other applicable requirements for improvements located on Airport property and within the legal boundaries of the Airport as identified on the Airport Layout Plan.

Each lease agreement shall include a deadline by which the Lessee must secure a building permit and a deadline by which construction must be completed and a certificate of occupancy issued, if applicable. Each deadline shall be sufficient for development approval and construction, respectively, and incorporate a reasonable timeframe for completion.

Upon expiration of the term of the agreement, ownership of permanent improvements that have been made to the leased premises by the Lessee shall revert to the City. The City shall retain the right to require the demolition and removal of the improvements and the return of

the premises to its original condition and character by the Lessee, normal wear and tear excepted.

Section 3.02 Other Standard Terms and Conditions

Additional terms and conditions within the Lease Agreement shall include, but are not limited to:

1. Procedures for entering into a sublease agreement for all or part of the leased premises, including approval processes and sublessee obligations, to prevent unauthorized use and maintain accountability. Subleasing shall be authorized with the operation of a permitted commercial hangar rental business or with City consent, as applicable. All sublease agreements shall be approved byin accordance with the City ~~Council~~of Denton Code of Ordinances.
2. Procedures for transferring lease interests, including city approval requirements and any associated fees or conditions, shall be clearly defined to ensure orderly transitions. All sales, assignments, or transfers shall be approved byin accordance with the City ~~Council~~of Denton Code of Ordinances.
3. ~~Conditions~~If applicable, conditions for granting rights of first refusal. Rights of first refusal may only be granted where the property that is subject to the right of first refusal is contiguous to the leased premises. No right of first refusal may be granted without the payment of a fee or other financial consideration being provided to the City. Other conditions of the right of first refusal will be negotiated by Airport staff. The City retains the right to refuse requests for rights of first refusal.
4. Conditions, procedures, and penalties for defaulting on lease obligations, including notification requirements and remedies available to the city.
5. Requirements that the Lessee shall be responsible, at its own expense, for connection to and service of public utilities.
6. Requirements for Lessee insurance coverage, including liability, property, and workers' compensation insurance, shall be clearly outlined to mitigate risk and protect airport assets.
7. The right of the City to, with notice to the Lessee, inspect the leasehold and improvements for compliance with lease terms, federal, state, or local law, and/or Airport rules and regulations.
8. Requirements that ensure construction adheres to local development standards, building codes, environmental laws, Airport Minimum Operating Standards, and other applicable statutes and regulations in order to maintain the safety and integrity of airport property
9. Requirements for the Lessee to demonstrate possession of all necessary licenses, certifications, and permits required for activities permitted under the lease, with provisions for City verification and periodic updates.
10. Requirements for the Lessee to bear responsibility for the provision of utility service during their occupancy, including electricity, water, gas, sewage, and telecommunications services, with provisions for city oversight
11. Requirements for the Lessee to fulfill all tax obligations related to its activities, including property taxes, sales taxes, and income taxes, under applicable laws and regulations.
12. Requirements for Lessee to maintain accurate records of their operations, including financial statements, maintenance logs, and regulatory compliance documentation, subject to city audit and inspection.

13. Guidelines for holdover possession beyond the lease term, including rental adjustments and termination provisions, shall be established to address transitional periods and prevent unauthorized occupancy.
14. Any other conditions or requirements deemed appropriate by the City

Section 3.03 Maintenance of the Leasehold

The Lessee shall bear responsibility for ongoing maintenance of the leased premises and all improvements including, but not limited to, preventing the accumulation of debris and trash, abating fire and chemical hazards, abatement of nuisances, and the irrigation and maintenance of landscaping. The Lessee shall perform all work in accordance with applicable laws and regulations.

To prevent the premature aging and deterioration of the improvements, the Lessee, at its own expense, shall conduct a ~~condition assessment~~ Condition Assessment ("Assessment") on all improvements no later than the tenth (10th) anniversary of the Commencement Date, and every five (5) year anniversary thereafter. ~~The Condition Assessment shall be conducted by a person qualified to perform such an assessment in the State of Texas who, after being selected by the Lessee, shall be approved in writing by the City. The Condition~~ The Assessment shall examine, at minimum, the building's structural components, electrical, plumbing, heating and cooling systems, and roof. Additionally, any pavement (asphalt or concrete) within the leasehold area shall also be examined. The Assessment shall be conducted by a commercial building inspector qualified to perform such work in the State of Texas who, after being selected by the Lessee, shall be approved in writing by the City. The Condition Assessment shall be provided to the City within thirty (30) days of the ~~condition assessment~~ completion deadline. Any deficiencies that are due to the Lessee's failure to meet their obligations under the Lease shall be corrected by the Lessee at its expense. The Lessee shall, within ninety (90) days, provide to the Lessor a plan to correct such deficiencies identified in the Condition Assessment within one (1) year, unless extended in writing by the Airport Director, or designee. Failure to correct deficiencies identified in the Condition Assessment will constitute a breach of the lease agreement.

Section 3.04 Additional Lease Requirements

The Lease shall contain, or adopt by reference, all provisions required by the applicable law, including, without limitation, regulations promulgated by the FAA and the Transportation Safety Administration, and assurances or agreements entered into by the City as a condition of any Federal Grant to the City for the Airport. The Lease or Permit shall be subordinate to any existing or future Federal grant assurances.

Article IV. Rents, Fees, and Agreement Term

Airport lease rates and associated fees shall be consistent with FAA policy and Grant Assurance obligations, specifically the requirement that the Airport be as financially self-sustaining as possible and that leases are provided on a consistent and equitable basis. To the extent feasible, aeronautical use fees must be established on a cost-recovery basis while the use of Airport property for non-aeronautical facilities and/or services must be based on fair market value.

Section 4.01 Rent

During the lease term, the Lessee shall pay the Airport market rent for applicable land and facility(ies). Where a Lessee has constructed a Facility, the Lessee shall pay Market Rent for land only during the Term of its Lease.

(a) Establishment of Market Rent

Market rent shall be established through a property appraisal by a qualified appraiser, or a market analysis performed by a similarly qualified individual or firm. ~~Appraisals~~No appraisals used to establish market rent for ~~properties~~a property shall have been performed ~~within~~the more than two years before the execution of a lease agreement.

(b) Deviations from Market Rent

Below market rent may only be offered where the Lessee constructs public infrastructure that benefits other properties (i.e., taxilanes, taxiways, roads, or utilities) or makes improvements to an existing facility that extends the useful life of the facility, as approved by the City. In such cases, the value of the reduced rental rate may not exceed the value of the Lessee's investment in public infrastructure.

In the event that the City develops all or part of the Improvements, to establish rents the City may, in its sole discretion, establish a reasonable rate of return on the investment.

Rental rates for certain property uses, particularly non-aeronautical uses, may ~~be based on~~include a percentage of Lessee's gross income ~~from~~relating to its use of the property.

Section 4.02 Adjustment of Rent

To account for regular cost inflation, Lease rents shall be adjusted no later than every two years after the commencement date of the lease. This adjustment proportion that the then-current United States Consumer Price Index for all urban consumers ("CPI-U") for the Dallas-Fort Worth Bureau of Labor Statistics (1982-84 = 100) bears to that of the Commencement Date month.

Section 4.03 "Through the Fence" Agreements

FAA Grant Assurances require access to the Airport to be provided on an equitable basis. If an adjacent property requests access to the airport to conduct aeronautical activities, the property owner may be granted a "Through the Fence Agreement" granting them such access. As a condition of this access, the property shall pay market rent, including adjustments, under the terms outlined by this policy.

The City may impose additional requirements as a condition of any "through the fence agreement" access, and any request for such agreement is subject to review and approval by the City Council.

Section 4.04 Fees

The City shall reserve the right to establish and assess fees to recover the costs being incurred by the Airport associated with the planning, development, operation (including maintenance and repair), management, and marketing of the Airport.

Fees may include, but are not limited to, fuel flowage fees, aircraft parking fees, based aircraft fees, operator permit fees, percentage of gross receipts fees, aircraft landing fees, and/or temporary or special use permit fees. All fees shall be identified in the City's rates and fee schedule.

Section 4.05 Lease Term

Lease agreements shall specify the duration of occupancy. The length of a ground lease shall comply with federal and state regulations and be sufficient for the Lessee to amortize its capital investment into the leased premises. The lease term will depend on the value of capital invested in the leasehold.

Airport staff shall, based on financial and market conditions, determine the appropriate investment to warrant a given lease term, considering additional factors such as site conditions, indirect benefits to the airport, and federal requirements, as applicable.

On a case-by-case basis, the City may consider a significantly longer lease term, still subject to federal and state regulations, to support Airport property development and allow a Lessee to amortize its investment, based on the following criteria:

1. Significant initial capital investment beyond the minimum requirements
2. Significant additional capital investment in the current leased property
3. Services Exceptional or unique services provided to other Airport tenants and users
4. Exceptional job creation and/or impact to the local economy
5. Public infrastructure extension which will benefit other properties (i.e., taxilanes, taxiways, roads, or utilities)
6. Potential to attract other new aviation business or to significantly increase airport revenues

Leases where no capital is invested into the property shall be limited to no more than 3 years.

Section 4.06 Lease Extensions

Extensions to leases shall only be permitted where the following criteria are met:

1. The extensions are at the Lessor's discretion;
2. The extensions are the result of an investment of capital on the premises for new improvements; or
3. The extensions are the result of an investment of capital in the leased premises that extends the life of existing improvements.

In cases where an extension is the result of an investment of capital, the extension term shall be commensurate with the value of the capital investment.

The City shall require that the rent paid for the term of any lease extension shall reflect the higher of the then-current rent or the fair market rent at the time of the extension. Rent shall be adjusted through the term of the extension as permitted within his policy. No extension or extensions may result in the total lease term extending beyond the statutory limit.

Article V. Reversion of Improvements to the City

Each lease agreement shall require that, at the end of the lease term, Lessees shall surrender all leased premises to the Airport, including any improvements made during the lease period, unless otherwise specified in the lease agreement. Lessees may be required to remove any improvements not deemed necessary for the ongoing operation of the airport, restoring the leased premises to their original condition at the Lessee's expense.

At the time of the reversion of the leased premises and improvements, the City may at its discretion:

1. Extend the current ground lease or enter into a new lease with the Lessee under the provisions of this policy;
2. Enter into a building conventional hangar lease at fair market value with a qualified Lessee;

3. Pursue redevelopment of the leasehold; or
4. Take any other action that is in the best interests of the Airport and in compliance with applicable laws and regulations.

The provision of a lease extension or new lease agreement shall be based on the best long-term financial interest of the airport. A long-term financial analysis shall be provided to the City Council during any consideration of a lease extension or new lease agreement under this provision.

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Airport Leasing and Development Policy

Article I. Introduction

As a recipient of Federal Aviation Administration (“FAA”) Airport Improvement Program funding, in addition to other federal funding, the City of Denton (“City”) is obligated to operate Denton Enterprise Airport (“Airport”) in accordance with FAA Grant Assurances. Among these federal obligations is the requirement to operate the Airport for the use and benefit of the public and for the Airport to be made available to all types, kinds, and classes of aeronautical activity on reasonable terms and without unjust discrimination.

These Grant Assurances further obligate the City to maintain a fee and rental structure for the facilities and services at the airport, making the Airport as self-sustaining as possible under existing circumstances and avoiding unjust economic discrimination within classes of users.

Section 1.01 Purpose

The Airport Lease and Development Policy (“Policy”) sets forth the parameters that shall be used by the City for leasing land and/or improvements for commercial or non-commercial general aviation purposes at the Airport.

The Policy seeks to:

1. **Promote Aviation Growth** by encouraging the provision of essential aeronautical activities and aviation services for the benefit of the public while preserving the City’s financial investment in the Airport. Non-aeronautical uses of Airport land will be permitted only on portions of the Airport not needed for aviation purposes and in accordance with FAA policy.
2. **Apply Standards Uniformly** through equitable, reasonable, and not unjustly discriminatory treatment of all lessees and permittees while promoting the highest and best use of Airport property. The Policy facilitates orderly management of and ensures consistent quality of facilities at the Airport.
3. **Promote Long-Term Financial Self-Sufficiency** through a rental, rates, and fees structure that maximizes Airport revenue for its current and future development, management, maintenance, and operating expenses.
4. **Ensure Compliance** with applicable laws, regulations, ordinances, policies, guidelines, and requirements as they relate to the application for and acceptance of federal funds. This includes FAA regulations and current airport Minimum Operating Standards, Rules and Regulations, and other regulatory requirements as may be adopted or amended by the City.

All new and renewed lease agreements will require adherence to this Policy, and, at a minimum, will promote and require fairness and consistency, uniform application of this policy, and prohibit economic discrimination relative to aviation leases.

The City will establish rents and fees associated with this Policy, consistent with FAA policy and in support of grant assurances, balancing competitiveness with financial sustainability, with provisions for periodic review and adjustment based on market conditions and operational needs.

Section 1.02 Authority of the City

The Airport is owned, operated, and governed by the City, which expressly reserves the authority to lease Airport-owned land and/or improvements, allows the occupancy and/or development of Airport-owned land or improvements, grants the right to engage in any activity at the Airport, and implements, supplements, amends, modifies, approves, or adopts any agreement, policy, standard, rule, regulation, or directive.

Any person wishing to lease for the exclusive use of any parcel of land on the Airport, or of any City-owned or operated facility, must enter into a written lease agreement with the City specifying the terms and conditions of such use. The City Council may establish by ordinance those rates and fees, and those terms and conditions it deems appropriate and applicable to Airport use.

The Airport Director, acting under the authority of the City Manager, shall take those necessary decisions and/or actions to ensure compliance with:

- Existing leases, licenses, permits, and other written agreements between the City and persons within the Airport;
- This Policy, and those other policies, rules, regulations, or ordinances established by the authority of the City Council, which apply within the Airport;
- Those responsibilities levied on the City by the federal or state governments concerning Airport operations and management.

The Airport Director may authorize an interim or emergency agreement to occupy or use City-owned improvements and infrastructure by appropriate public agencies. Examples of situations that may be suitable for such authorizations are military or law enforcement activities, the temporary occupation of airport areas by government agencies during natural disasters, or aircraft accident investigations.

The Airport Manager may waive or modify any portion of this Policy for the benefit of any governmental agency performing non-profit public services, fire protection, or firefighting operations. The City manager or designee may waive or modify any portion of this Policy for any person when it is determined that such waiver or modification is in the best interest of the City and will not result in unjust discrimination among airport users or a violation of the Grant Assurances.

Section 1.03 Applicability

This Policy shall apply to any new agreement or any new amendment to an existing agreement relating to the leasing of land and/or improvements, including the establishment or adjustment of rents, rates, fees, and other charges for commercial or non-commercial general aviation aeronautical activities.

This Policy shall not affect any agreement or amendment thereto that is properly executed before the date of adoption of this Policy, except as provided for in such agreement, in which case, this Policy shall apply to the extent provided by such agreement.

The City reserves the right from time to time to amend, supplement, revise, alter, rescind, or add to the policies and procedures listed herein, either in part or in their entirety. The Airport further reserves the right to use this Policy for the selection of non-aeronautical uses as it deems appropriate.

Section 1.04 Compliance with Federal, State, and Local Law

This Policy is subject to federal law, FAA regulations, state statute, and local ordinance. In the event of provisions of this policy conflicting with the aforementioned laws, the aforementioned laws shall prevail.

If any section, subsection, sentence, clause, or phrase of these policies and procedures is, for any reason, held to be invalid or unconstitutional by any court of competent jurisdiction, such decision shall neither affect nor impair any of the remaining provisions.

Article II. Leasing Airport Land or Improvements

Entities shall not occupy Airport land or improvements for any purpose unless the entity has an agreement with the City, occupies a hangar under an approved sublease, or occupies a hangar under a rental agreement with a duly permitted hangar rental business. Any use of leased property must be listed and approved within the lease agreement prior to allowing such use. In addition, entities shall not conduct aeronautical or non-aeronautical commercial activities at the airport unless the entity has an Airport Business Permit authorizing such activities. Entities shall also comply with the Denton Code of Ordinances, Airport Rules and Regulations, Minimum Operating Standards, and any other applicable federal, state, and local laws and regulations.

Section 2.01 Principal Development Criteria

The Airport has limited land resources, and it shall adequately evaluate proposed Airport leases and developments to ensure that the highest and best use of each property is realized and that such use is compatible with future Airport development and land use plans. Leasing or development proposals will be evaluated in accordance with this Policy. Such evaluation will look to whether the proposed use conforms to the following (collectively, the “Principal Development Criteria”):

1. The use is shown to be appropriate and consistent with the Airport Layout Plan (“ALP”), Airport Master Plan, qualified appraisals, and other relevant Airport planning documents or Airport expansion or development plans or goals.
2. The use will not interfere with the normal and efficient operation of the Airport or with the ability of other Airport users to enjoy reasonable access to their leaseholds or the public areas of the Airport, including its runway, public taxiways, and aprons. The use also considers access to public areas of the Airport from adjacent land.
3. The use will advance the goal of achieving financial self-sustainability for the Airport by providing a consistent, reliable, and appropriately substantial source of revenue to the Airport, whether in the form of rent or other rates, fees, or charges.
4. The use will provide long-term benefits to the Airport through the tenant’s construction, expansion, maintenance, or other development of useful and valuable improvements or facilities (or through the tenant’s efficient use of improvements to existing Airport property or facilities).
5. The use will support the City’s efforts to make the Airport an attractive, aesthetically pleasing gateway to, and source of economic development for, the City.
6. The use will not involve non-aeronautical use of Airport property designated for an aeronautical use on the Airport Layout Plan, or facilities more appropriate or necessary for aeronautical use, as determined at the sole discretion of the City.

7. The use does not pose exceptional or unreasonable financial, legal, or operational risk to the Airport or the City.
8. The use does not violate any applicable laws or regulations or any Grant Assurances or similar state or local obligations and does not pose a substantial risk of causing the City to violate any such laws, regulations, Grant Assurances, or obligations.

Section 2.02 Designated Areas

The City reserves the right to designate specific Airport land and/or improvements in which commercial and/or non-commercial aeronautical activities may or may not be conducted. The right to use the Airport and any airport land or improvements is non-exclusive except for the land and or improvements leased exclusively to an entity by the City.

The City may establish, through the Airport Master Plan or other Council-approved plan, certain areas approved for particular types of commercial and non-commercial activities within the Airport. These designated areas will indicate proposed future uses and activities for segments of the Airport property. If designated areas are established, all proposed activities and developments must be located in a designated area that corresponds to and does not conflict with such use.

To the extent allowed under FAA regulations, the City reserves the right to refuse proposals to use or develop Airport land for aeronautical or non-aeronautical purposes.

Section 2.03 Pre-Leasing Application Meeting

Prior to submission of a Lease Application, a prospective lessee shall schedule an Airport pre-leasing application meeting with Airport staff. The purpose of the meeting is for airport staff to provide information on the leasing process, discuss the requirements of this Policy, and provide basic feedback on the proposal's alignment with the principal development criteria.

Prior to the pre-leasing application meeting, and in a form prescribed by the City, a prospective lessee must, at a minimum, provide the following to Airport staff:

1. A conceptual plan or layout of the development area, to include, at a minimum, leasehold boundaries, all proposed buildings, including hangar door height, if known, paved ramp or apron areas, vehicular parking points of ingress and egress, fencing, and gates. It shall further include the total area of the leasehold, in square feet, and of any buildings, ramps, aprons, and vehicular parking areas.
2. The estimated value of the capital investment, if known.
3. A description of the activity or activities that the applicant proposes to conduct under its requested development, with sufficient detail to adequately explain the benefits of the activity or activities to the Airport and the City and to demonstrate that it meets the Principal Development Criteria.
4. The estimated increase in based aircraft and itinerant air traffic resulting from the development.
5. For any commercial activity, the projected number of employees and hours of operation.
6. The names and contact information of the prospective lessee(s) or, if an incorporated entity, of all parties owning an interest in the entity.

Section 2.04 Airport Lease Application

After the pre-leasing application meeting, but prior to entering into formal lease discussions or negotiations, a prospective lessee shall complete a written application for an Airport lease in a form prescribed by the City and pay any associated fees as established by the City Council. The application shall include, at a minimum:

1. All information required for the pre-leasing application meeting, to include any updates recommended by Airport staff.
2. An estimate of the value of the proposed capital investment on the premises, if not previously provided.

The City reserves the right to request additional information from the lease applicant. Upon receipt, Airport staff will review the application and determine if the proposed use and leasehold location comply with this Policy. Noncompliance may result in the rejection of the lease application.

The City Council shall have the right to adopt an application fee and publish it in the Airport Rates and Fees schedule.

In the event two or more complete applications are received for the same property prior to any one applicant's application being approved, the City will initiate a Request for Proposals (RFP) process (See Section 2.06)

Section 2.05 Lease Negotiation and Approval/Rejection

A lease application shall not be considered approved until:

- Review and written notification of approval of the proposed development application by the Airport
- Participation by the applicant in a Development Services Pre-Application Conference
- Payment of the applicable fee

Where applications are incomplete or, after review, do not meet the requirements of this Policy, the application will be rejected and the applicant notified. The applicant may resubmit their application within 90 days of the original application submission without payment of the application fee.

Approval of an application secures for the applicant the exclusive right to pursue a lease with the City for 180 days. During this time, the Airport will not consider nor discuss the leasing or development of the subject property with other interested parties. If no lease agreement is executed by the end of the 180 days, the application will expire, and the City may accept applications for the property from other parties or a resubmittal of the application by the prospective lessee whose original application expired. This 180-day timeframe may be extended in writing by the Airport Director.

At the request of the City, the applicant shall:

1. Be responsible for acquiring, at its sole cost, a new or updated survey of the proposed lease boundaries, provided by a surveyor qualified to perform such work in the State of Texas.
2. Be responsible for acquiring, at its sole cost, a new or updated appraisal of the proposed leasehold property for the purpose of confirming the fair market value rental rate for the

proposed use. The appraiser shall be approved by the City and qualified to perform such work in the State of Texas.

Within 30 days of receiving a completed application, including survey and appraisal, as required, the Airport shall convey the key terms and conditions (including rents, fees, and other charges) of a proposed lease agreement to the applicant. The applicant shall, within a reasonable amount of time, indicate if the key terms and conditions proposed by the Airport are acceptable or provide revised key terms and conditions. The Airport Director may negotiate the revised key terms and conditions and/or initiate the competitive proposal process described in Section 2.05.

All new lease agreements or amendments shall be reviewed by Airport staff and considered for recommendation to the City Council by the Airport Advisory Board. Approval by the City Council shall be required for any lease agreement or amendment.

Section 2.06 Requests for Proposals

As Airport land and/or improvements exist or become available for leasing, the City may, at its sole discretion and at any time, including upon receipt of an application for a lease or development, issue a request for proposals to optimize the development of or to assess the level of market demand and competitiveness for a proposed activity or use of Airport property. Any competitive proposal or bidding process shall comply with the City of Denton's purchasing policies and directives.

A request for proposals shall also list the criteria the City will use to make its selection, including but not limited to, compliance with this Policy and the Principal Development Guidelines, the benefits generated by the proposed activity, and the long-term revenue generated by the proposal. The City may consider additional factors that it deems relevant to make its final decision regarding the use or disposition of the Airport premises and privileges in question. The City shall examine all applications and select a proposal for further lease negotiations if, in the City's opinion, it is in the best interest of the Airport and the community.

Article III. The Lease Agreement

Lease Agreements are designed to protect the public interest and contain more restrictive clauses than private-sector leases. Liabilities associated with possession and control of real property will be transferred to the Lessee to the greatest extent possible, including compliance with and subordination to all applicable federal, state, and local laws and regulations. Leases will additionally be subordinate to the City's Grant Assurances, other applicable federal and state laws and regulations, and City ordinances and regulations.

The following are not inclusive of all lease terms, conditions, and obligations. Authority is granted to City staff to negotiate leases that promote the Principal Development Criteria and the objectives of this Policy.

Section 3.01 Key Terms and Conditions

(a) Recitals:

All recitals shall include, at a minimum, the desires of the City and the Lessee. All recitals shall be incorporated into the agreement by reference.

(b) Premises:

Each agreement shall meticulously describe the specific area of Airport property to be occupied, including precise boundaries and any shared or common areas. Leases will clearly outline the permitted activities and any special conditions or restrictions on usage, ensuring compatibility with airport operations and safety regulations.

(c) Use:

Each agreement shall make clear the intended use of the premises.

1. **Commercial aeronautical activities** – The agreement shall identify the products, services, and/or facilities to be provided by the operator. The agreement may identify optional products, services, and/or facilities that may be provided by the operator with or without the approval of the Airport Director.
2. **Non-commercial aeronautical activities** – For non-commercial occupancy and/or use of the Airport land and/or improvements, the Agreement shall stipulate that the Lessee shall not offer or provide commercial products, services, or facilities or conduct commercial activities at the Airport or from the leased premises without an amendment of the lease agreement.
3. **Non-aeronautical activities** – Leasing Airport land and/or improvements for non-aeronautical activities is not generally favored by the City of the FAA. The City may, in its sole discretion, consider such use in the event the non-aeronautical use of Airport land and/or improvements does not interfere with the primary aeronautical use of Airport land and/or improvements and is not in violation of any legal requirements, including the Grant Assurances. If such use is contemplated, the applicant must prove that the subject Airport land and/or Improvements will not conflict with the existing or foreseeable aeronautical use of the property during the entire term of a proposed agreement. The leasing of Airport land and/or Improvements for non-aeronautical activities will not be allowed without the prior written consent of the FAA.
4. **Prohibited Activities:** All prohibited uses and activities of the premises shall be identified; however, no lease agreement will allow any activities prohibited by applicable federal, state, or local laws and regulations even if such use is not specifically set out by the lease agreement.

(d) Term

The original term, commencement date, and ending date shall be conveyed in the Agreement. The term of the agreement shall be commensurate with the value of capital investment made by the Lessee into the leased premises and/or on the Airport and sufficient for the Lessee's amortization of the investment, consistent with Article IV of this policy.

(e) Rents and Fees

The applicable rents and fees to be paid by the Lessee to the City shall be identified in the agreement. Rents and fees shall be established and adjusted in accordance with Article IV of this policy.

(f) Improvements

A description of the improvements, including minimum square footage of occupied space, shall be included in the agreement. The Lessee shall procure all necessary permits and certificates, including but not limited to all City building, fire, safety, final certificate of occupancy, and meet other applicable requirements for improvements located on Airport property and within the legal boundaries of the Airport as identified on the Airport Layout Plan.

Each lease agreement shall include a deadline by which the Lessee must secure a building permit and a deadline by which construction must be completed and a certificate of occupancy issued, if applicable. Each deadline shall be sufficient for development approval and construction, respectively, and incorporate a reasonable timeframe for completion.

Upon expiration of the term of the agreement, ownership of permanent improvements that have been made to the leased premises by the Lessee shall revert to the City. The City shall retain the right to require the demolition and removal of the improvements and the return of the premises to its original condition and character by the Lessee, normal wear and tear excepted.

Section 3.02 Other Standard Terms and Conditions

Additional terms and conditions within the Lease Agreement shall include, but are not limited to:

1. Procedures for entering into a sublease agreement for all or part of the leased premises, including approval processes and sublessee obligations, to prevent unauthorized use and maintain accountability. Subleasing shall be authorized with the operation of a permitted commercial hangar rental business or with City consent, as applicable. All sublease agreements shall be approved in accordance with the City of Denton Code of Ordinances.
2. Procedures for transferring lease interests, including city approval requirements and any associated fees or conditions, shall be clearly defined to ensure orderly transitions. All sales, assignments, or transfers shall be approved in accordance with the City of Denton Code of Ordinances.
3. If applicable, conditions for granting rights of first refusal. Rights of first refusal may only be granted where the property that is subject to the right of first refusal is contiguous to the leased premises. No right of first refusal may be granted without the payment of a fee or other financial consideration being provided to the City. Other conditions of the right of first refusal will be negotiated by Airport staff. The City retains the right to refuse requests for rights of first refusal.
4. Conditions, procedures, and penalties for defaulting on lease obligations, including notification requirements and remedies available to the city.
5. Requirements that the Lessee shall be responsible, at its own expense, for connection to and service of public utilities.
6. Requirements for Lessee insurance coverage, including liability, property, and workers' compensation insurance, shall be clearly outlined to mitigate risk and protect airport assets.
7. The right of the City to, with notice to the Lessee, inspect the leasehold and improvements for compliance with lease terms, federal, state, or local law, and/or Airport rules and regulations.

8. Requirements that ensure construction adheres to local development standards, building codes, environmental laws, Airport Minimum Operating Standards, and other applicable statutes and regulations in order to maintain the safety and integrity of airport property
9. Requirements for the Lessee to demonstrate possession of all necessary licenses, certifications, and permits required for activities permitted under the lease, with provisions for City verification and periodic updates.
10. Requirements for the Lessee to bear responsibility for the provision of utility service during their occupancy, including electricity, water, gas, sewage, and telecommunications services, with provisions for city oversight
11. Requirements for the Lessee to fulfill all tax obligations related to its activities, including property taxes, sales taxes, and income taxes, under applicable laws and regulations.
12. Requirements for Lessee to maintain accurate records of their operations, including financial statements, maintenance logs, and regulatory compliance documentation, subject to city audit and inspection.
13. Guidelines for holdover possession beyond the lease term, including rental adjustments and termination provisions, shall be established to address transitional periods and prevent unauthorized occupancy.
14. Any other conditions or requirements deemed appropriate by the City

Section 3.03 Maintenance of the Leasehold

The Lessee shall bear responsibility for ongoing maintenance of the leased premises and all improvements including, but not limited to, preventing the accumulation of debris and trash, abating fire and chemical hazards, abatement of nuisances, and the irrigation and maintenance of landscaping. The Lessee shall perform all work in accordance with applicable laws and regulations.

To prevent the premature aging and deterioration of the improvements, the Lessee, at its own expense, shall conduct a Condition Assessment (“Assessment”) on all improvements no later than the tenth (10th) anniversary of the Commencement Date, and every five (5) year anniversary thereafter. The Assessment shall examine, at minimum, the building’s structural components, electrical, plumbing, heating and cooling systems, and roof. Additionally, any pavement (asphalt or concrete) within the leasehold area shall also be examined. The Assessment shall be conducted by a commercial building inspector qualified to perform such work in the State of Texas who, after being selected by the Lessee, shall be approved in writing by the City. The Condition Assessment shall be provided to the City within thirty (30) days of the completion deadline. Any deficiencies that are due to the Lessee’s failure to meet their obligations under the Lease shall be corrected by the Lessee at its expense. The Lessee shall, within ninety (90) days, provide to the Lessor a plan to correct such deficiencies identified in the Condition Assessment within one (1) year, unless extended in writing by the Airport Director, or designee. Failure to correct deficiencies identified in the Condition Assessment will constitute a breach of the lease agreement.

Section 3.04 Additional Lease Requirements

The Lease shall contain, or adopt by reference, all provisions required by the applicable law, including, without limitation, regulations promulgated by the FAA and the Transportation Safety Administration, and assurances or agreements entered into by the City as a condition of any Federal Grant to the City for the Airport. The Lease or Permit shall be subordinate to any existing or future Federal grant assurances.

Article IV. Rents, Fees, and Agreement Term

Airport lease rates and associated fees shall be consistent with FAA policy and Grant Assurance obligations, specifically the requirement that the Airport be as financially self-sustaining as possible and that leases are provided on a consistent and equitable basis. To the extent feasible, aeronautical use fees must be established on a cost-recovery basis while the use of Airport property for non-aeronautical facilities and/or services must be based on fair market value.

Section 4.01 Rent

During the lease term, the Lessee shall pay the Airport market rent for applicable land and facility(ies). Where a Lessee has constructed a Facility, the Lessee shall pay Market Rent for land only during the Term of its Lease.

(a) Establishment of Market Rent

Market rent shall be established through a property appraisal by a qualified appraiser, or a market analysis performed by a similarly qualified individual or firm. No appraisals used to establish market rent for a property shall have been performed more than two years before the execution of a lease agreement.

(b) Deviations from Market Rent

Below market rent may only be offered where the Lessee constructs public infrastructure that benefits other properties (i.e., taxilanes, taxiways, roads, or utilities) or makes improvements to an existing facility that extends the useful life of the facility, as approved by the City. In such cases, the value of the reduced rental rate may not exceed the value of the Lessee's investment in public infrastructure.

In the event that the City develops all or part of the Improvements, to establish rents the City may, in its sole discretion, establish a reasonable rate of return on the investment.

Rental rates for certain property uses, particularly non-aeronautical uses, may include a percentage of Lessee's gross income relating to its use of the property.

Section 4.02 Adjustment of Rent

To account for regular cost inflation, Lease rents shall be adjusted no later than every two years after the commencement date of the lease. This adjustment proportion that the then-current United States Consumer Price Index for all urban consumers ("CPI-U") for the Dallas-Fort Worth Bureau of Labor Statistics (1982-84 = 100) bears to that of the Commencement Date month.

Section 4.03 "Through the Fence" Agreements

FAA Grant Assurances require access to the Airport to be provided on an equitable basis. If an adjacent property requests access to the airport to conduct aeronautical activities, the property owner may be granted a "Through the Fence Agreement" granting them such access. As a condition of this access, the property shall pay market rent, including adjustments, under the terms outlined by this policy.

The City may impose additional requirements as a condition of any "through the fence agreement" access, and any request for such agreement is subject to review and approval by the City Council.

Section 4.04 Fees

The City shall reserve the right to establish and assess fees to recover the costs being incurred by the Airport associated with the planning, development, operation (including maintenance and repair), management, and marketing of the Airport.

Fees may include, but are not limited to, fuel flowage fees, aircraft parking fees, based aircraft fees, operator permit fees, percentage of gross receipts fees, aircraft landing fees, and/or temporary or special use permit fees. All fees shall be identified in the City's rates and fee schedule.

Section 4.05 Lease Term

Lease agreements shall specify the duration of occupancy. The length of a ground lease shall comply with federal and state regulations and be sufficient for the Lessee to amortize its capital investment into the leased premises. The lease term will depend on the value of capital invested in the leasehold. Airport staff shall, based on financial and market conditions, determine the appropriate investment to warrant a given lease term, considering additional factors such as site conditions, indirect benefits to the airport, and federal requirements, as applicable.

On a case-by-case basis, the City may consider a significantly longer lease term, still subject to federal and state regulations, to support Airport property development and allow a Lessee to amortize its investment, based on the following criteria:

1. Significant initial capital investment beyond the minimum requirements
2. Significant additional capital investment in the current leased property
3. Exceptional or unique services provided to other Airport tenants and users
4. Exceptional job creation and/or impact to the local economy
5. Public infrastructure extension which will benefit other properties (i.e., taxilanes, taxiways, roads, or utilities)
6. Potential to attract other new aviation businesses or to significantly increase airport revenues

Leases where no capital is invested into the property shall be limited to no more than 3 years.

Section 4.06 Lease Extensions

Extensions to leases shall only be permitted where the following criteria are met:

1. The extensions are at the Lessor's discretion;
2. The extensions are the result of an investment of capital on the premises for new improvements; or
3. The extensions are the result of an investment of capital in the leased premises that extends the life of existing improvements.

In cases where an extension is the result of an investment of capital, the extension term shall be commensurate with the value of the capital investment.

The City shall require that the rent paid for the term of any lease extension shall reflect the higher of the then-current rent or the fair market rent at the time of the extension. Rent shall be adjusted through the term of the extension as permitted within his policy. No extension or extensions may result in the total lease term extending beyond the statutory limit.

Article V. Reversion of Improvements to the City

Each lease agreement shall require that, at the end of the lease term, Lessees shall surrender all leased premises to the Airport, including any improvements made during the lease period, unless otherwise specified in the lease agreement. Lessees may be required to remove any improvements not deemed necessary for the ongoing operation of the airport, restoring the leased premises to their original condition at the Lessee's expense.

At the time of the reversion of the leased premises and improvements, the City may at its discretion:

1. Extend the current ground lease or enter into a new lease with the Lessee under the provisions of this Policy;
2. Enter into a conventional hangar lease at fair market value with a qualified Lessee;
3. Pursue redevelopment of the leasehold; or
4. Take any other action that is in the best interests of the Airport and in compliance with applicable laws and regulations.

The provision of a lease extension or new lease agreement shall be based on the best long-term financial interest of the airport. A long-term financial analysis shall be provided to the City Council during any consideration of a lease extension or new lease agreement under this provision.

DRAFT



City of Denton

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

AGENDA INFORMATION SHEET

DEPARTMENT: Denton Municipal Electric

DCM: Kenneth Hedges

DATE: July 14, 2026

SUBJECT

Consider adoption of an ordinance of the City of Denton, Texas, establishing the schedule of rates for Electric Service; providing for a repealer; providing for a severability clause; and providing for an effective date. The Public Utilities Board recommends approval (6-0).

BACKGROUND

Consistent with Ordinance 26-0295, approved by City Council on March 24, 2026, DME has assessed the adequacy of the current Energy Cost Adjustment (ECA) rate of \$.0462/kWh. Through that analysis, staff determined that the current Energy Cost Adjustment (ECA) rate of \$0.0462/kWh remains adequate to maintain the system ECA account balance within the target range of +/- \$20 million over the next 12 months. In addition, to accommodate the unique power purchase requirements of Large Load customers- defined as those with a single metering point load of 20 MW or greater- the ECA LL rate will increase from \$0.0606/kWh to \$0.0696/kWh, effective July 15, 2026. (See page 36 in FY 26 Electric Rate Ordinance). The ECA LL account balance buffer will continue to be maintained between \$0 and \$20 million.

Staff have determined that the Transmission Cost Recovery Factor (TCRF) rate remains adequate for ERCOT transmission charges. No changes are recommended.

PRIOR ACTION/REVIEW (Council, Boards, Commissions)

On June 22, 2026, this item was presented to the Public Utilities Board (PUB) for consideration and the PUB recommended approval 6-0.

RECOMMENDATION

The DME General Manager and Finance Department recommend maintaining the current rates for the Energy Cost Adjustment and the Transmission Cost Recovery Factor. And recommend increasing the Energy Cost Adjustment for Large Loads to \$0.0696/kWh.

EXHIBITS

- Exhibit 1: Agenda Information Sheet
- Exhibit 2: Rate Ordinance Redline
- Exhibit 3: Rate Ordinance
- Exhibit 4: Presentation

Respectfully submitted:

Melissa Cuevas

Executive Manager of Energy Services

ORDINANCE NO. 2026-_____

AN ORDINANCE OF THE CITY OF DENTON, TEXAS, ESTABLISHING THE SCHEDULE OF RATES FOR ELECTRIC SERVICE; PROVIDING FOR A REPEALER; PROVIDING FOR A SEVERABILITY CLAUSE; AND PROVIDING FOR AN EFFECTIVE DATE.

THE COUNCIL OF THE CITY OF DENTON HEREBY ORDAINS:

SECTION 1. The Schedule of Rates for electrical services as provided for in Chapter 26 of the City of Denton Code of Ordinances, is as follows:

ELECTRIC RATE SCHEDULES

	PAGE
RES Residential Service	2
GS General Service Small	4
GM General Service Medium	6
GL General Service Large	8
TG General Service Time Of Use	10
GOS Local Government Service Small	12
GOM Local Government Service Medium	14
GOL Local Government Service Large	16
T1 Temporary Service	18
AF Athletic Field	20
LS Street Lighting	22
LT Traffic Lighting	23
UFL Unmetered School Zone/Crossing Flashers	24
USC Unmetered Security Camera	25
UWF Unmetered Wi-Fi Devices	26
LO Other Lighting	27
DD Security Lighting	28
DSL Non-Standard Street Lighting	30
EGR Economic Growth Rider	32
GIP GreenSense Incentive Program	34
ECA Energy Cost Adjustment	35
ECA LL Energy Cost Adjustment for Large Loads	36
TCRF Transmission Cost Recovery Factor	37
DGR Distributed Generation From Renewable Sources Rider	39
SFR Special Facilities Rider	41
PAF Pole Attachment Fee	42
BIF Banner Install Fee	44
WNA Wireless Node Attachments	45
EVCR Electric Vehicle Charging Rate	47
WTS Wholesale Transmission Service	48

RESIDENTIAL ELECTRIC SERVICE
(Effective 04/01/2607/15/26)

APPLICATION

Applicable to any Customer for all electric service used for residential purposes in an individual private dwelling or an individually metered apartment, supplied at one point of delivery and measured through one meter. This Rate is not applicable to resale service in any event, or to temporary, standby, or supplementary service.

MONTHLY RATE

(1) Facility Charge	Per Bill
Single-Phase Service (R2)	\$ 8.80
Three-Phase Service (R2)	\$17.59
Prepaid Service (P2)	\$16.26

plus;

(2) Usage Charge	Per kWh
Winter (Billing months of November through April):	
Tier 1: First 600 kWh	\$0.0694
Tier 2: Additional kWh	\$0.0462
Summer (Billing months of May through October):	
Tier 1: All kWh	\$0.0694

plus;

(3) Energy Cost Adjustment Charge	See Schedule ECA
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plus;

(4) Transmission Cost Recovery Factor	See Schedule TCRF
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MINIMUM BILLING

For each billing period, the Customer shall be obligated to pay the Facility Charge as a minimum, regardless of actual energy usage.

USAGE CHARGE

Billing for the Usage Charge shall be based on actual kWh consumption during the billing period.

Winter (Billing months of November through April):

$$\text{Usage Charge} = \begin{array}{l} \text{kWh in Tier 1} \times \text{Tier 1 Rate per kWh} \\ \text{kWh in Tier 2} \times \text{Tier 2 Rate per kWh, if applicable} \end{array}$$

Summer (Billing months of May through October):

$$\text{Usage Charge} = \text{All kWh} \times \text{Tier 1 Rate per kWh}$$

SPECIAL FACILITIES

All services which require special facilities in order to meet Customer's service requirements shall be provided, subject to Special Facilities Rider.

PAYMENT

Bills are due when rendered and become past due if not paid within fifteen (15) calendar days from date of issuance.

SCHEDULE GS

GENERAL SERVICE SMALL

(Effective [04/01/26](#)~~07/15/26~~)

APPLICATION

Applicable to any commercial customer having a maximum demand of less than 21 kW in each of the previous twelve (12) months for all electric service supplied at one point of delivery and measured through one meter. If the demand is equal to or exceeds 21 kW in two consecutive months, account will be adjusted to bill under General Service Medium (GSM) and the Customer must remain on the GSM rate for a minimum of twelve (12) billing periods. At the end of the twelve (12) billing period, a review will be conducted to determine if account remains as GSM, drops to GSS or moves up to GSL at the next immediate billing period. This Rate is not applicable to resale service in any event, or to temporary, standby, or supplementary service.

MONTHLY RATE

(1)	Facility Charge	Per Bill
	Single-Phase	\$16.85
	Three-Phase	\$22.50
	plus;	
(2)	Usage Charge	Per kWh
	Tier 1: First 2,500 kWh	\$0.0865
	Tier 2: Additional kWh	\$0.0453
	plus;	
(3)	Energy Cost Adjustment Charge	See Schedule ECA
	plus;	
(4)	Transmission Cost Recovery Factor	See Schedule TCRF

MINIMUM BILLING

For each billing period, the Customer shall be obligated to pay the Facility Charge as a minimum, regardless of actual energy usage.

USAGE CHARGE

Billing for the Usage Charge shall be based on actual kWh consumption during the billing period.

$$\text{Usage Charge} = \text{kWh in Tier 1} \times \text{Tier 1 Rate per kWh}$$

kWh in Tier 2 × Tier 2 Rate per kWh, if applicable

SPECIAL FACILITIES

All services which require special facilities in order to meet Customer's service requirements shall be provided, subject to Special Facilities Rider.

PAYMENT

Bills are due when rendered and become past due if not paid within fifteen (15) calendar days from date of issuance.

SCHEDULE GM

GENERAL SERVICE MEDIUM

(Effective ~~04/01/26~~07/15/26)

APPLICATION

Applicable to any commercial customer having a maximum demand that meets or exceeds 21 kW but less than 240 kW in each of the previous twelve (12) months for all electric service supplied at one point of delivery and measured through one meter. If the demand is equal to or exceeds 240 kW in two consecutive months, account will be adjusted to bill under General Service Large (GSL), and the Customer must remain on the GSL rate for a minimum of twelve (12) billing periods. At the end of the twelve (12) billing period, a review will be conducted to determine if account remains as GSL or drops to GSM at the next immediate billing period.

Applicable to GSM Customers utilizing City owned and operated facilities and transformation equipment and who are metered at primary voltage. **(GM2)**

Applicable to GSM Customers that own, operate, and maintain all facilities necessary to receive three-phase primary voltage service and all transformation facilities required for conversion to utilization voltage. **(GM3)**

This Rate is not applicable to resale service in any event, or to temporary, standby, or supplementary service.

MONTHLY RATE

(1)	Facility Charge	Per Bill
	Single-Phase	\$16.85
	Three-Phase	\$22.50
plus;		
(2)	Demand Charge	Per kW
	All kW	\$4.85
plus;		
(3)	Usage Charge	Per kWh
GM	Tier 1: First 6,000 kWh	\$0.0531
	Tier 2: Additional kWh	\$0.0438
GM2	Tier 1: First 6,000 kWh	\$0.0521
	Tier 2: Additional kWh	\$0.0428
GM3	Tier 1: First 6,000 kWh	\$0.0500
	Tier 2: Additional kWh	\$0.0408

plus;

- | | | |
|-----|--------------------------------------|-------------------------|
| (4) | Energy Cost Adjustment Charge | See Schedule ECA |
|-----|--------------------------------------|-------------------------|
- plus;
- | | | |
|-----|--|--------------------------|
| (5) | Transmission Cost Recovery Factor | See Schedule TCRF |
|-----|--|--------------------------|

MINIMUM BILLING

For each billing period, the Customer shall be obligated to pay the Facility Charge plus the Demand Charge, regardless of actual energy usage.

DETERMINATION OF DEMAND

The demand used in calculating the Demand Charge for the billing period shall be the greater of: (1) the actual monthly kW demand as measured during the fifteen (15) minute period of maximum use each month; or (2) 21 kW; or (3) seventy percent (70%) of the maximum monthly actual demand for any month during the previous billing months of May through October in the twelve (12) months ending with the current month.

USAGE CHARGE

Billing for the Usage Charge shall be based on actual kWh consumption during the billing period.

$$\text{Usage Charge} = \begin{array}{l} \text{kWh in Tier 1} \times \text{Tier 1 Rate per kWh} \\ \text{kWh in Tier 2} \times \text{Tier 2 Rate per kWh, if applicable} \end{array}$$

SPECIAL FACILITIES

All services which require special facilities in order to meet Customer's service requirements shall be provided, subject to Special Facilities Rider.

PAYMENT

Bills are due when rendered and become past due if not paid within fifteen (15) calendar days from date of issuance.

SCHEDULE GL

GENERAL SERVICE LARGE

(Effective ~~04/01/26~~07/15/26)

APPLICATION

Applicable to any commercial customer having a minimum demand of 240 kW for all electric service supplied at one point of delivery and measured through one meter. Customers who elect to discontinue service under this Rate are ineligible for service under this Rate for twelve (12) months.

Applicable to GSL Customers utilizing City owned and operated facilities and transformation equipment and who are metered at primary voltage. **(GL2)**

Applicable to GSL Customers that own, operate, and maintain all facilities necessary to receive three-phase primary voltage service and all transformation facilities required for conversion to utilization voltage. **(GL3)**

This Rate is not applicable to resale service in any event, or to temporary, standby, or supplementary service.

MONTHLY RATE

(1)	Facility Charge	Per Bill
	Three-Phase	\$70.10
plus;		
(2)	Demand Charge	Per kVA
	All kVA	\$10.96
plus;		
(3)	Usage Charge	Per kWh
	GL Tier 1: First 200,000 kWh	\$0.0249
	Tier 2: Additional kWh	\$0.0142
	GL2 Tier 1: First 200,000 kWh	\$0.0239
	Tier 2: Additional kWh	\$0.0132
	GL3 Tier 1: First 200,000 kWh	\$0.0218
	Tier 2: Additional kWh	\$0.0112
plus;		

- plus;
- | | | |
|-----|--|--------------------------|
| (4) | Energy Cost Adjustment Charge | See Schedule ECA |
| (5) | Transmission Cost Recovery Factor | See Schedule TCRF |

MINIMUM BILLING

For each billing period, the Customer shall be obligated to pay the Facility Charge plus the Demand Charge, regardless of actual energy usage.

DETERMINATION OF DEMAND

The demand used in calculating the Demand Charge for the billing period shall be the greater of: (1) the actual monthly kVA demand as measured during the fifteen (15) minute period of maximum use each month; or (2) 250 kVA; or (3) seventy percent (70%) of the maximum monthly kVA actual demand for any month during the previous billing months of May through October in the twelve (12) month period ending with the current month.

USAGE CHARGE

Billing for the Usage Charge shall be based on actual kWh consumption during the billing period.

$$\text{Usage Charge} = \begin{array}{l} \text{kWh in Tier 1} \times \text{Tier 1 Rate per kWh} \\ \text{kWh in Tier 2} \times \text{Tier 2 Rate per kWh, if applicable} \end{array}$$

SPECIAL FACILITIES

All services which require special facilities in order to meet Customer’s service requirements shall be provided, subject to Special Facilities Rider.

PAYMENT

Bills are due when rendered and become past due if not paid within fifteen (15) calendar days from date of issuance.

SCHEDULE TG

GENERAL SERVICE TIME OF USE

(Effective [04/01/26](#)~~07/15/26~~)

APPLICATION

Applicable to any Customer having a minimum demand of 240 kW for all electric service supplied at one point of delivery and measured through one meter. Customers electing this Rate must remain on this Rate for a minimum of twelve (12) continuous billing months. If the Customer is new or does not have a history of on-peak use for June through September, and elects to accept service on the TGS Rate, the Customer's demand shall be billed at the GSL Demand Rate until the Customer establishes a separate on-peak and off-peak demand during an on-peak month.

Applicable to TGS Customers utilizing City owned and operated facilities and transformation equipment and who are metered at primary voltage. **(TG2)**

Applicable to TGS Customers that own, operate, and maintain all facilities necessary to receive three-phase primary voltage service and all transformation facilities required for conversion to utilization voltage. **(TG3)**

This Rate is not applicable to resale service in any event, or to temporary, standby, or supplementary service.

MONTHLY RATE

(1)	Facility Charge	Per Bill
	Three-Phase	\$81.75
plus;		
(2)	Demand Charge	Per kVA
	On-Peak	\$13.97
	Off-Peak	\$ 2.76
plus;		
(3)	Usage Charge	Per kWh
	TG All kWh	\$0.0083
	TG2 All kWh	\$0.0073
	TG3 All kWh	\$0.0053
plus;		
(5)	Energy Cost Adjustment Charge	See Schedule ECA

plus;

(6) **Transmission Cost Recovery Factor**

See Schedule TCRF

MINIMUM BILLING

For each billing period, the Customer shall be obligated to pay the Facility Charge plus the On-Peak and Off-Peak Demand Charges, regardless of actual energy usage.

DEFINITION OF TIME OF USE HOURS

The City's on-peak hours, for the purpose of this rate schedule, are designated as being from 2:00 P.M. to 7:00 P.M. each Monday through Friday, for the months of June through September excluding Independence Day and Labor Day. The City's on-peak hours may be changed from time to time.

The City's off-peak hours, for the purpose of this rate schedule, shall be all hours not designated as on-peak hours.

DETERMINATION OF DEMAND

On-Peak Demand Charge for the billing period shall be the greater of: (1) the kVA actual demand supplied during the fifteen (15) minute period of maximum use each month during on-peak hours as recorded by the City's demand meter; or (2) 250 kVA; or (3) one hundred percent (100%) of the actual maximum on-peak demand similarly determined during the billing months of June through September in the twelve (12) months immediately preceding the current month. The On-Peak Demand Charge will be applied to each billing period.

Off-Peak Demand Charge for the billing period shall be the greater of: (1) the kVA actual demand supplied during the fifteen (15) minute period of maximum use each month during on-peak hours as recorded by the City's demand meter; or (2) 250 kVA. The Off-Peak Demand Charge will be applied to each billing period.

USAGE CHARGE

Billing for the Usage Charge shall be based on actual kWh consumption during the billing period.

$$\text{Usage Charge} = \text{All kWh} \times \text{Rate per kWh}$$

SPECIAL FACILITIES

All services which require special facilities in order to meet Customer's service requirements shall be provided, subject to Special Facilities Rider.

PAYMENT

Bills are due when rendered and become past due if not paid within fifteen (15) calendar days from date of issuance.

SCHEDULE GOS

LOCAL GOVERNMENT SERVICE SMALL

(Effective [04/01/2607/15/26](#))

APPLICATION

Applicable to any local City, County or School District customer having a maximum demand of less than 21 kW in each of the previous twelve (12) months for all electric service supplied at one point of delivery and measured through one meter. If the demand equals or exceeds 21 kW in two consecutive months, account will be adjusted to bill under Local Government Service Medium (GOM), and the Customer must remain on the GOM Rate for a minimum of twelve (12) billing periods. This Rate is not applicable to resale service in any event, or to temporary, standby or supplementary service.

NET MONTHLY RATE

	Facility Charge	Per Bill
	Single-Phase	\$16.85
	Three-Phase	\$22.50
plus;		
(2)	Usage Charge	Per kWh
	Tier 1: First 2,500 kWh	\$0.0865
	Tier 2: Additional kWh	\$0.0453
plus;		
(3)	Energy Cost Adjustment Charge	See Schedule ECA
plus;		
(4)	Transmission Cost Recovery Factor	See Schedule TCRF

MINIMUM BILLING

For each billing period, the Customer shall be obligated to pay the Facility Charge as a minimum, regardless of actual energy usage.

USAGE CHARGE

Billing for the Usage Charge shall be based on actual kWh consumption during the billing period.

$$\text{Usage Charge} = \text{All kWh} \times \text{Rate per kWh}$$

SPECIAL FACILITIES

All services which require special facilities in order to meet Customer's service requirements shall be provided, subject to Special Facilities Rider.

PAYMENT

Bills are due when rendered and become past due if not paid within fifteen (15) calendar days from date of issuance.

SCHEDULE GOM

LOCAL GOVERNMENT SERVICE MEDIUM

(Effective ~~04/01/26~~07/15/26)

APPLICATION

Applicable to any local City, County, or School District customer having a maximum demand that meets or exceeds 21 kW but less than 240 kW in each of the previous twelve (12) months for all electric service supplied at one point of delivery and measured through one meter. If the demand is equal to or exceeds 240 kW in two consecutive months, account will be adjusted to bill under Local Government Service Large (GOL), and the customer must remain on the GOL rate for a minimum of twelve (12) billing periods. This Rate is not applicable to resale service in any event, or to temporary, standby, or supplementary service.

NET MONTHLY RATE

(1)	Facility Charge	Per Bill
	Single-Phase	\$16.85
	Three-Phase	\$22.50
plus;		
(2)	Demand Charge	Per kW
	All kW	\$4.85
plus;		
(3)	Usage Charge	Per kWh
	Tier 1: First 6,000 kWh	\$0.0531
	Tier 2: Additional kWh	\$0.0438
plus;		
(4)	Energy Cost Adjustment Charge	See Schedule ECA
plus;		
(5)	Transmission Cost Recovery Factor	See Schedule TCRF

MINIMUM BILLING

For each billing period, the Customer shall be obligated to pay the Facility Charge plus the Demand Charge, regardless of actual energy usage.

DETERMINATION OF DEMAND

The demand used in calculating the Demand Charge for the billing period shall be the greater of: (1) The actual kW demand supplied during the fifteen (15) minute period of maximum use each month; or (2) fifty percent (50%) of the maximum monthly actual demand for any month during the previous billing months of May through October in the twelve (12) months ending with the current month.

USAGE CHARGE

Billing for the Usage Charge shall be based on actual kWh consumption during the billing period.

$$\text{Usage Charge} = \begin{array}{l} \text{kWh in Tier 1 kWh} \times \text{Rate per kWh} \\ \text{kWh in Tier 2 kWh} \times \text{Rate per kWh, if applicable} \end{array}$$

SPECIAL FACILITIES

All services which require special facilities in order to meet Customer's service requirements shall be provided, subject to Special Facilities Rider.

PAYMENT

The due date for the payment of the bill for utility services shall not be less than ten (10) business days after issuance.

SCHEDULE GOL

LOCAL GOVERNMENT SERVICE LARGE

(Effective ~~04/01/26~~07/15/26)

APPLICATION

Applicable to any local City, County, or School District customer having a minimum demand of 240 kW for all electric service supplied at one point of delivery and measured through one meter. Customers who elect to discontinue service under this Rate are ineligible for service under this Rate for twelve (12) months.

Applicable to GOL Customers utilizing City owned and operated facilities and transformation equipment and who are metered at primary voltage. **(GO2)**

Applicable to GOL Customers that own, operate, and maintain all facilities necessary to receive three-phase primary voltage service and all transformation facilities required for conversion to utilization voltage. **(GO3)**

This Rate is not applicable to resale service in any event, or to temporary, standby, or supplementary service.

MONTHLY RATE

(1)	Facility Charge	Per Bill
	Three-Phase	\$70.10
plus;		
(2)	Demand Charge	Per kVA
	All kVA	\$10.96
plus;		
(3)	Usage Charge	Per kWh
	GOL Tier 1: First 200,000 kWh	\$0.0249
	Tier 2: Additional kWh	\$0.0142
	GO2 Tier 1: First 200,000 kWh	\$0.0239
	Tier 2: Additional kWh	\$0.0132
	GO3 Tier 1: First 200,000 kWh	\$0.0218
	Tier 2: Additional kWh	\$0.0112
plus;		

- plus;
- | | | |
|-----|--|--------------------------|
| (4) | Energy Cost Adjustment Charge | See Schedule ECA |
| (5) | Transmission Cost Recovery Factor | See Schedule TCRF |

MINIMUM BILLING

For each billing period, the Customer shall be obligated to pay the Facility Charge plus the Demand Charge, regardless of actual energy usage.

DETERMINATION OF DEMAND

The demand used in calculating the Demand Charge for the billing period shall be the greater of: (1) the actual monthly kVA demand as measured during the fifteen (15) minute period of maximum use each month; or (2) fifty percent (50%) of the maximum monthly kVA actual demand for any month during the previous billing months of May through October in the twelve (12) month period ending with the current month.

USAGE CHARGE

Billing for the Usage Charge shall be based on actual kWh consumption during the billing period.

$$\text{Usage Charge} = \begin{array}{l} \text{kWh in Tier 1} \times \text{Tier 1 Rate per kWh} \\ \text{kWh in Tier 2} \times \text{Tier 2 Rate per kWh, if applicable} \end{array}$$

SPECIAL FACILITIES

All services which require special facilities in order to meet Customer's service requirements shall be provided, subject to Special Facilities Rider.

PAYMENT

Bills are due when rendered and become past due if not paid within fifteen (15) calendar days from date of issuance.

SCHEDULE T1

TEMPORARY SERVICE
(Effective ~~04/01/26~~07/15/26)

APPLICATION

Applicable to short term or temporary electric service where a Customer has received a permit. This Rate is not applicable after the certificate of occupancy or building final inspection has been issued.

NET MONTHLY RATE

(1)	Facility Charge	Per Bill
	Single-Phase	\$16.86
	Three-Phase	\$22.52
plus;		
(2)	Usage Charge	Per kWh
	All kWh	\$0.0867
plus;		
(3)	Energy Cost Adjustment Charge	See Schedule ECA
plus;		
(4)	Transmission Cost Recovery Factor	See Schedule TCRF

MINIMUM BILLING

For each billing period, the Customer shall be obligated to pay the Facility Charge regardless of actual energy usage.

USAGE CHARGE

Billing for the Usage Charge shall be based on actual kWh consumption during the billing period.

$$\text{Usage Charge} = \text{All kWh} \times \text{Rate per kWh}$$

ADDITIONAL TEMPORARY SERVICE CHARGES

Labor	Regular time or overtime labor hourly rates in effect at the time the work is performed for all personnel performing the work. Labor charges shall be based on a one (1) hour minimum with all additional time above the minimum to be measured to the nearest one-quarter hour.
Transportation	To be billed by hours or miles, as applicable, according to the estimated cost of operating the required equipment.
Material	Material that cannot be salvaged shall be billed at the City's Warehouse cost plus twenty five percent (25%), plus applicable sales tax. At the time a temporary service is removed or converted, any loss of the installed material due to negligence or willful action by the Customer will be billed separately to the Customer at replacement cost plus twenty five percent (25%), plus applicable sales tax.
Administrative Fee	Ten percent (10%) of the total labor, transportation, and material costs.

SPECIAL FACILITIES

All services which require special facilities in order to meet Customer's service requirements shall be provided, subject to Special Facilities Rider.

PAYMENT

Bills are due when rendered and become past due if not paid within fifteen (15) calendar days from date of issuance.

SCHEDULE AF

ATHLETIC FIELD
(Effective 04/01/2607/15/26)

APPLICATION

Applicable to all electric service metered at one point for use to light specified areas for athletic events. This Rate is not applicable to resale service in any event, or to temporary, standby, or supplementary service except in conjunction with applicable rider.

NET MONTHLY RATE

(1)	Facility Charge	Per Bill
	Single-Phase	\$23.09
	Three-Phase	\$34.62
plus;		
(2)	Demand Charge	Per kW
	On-Peak	\$6.15
	Off-Peak	\$1.46
plus:		
(3)	Usage Charge	Per kWh
	On-Peak	\$0.0992
	Off-Peak	\$0.0496
plus;		
(4)	Energy Cost Adjustment Charge	See Schedule ECA
plus;		
(5)	Transmission Cost Recovery Factor	See Schedule TCRF

MINIMUM BILLING

For each billing period, the Customer shall be obligated to pay the Facility Charge, regardless of actual energy usage.

DEFINITION OF ON-PEAK AND OFF-PEAK HOURS

The City's on-peak hours, for the purpose of this rate schedule, are designated as being from 2:00 P.M. to 7:00 P.M., for the months of June through September. The City's on-peak hours may be changed from time to time.

The City's off-peak hours, for the purpose of this rate schedule, shall be all hours not designated as on-peak hours.

DETERMINATION OF DEMAND

The demand used in calculating the Demand Charge for the billing period shall be the actual kW demand supplied during the fifteen (15) minute period of maximum use during the current billing period as determined by the City's demand meter.

USAGE CHARGE

Billing for the Usage Charge shall be based on actual kWh consumption during the billing period.

$$\text{Usage Charge} = \begin{array}{l} \text{On-Peak kWh} \times \text{Rate per kWh} \\ \text{Off Peak kWh} \times \text{Rate per kWh} \end{array}$$

SPECIAL FACILITIES

All services which require special facilities in order to meet Customer's service requirements shall be provided, subject to Special Facilities Rider.

PAYMENT

Bills are due when rendered and become past due if not paid within fifteen (15) calendar days from date of issuance.

SCHEDULE LS

STREET LIGHTING
(Effective ~~04/01/26~~07/15/26)

APPLICATION

Applicable to all street lighting owned and maintained by the City.

NET MONTHLY RATE

(1)	Facility Charge	Per Bill
	<u>Luminaire Style Type</u>	
	100 W Sodium Cobra (LSA)	\$6.17
	250 W Sodium Cobra (LSB)	\$8.75
	400 W Sodium Cobra (LSC)	\$11.02
	100 W LED Cobra (LSD)	\$6.17
	250 W LED Cobra (LSE)	\$8.75
	400 W LED Cobra (LSF)	\$11.02
	85 W LED Post (LSG)	\$11.02

plus;

(2)	Energy Cost Adjustment Charge	See Schedule ECA
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ENERGY COST ADJUSTMENT CHARGE

Current ECA multiplied by respective kWh based on the following Bulb Wattage Factors:

<u>Luminaire Type</u>	<u>Bulb Wattage Factor</u>
100 W Sodium(LSA)	48 kWh
250 W Sodium (LSB)	105 kWh
400 W Sodium (LSC)	159 kWh
100 W LED (LSD)	25 kWh
250 W LED (LSE)	96 kWh
400 W LED (LSF)	148 kWh
85 W LED (LSG)	23 kWh

PAYMENT

Bills are due when rendered and become past due if not paid within fifteen (15) calendar days from date of issuance.

TRAFFIC LIGHTING
(Effective [04/01/2607/15/26](#))

APPLICATION

Applicable to State and Local Government agencies that operate and maintain their own traffic signals.

METERED TRAFFIC LIGHTING NET MONTHLY RATE (LT)

plus;	(1)	Usage Charge	\$0.0674 per kWh
	(2)	Energy Cost Adjustment Charge	See Schedule ECA
	(3)	Transmission Cost Recovery Factor	See Schedule TCRF

USAGE CHARGE

Billing for the Metered Traffic Lighting Usage Charge shall be based on actual kWh consumption during the billing period. Usage Charge = All kWh x Rate per kWh

UNMETERED TRAFFIC LIGHTING NET ANNUAL RATE (ULT)

plus;	(1)	Usage Charge	\$0.0674 per kWh
	(2)	Energy Cost Adjustment Charge	See Schedule ECA
	(3)	Transmission Cost Recovery Factor	See Schedule TCRF

USAGE CHARGE

Billing for the Unmetered Traffic Lighting Usage Charge shall be based on historical recorded annual kWh consumption. Usage Charge = All kWh x Rate per kWh

Annual Usage = 904 kWh per account

PAYMENT

Bills are due when rendered and become past due if not paid within fifteen (15) calendar days from date of issuance.

SCHEDULE UFL

UNMETERED SCHOOL ZONE/CROSSING FLASHERS

(Effective [04/01/2007/15/26](#))

APPLICATION

Applicable to local government agencies that operate and maintain their own unmetered school zone/crossing flashers.

NET ANNUAL RATE

plus;	(1) Usage Charge	\$0.0674per kWh
plus;	(2) Energy Cost Adjustment Charge	See Schedule ECA
	(3) Transmission Cost Recovery Factor	See Schedule TCRF

USAGE CHARGE

Billing for the Usage Charge shall be based on historical recorded annual kWh consumption. The total billed usage divided by number of school zone/crossing flashers will determine the average kWh usage. This average consumption will be billed for each school zone/crossing flasher once every twelve (12) months at the end of the fiscal year. Any accounts that are added during the year will be billed on prorated consumption.

$$\text{Usage Charge} = \text{All kWh} \times \text{Rate per kWh}$$

$$\text{Annual Usage} = 48 \text{ kWh per account}$$

PAYMENT

Bills are due when rendered and become past due if not paid within fifteen (15) calendar days from date of issuance.

SCHEDULE USC

UNMETERED SECURITY CAMERA

(Effective ~~04/01/26~~07/15/26)

APPLICATION

Applicable to Local Government agencies that operate and maintain their own unmetered security cameras.

NET ANNUAL RATE

plus;	(1)	Facility Charge	\$18.09 per bill
	(2)	Usage Charge	\$0.0674 per kWh
plus;	(3)	Energy Cost Adjustment Charge	See Schedule ECA
	(1)	Transmission Cost Recovery Factor	See Schedule TCRF

USAGE CHARGE

Billing for the Usage Charge shall be based on technical information of installed equipment. This calculated consumption will be billed for each camera once every twelve (12) months at the end of the fiscal year. Any accounts that are added during the year will be billed on prorated consumption.

Usage Charge = annual kWh per camera × kWh Rate

Annual Usage = 300 kWh per camera per account

PAYMENT

Bills are due when rendered and become past due if not paid within fifteen (15) calendar days from date of issuance.

SCHEDULE UWF

UNMETERED WI-FI DEVICES

(Effective ~~04/01/26~~07/15/26)

APPLICATION

Applicable to local government agencies that operate and maintain their own unmetered Wi-Fi devices.

NET ANNUAL RATE

plus;	(1)	Facility Charge	\$18.09 per bill
	(2)	Usage Charge	\$0.0674 per kWh
plus;	(3)	Energy Cost Adjustment Charge	See Schedule ECA
	(4)	Transmission Cost Recovery Factor	See Schedule TCRF

USAGE CHARGE

Billing for the Usage Charge shall be based on technical information of installed equipment. This calculated consumption will be billed for each device once every twelve (12) months at the end of the fiscal year. Any accounts that are added during the year will be billed on prorated consumption.

Usage Charge = annual kWh per device × kWh Rate

Annual Usage = 300 kWh per device per account

PAYMENT

Bills are due when rendered and become past due if not paid within fifteen (15) calendar days from date of issuance.

SCHEDULE LO

OTHER LIGHTING (Effective 04/01/2607/15/26)

APPLICATION

Applicable to Texas Department of Transportation unmetered and metered safety lighting systems and continuous lighting systems as those terms are defined in Texas Administrative Code, Title 43, Part 1, Chapter 25, Subchapter A, Rule §25.11.

METERED LIGHTING NET MONTHLY RATE (LOB)

plus;	(1)	Usage Charge	\$0.0674 per kWh
	(2)	Energy Cost Adjustment Charge	See Schedule ECA

METERED LIGHTING USAGE CHARGE (LOB)

Billing for the Usage Charge shall be based on actual kWh consumption during the billing period.
Usage Charge = All kWh × Rate per kWh

UNMETERED LIGHTING NET MONTHLY RATE (LOA)

plus;	(1)	Usage Charge	\$0.0674 per kWh
	(2)	Energy Cost Adjustment Charge	See Schedule ECA

UNMETERED LIGHTING USAGE CHARGE (LOA)

Billing for the Usage Charge shall be based on estimated kWh consumption during the billing period.
Usage Charge = (kWh Rate x Bulb Wattage/1000) x (Hours of Operation per Billing Period)

Hours of Operation per Billing Period = 333 hours

Bulb Wattage is the rated wattage of the luminaire bulb

PAYMENT

Bills are due when rendered and become past due if not paid within fifteen (15) calendar days from date of issuance.

SCHEDULE DD

SECURITY LIGHTING
(Effective ~~04/01/26~~07/15/26)

APPLICATION

Applicable to all outdoor area lighting when such lighting facilities are operated as an extension of the City's distribution system.

NET MONTHLY RATE

(1)	Facility Charge	Per Bill
	<u>Luminaire Type</u>	
	100 W Sodium Vapor (DSA)	\$ 9.75
	250 W Sodium Vapor (DSB)	\$12.90
	400 W Sodium Vapor (DSC)	\$15.55
	250 W Metal Halide (DHA)	\$15.17
	400 W Metal Halide (DHB)	\$18.09
	100 W Equivalent LED (DSD)	\$ 9.75
	250 W Equivalent LED (DSE)	\$12.90
	400 W Equivalent LED (DSF)	\$15.55

plus;

(2)	Energy Cost Adjustment Charge	See Schedule ECA
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ENERGY COST ADJUSTMENT CHARGE

Current ECA multiplied by respective kWh based on the following Bulb Wattage Factors:

<u>Luminaire Type</u>	<u>Bulb Wattage Factor</u>
100 W Sodium Vapor (DSA)	48 kWh
250 W Sodium Vapor (DSB)	105 kWh
400 W Sodium Vapor (DSC)	159 kWh
250 W Metal Halide (DHA)	105 kWh
400 W Metal Halide (DHB)	159 kWh
100 W Equivalent LED (DSD)	25 kWh
250 W Equivalent LED (DSE)	96 kWh
400 W Equivalent LED (DSF)	148 kWh

TYPE OF SERVICE

The City shall furnish, install, maintain and deliver electric service to automatically controlled lighting fixtures conforming to the City's standards and subject to its published rules and regulations.

Where necessary for proper illumination or where existing poles are inadequate, the City will install or cause to be installed, one (1) wood pole with the necessary lighting hardware and overhead conductor for each installed light, at a distance not to exceed eighty (80') feet from existing lines, at no charge to the Customer. Additional contractual arrangements between the City and the Customer are subject to the Special Facilities Rider.

TERM OF CONTRACT

A two (2) year contract shall be agreed to and signed by each Customer desiring security lighting service authorizing fixed monthly charges, which may be reviewed annually, and to be applied to the Customer's monthly municipal utilities bill. In the event that a Customer requests the removal of the unit or discontinuance of the service prior to completion of two (2) years, the remainder of the contract period shall become due and payable. After the end of the initial two (2) year contract, service shall continue on a month-to-month basis and may be canceled by either party upon thirty (30) days' notice.

SPECIAL FACILITIES

All services which require special facilities in order to meet Customer's service requirements shall be provided, subject to Special Facilities Rider.

PAYMENT

Bills are due when rendered and become past due if not paid within fifteen (15) calendar days from date of issuance.

SCHEDULE DSL

NON-STANDARD STREET LIGHTING

(Effective [04/01/2607/15/26](#))

APPLICATION

Applicable to street lighting owned and maintained by the Customer. Availability of this service is contingent on the existence of an executed Special Facilities Rider between the legally responsible party and the City under which the legally responsible party accepts all responsibilities, both legal and financial, related to operation and maintenance of the subject lights, including but not limited to payment of all applicable energy charges.

NET MONTHLY RATE

plus;	(1) Facility Charge	\$ 9.32 per bill
	(2) Usage Charge	\$0.0674per kWh
plus;		
	(3) Energy Cost Adjustment Charge	See Schedule ECA

USAGE CHARGE

Current usage charge and ECA rates are multiplied by respective kWh based on the following Bulb Wattage Factors:

<u>Luminaire Type</u>	<u>Bulb Wattage Factor</u>
100 W Sodium Vapor (DLSA)	48 kWh
250 W Sodium Vapor (DLSB)	105 kWh
400 W Sodium Vapor (DLSC)	159 kWh
250 W Metal Halide (DLHA)	105 kWh
400 W Metal Halide (DLHB)	159 kWh

ADDITIONAL SERVICE CHARGES

If the City is required to maintain the privately owned lights to ensure public safety, the owner of the lights may be subject to additional service charges. The additional service charges shall be the actual cost of performing any work required to perform the necessary maintenance including but not limited to:

Labor Regular time or overtime labor hourly rates in effect at the time the work is

performed for all personnel performing the work. Labor charges shall be based on a one (1) hour minimum with all additional time above the minimum to be measured to the nearest one-quarter hour.

Transportation To be billed by hours or miles, as applicable, according to the estimated cost of operating the required equipment.

Material Any material needed to repair and/or maintain facilities will be billed at City Warehouse cost plus twenty five percent (25%).

Administrative Fee Ten percent (10%) of the total labor, transportation, and material costs.

PAYMENT

Bills are due when rendered and become past due if not paid within fifteen (15) calendar days from date of issuance.

SCHEDULE EGR

ECONOMIC GROWTH RIDER

(Effective [04/01/2007/15/26](#))

PURPOSE

The purpose of this Rider is to facilitate local economic growth and expand the ad valorem tax base of the City.

AVAILABILITY

This Rider is available to the Customers who:

- (1) Receive service from Rate Schedules GSL or TGS; and
- (2) Pay City ad valorem tax; and
- (3) Receive no electric service discounts other than those specifically defined in the GSL or TGS Rate Schedules.

APPLICATION

This Rider is available to electric service supplied at any one location. It is for firm electric service applicable to new and existing customers as described below, over a five (5) year period. This Rider is available to the following classes of customers:

- (1) New Customers whose electric service represents demand not previously served by the City at any location in the City's service area in the last twelve (12) months, where such metered demand will be in excess of 1,000 kVA and customer load factor must be greater than the City's electric system load factor, as estimated and mutually agreed upon by the General Manager of the City's electric utility and the Customer.
- (2) Existing Customers served under Rate Schedules GSL or TGS who increase their prior existing metered demand by 1,000 kVA and customer load factor must be greater than the City's electric system load factor. This increase shall be verified by sub-metering (at the Customer's expense) the additional load. If sub-metering is not possible, at the discretion of the General Manager of the City's electric utility, the increase may be verified by comparing a three-month rolling average of the new level of demand to the prior demand averaged for corresponding months. During periods in which this verification method cannot be applied, the General Manager and the Customer may develop a mutually agreed-upon formula to estimate the base and additional demand levels.

In light of additional costs associated with the Economic Growth Rider and to mitigate potential risk to ratepayers, any participant in the Economic Growth Rider must be, at the time this Rider is applied for and continuing while such Rider is in effect, a Customer in good standing of all City utilities, including solid waste services. Unless legal review procedures have been invoked in good faith regarding the obligation, a Customer in good standing for the purpose of this Rider is defined as a Customer not owing any unpaid utility or solid waste debt obligation that is over forty-five (45) days past due to the City during the previous twelve (12) months.

NET MONTHLY RATE

The Customer shall be charged under the appropriate applicable rate schedules with the exception that the monthly billing demand (for the GSL Rate) or system demand and on-peak demand (for the TGS Rate) will be adjusted in accordance with the following table:

<u>Time Period</u>	<u>Reduction to Billing Demand</u>
First Year	50%
Second Year	40%
Third Year	30%
Fourth Year	20%
Fifth Year	10%

CONTRACT PERIOD

The term of the contract will be for five (5) years.

SCHEDULE GIP

GREENSENSE INCENTIVE PROGRAM

(Effective [04/01/2607/15/26](#))

PROGRAM SUMMARY

The objective of the GreenSense Incentive Program (“Program”) is to reduce energy demand and consumption by promoting energy conservation, thereby reducing the utility bills of City Customers, reducing the peak load of the City’s electric system, reducing emissions in the state, and promoting energy conservation. The Program offers incentives that may be distributed in the form of credits on the electric service bills or cash incentives to City retail customers.

Any participant in the GreenSense Incentive Program must be, at the time this program is applied for and continuing while such program is in effect, a Customer in good standing of all City utilities, including solid waste services. Unless legal review procedures have been invoked in good faith regarding the obligation, a Customer in good standing for the purpose of this Program is defined as a Customer not owing any unpaid utility or solid waste debt obligation that is over forty-five (45) days past due to the City during the previous twelve (12) months.

Program applicants will be able to qualify for multiple incentives simultaneously, unless specified in the individual guidelines. A separate application may be necessary for each incentive. The Program will be in effect each fiscal year beginning on October 1, until the allotted funding is depleted or until cancellation of the program by the City. At the time the funds are depleted, no additional applications for participation will be accepted until the next fiscal year.

Qualifying applicants must receive electric service from the City. The program guidelines and payment provisions are subject to change by the City without prior notice. The City may, at any time, discontinue the Program without prior notice. The current program guidelines may be found in the GreenSense Incentive Program Manual located at www.cityofdenton.com.

SCHEDULE ECA

ENERGY COST ADJUSTMENT

(Effective [04/01/2607/15/26](#))

The Energy Cost Adjustment (ECA) Rate shall be set to recover the net cost of energy delivered to Customers that are not Large Load Customers and to maintain the City’s electric utility in a financially sound position.

NET MONTHLY RATE

(1) **Energy Cost Adjustment Charge** **\$0.0462 per kWh**

ENERGY COST ADJUSTMENT BALANCING ACCOUNT CALCULATION

The ECA Balancing Account shall be calculated using the following formula:

$$\text{ECA Balancing Account} = (\text{Beginning ECA Account Balance}) - (\text{Projected Net Energy Cost})$$

Where:

Projected Net Energy Cost = For the next fiscal quarter, the electric utility’s projected cost of electric load purchases from ERCOT plus all projected electric utility power/energy related costs for that same period including, but not limited to, power production (excluding the Denton Energy Center debt); purchased power; applicable transmission services, losses and congestion; other ERCOT charges; renewable energy credits; and financial and/or physical power/energy trades (including natural gas); less all projected revenue to be received by the electric utility for power/energy related sales and/or trades; plus applicable Franchise Fees and required ROI.

ENERGY COST ADJUSTMENT CALCULATION

$$\text{ECA} = [(\text{Projected Net Energy Cost}) + (\text{ECA Balancing Account})] / (\text{Projected kWh sales})$$

ENERGY COST ADJUSTMENT CHARGE

The Energy Cost Adjustment Charge shall be based on actual kWh consumption during the billing period. Energy Cost Adjustment Charge = kWh × ECA Rate

The General Manager of the City’s electric utility or their designee shall calculate the ECA Balancing Account monthly. In the event that the ECA Balancing Account calculated during the last month of each fiscal quarter (December, March, June, and September) is projected to be over or under collected by \$20,000,000 or more at the end of the next 4 quarters, the General Manager or their designee may recommend to the PUB and City Council a revision to the ECA to maintain the City’s electric utility in a financially sound position. Any change to the ECA will be placed on the City Council’s consent agenda.

SCHEDULE ECA LL

ENERGY COST ADJUSTMENT FOR LARGE LOADS

(Effective [04/01/26](#)/[07/15/26](#))

The Energy Cost Adjustment (ECA) for Large Loads (LL) Rate shall be set to recover the net cost of energy delivered to Large Load Customers and to maintain the City’s electric utility in a financially sound position. This rate applies to all Large Load customers regardless of their actual monthly usage. Large Load Customers are defined as customers whose planned or actual single point of delivery meets or exceeds 20MW.

NET MONTHLY RATE

(1) **Energy Cost Adjustment for Large Load Charge** **\$0.06~~96~~⁹⁶ per kWh**

ENERGY COST ADJUSTMENT BALANCING ACCOUNT CALCULATION

The ECA Balancing Account shall be calculated using the following formula:

$$\text{ECA Balancing Account} = (\text{Beginning ECA LL Account Balance}) - (\text{Projected Net Energy Cost for Large Load})$$

Where:

Projected Net Energy Cost = For the next fiscal quarter, the electric utility’s projected cost of electric load purchases from ERCOT to feed Large Loads plus all projected Large Load related electric utility power/energy related costs for that same period including, but not limited to, purchased power; applicable transmission services, losses and congestion; other ERCOT charges; renewable energy credits; and financial and/or physical power/energy trades (including natural gas); less all projected revenue to be received by the electric utility for Large Load related power/energy related sales and/or trades; plus applicable Franchise Fees and required ROI.

ENERGY COST ADJUSTMENT CALCULATION

$$\text{ECA LL} = [(\text{Projected Large Load Net Energy Cost}) + (\text{ECA LL Balancing Account})] / (\text{Projected Large Load kWh sales})$$

ENERGY COST ADJUSTMENT CHARGE

The Energy Cost Adjustment Large Load Charge shall be based on actual kWh consumption during the billing period. Energy Cost Adjustment Charge for Large Load = kWh × ECA LL Rate

The General Manager of the City’s electric utility or their designee shall calculate the ECA LL Balancing Account monthly. In the event that the ECA LL Balancing Account calculated during the last month of each fiscal quarter (December, March, June, and September) is projected to be below \$0 to \$20,000,000 or more at the end of the next 4 quarters, the General Manager or their designee may recommend to the PUB and City Council a revision to the ECA LL to maintain the City’s electric utility in a financially sound position. Any change to the ECA LL will be placed on the City Council’s consent agenda.

SCHEDULE TCRF

TRANSMISSION COST RECOVERY FACTOR

(Effective [04/01/2607/15/26](#))

The Transmission Cost Recovery Factor (TCRF) Rate shall be set to recover the costs of transmission service paid by DME to other transmission owners within the boundaries of the Electric Reliability Council of Texas (“ERCOT”) region. The TCRF Rate shall be reviewed on a quarterly basis and adjusted as defined below. The TCRF Rate charges are pass-through charges to customers in order to maintain the City’s electric utility in a financially sound position.

NET MONTHLY RATE \$0.0138 Per kWh

Residential
General Service Small
Local Government Service Small
Temporary Service
Athletic Field
Traffic Lighting
Unmetered Traffic Lighting
Unmetered School Zone/Crossing
Unmetered Security Camera
Unmetered Wi-Fi Devices

NET MONTHLY RATE \$3.98 Per kW

General Service Medium
Local Government Service Medium

NET MONTHLY RATE \$5.51 Per kVA

General Service Large
Local Government Service Large
General Service Time Of Use

TRANSMISSION COST RECOVERY FACTOR BALANCING ACCOUNT CALCULATION

The TCRF shall be calculated using the following formula:

TCRF Annual Billing = (Actual monthly net TCOS billing amounts charged by ERCOT transmission service providers to the City) + (Projected increases or decreases pursuant to PUCT-approved TCOS billing amount charges to ERCOT utilities) + (applicable Franchise Fees and required ROI)

During the last month of each fiscal year quarter (December, March, June, and September), the General Manager of the City’s electric utility or their designee shall calculate the TCRF Balancing Account. The TCRF charge will be developed by the City for each applicable customer billing schedule herein, based on projected kWh sales for billing schedules without a demand component and on monthly peak kW or kVA for billing schedules with a demand component. The cumulative forecasted TCRF revenues from all rate classes shall fully recover the TCRF Annual Billing. The General Manager or their designee may recommend to the PUB and City Council a revision to the

TCRF to maintain the City's electric utility in a financially sound position. Any change to the TCRF will be placed on the City Council's consent agenda.

TCRF rate class allocation amount = [(TCRF annual billing) x (Projected rate class kWh usage)] / (Total projected usage for all rate classes).

SCHEDULE DGR

DISTRIBUTED GENERATION FROM RENEWABLE SOURCES RIDER

(Effective [04/01/2607/15/26](#))

APPLICATION

This Rider is available to retail Customers receiving electric service under a City electric rate schedule who owns and operates an on-site generating system powered by a renewable resource capable of producing power, and which is interconnected with the City's electric system. Systems greater than 20 kW may be required to enter into a Purchase Power Agreement (PPA) applicable to their specific situation in lieu of this rate schedule. Renewable energy technology is any technology that exclusively relies on an energy source that is naturally regenerated over a short time and derived directly or indirectly from the sun or wind. A renewable energy technology does not rely on energy resources derived from fossil fuels, waste products from fossil fuels, or waste products from inorganic sources.

This Rider applies to a Customer-owned generating system that primarily offsets all or part of the Customer's electric service provided by the City. If the Customer-owned generating system is sized such that it produces energy in excess of a Customer's electric consumption, special arrangements and a contract may be necessary. The current interconnection guidelines may be found in the Distributed Generation Manual located at www.cityofdenton.com.

In light of additional costs associated with the Distributed Generation From Renewable Sources Rider and to mitigate potential risk to ratepayers, any participant in the Distributed Generation From Renewable Sources Rider must be, at the time this Rider is applied for and continuing while such Rider is in effect, a Customer in good standing of all City utilities, including solid waste services. Unless legal review procedures have been invoked in good faith regarding the obligation, a Customer in good standing for the purpose of this Rider is defined as a Customer not owing any unpaid utility or solid waste debt obligation that is over forty-five (45) days past due to the City during the previous twelve (12) months.

CONDITIONS OF SERVICE

All charges, character of service, and terms and conditions of the electric rate schedule under which the Customer receives service shall apply except as expressly altered by this Rider. This Rider is subject to change at any time.

The Customer shall comply with the City's current technical requirements for distributed generation interconnection. The Customer shall obtain approval from the City prior to the installation of the on-site generating system. The Customer shall submit to the City a completed interconnection application form and signed Agreement for Interconnection and Parallel Operation of Distributed Generation before the system installation. The minimum term of an agreement under this Rider is one year, extended automatically unless terminated by either party with sixty (60) days advance written notice.

The Customer is responsible for the costs of interconnecting with the City's electric system, including transformers, service lines, or other equipment determined necessary by the City for safe installation and operation of the Customer's equipment with the City's electric system. The

Customer is responsible for any costs associated with required inspections and permits.

METERING

Metering under this Rider shall be performed by a single meter capable of registering the flow of electricity in two directions (delivered by the City's electric system to the Customer and delivered to the City's electric system by the Customer's system) to determine the Customer's generation delivered to the City.

The Value of Solar (VOS) Rate

Applicable to any customer receiving City electric service that owns an on-site distributed generation (DG) system powered by solar which is interconnected with the City's electric system and does not otherwise have a purchase power agreement with the City.

MONTHLY RATE

(1) Value of Solar Rate	\$0.0500 per kWh
--------------------------------	-------------------------

VALUE OF SOLAR CALCULATION

VOS Credit = (all kWh delivered from customer DG to DME) * (VOS Rate)

The Value of Solar credit will be applied monthly based on all kWh delivered from Customer to City's electric system during the billing period regardless of customer usage during that month.

Beginning in the billing period after a Customer receives approval from the City, to interconnect the Customer's on-site generating system; all energy generated by the Customer's system and delivered to the City's electric system will be considered renewable energy. The Customer shall be billed for all energy delivered by the City to the Customer under the approved rates.

Any Billing Period Credit shall be applied to the utility charges due from the Customer to the City for the billing period.

INDEMNIFICATION

The Customer operating the renewable distributed generation system indemnifies the City and holds the City harmless for all damages and injuries to the City, the Customer, or others arising out of Customer's use, ownership or operation of Customer's distributed generation facilities in parallel with the City's system. Customer is solely responsible for providing adequate protection for operating in parallel with the City's system in such a manner that faults or other disturbances on the City's system do not cause damage to the Customer's distributed generation equipment.

SCHEDULE SFR

SPECIAL FACILITIES RIDER

(Effective ~~04/01/26~~07/15/26)

- (1) All service shall be offered from available facilities. If a Customer's service characteristics require facilities and devices not normally and readily available at the location where the Customer requests service, the total cost incurred by the City for all facilities installed, buried, relocated and/or removed shall be the responsibility of the Customer and subject to a contract entered between the City and the Customer. This contract shall be signed by both parties prior to the City providing service to the Customer.
- (2) Any contract under this rider is subject to the following approvals:
 - (a) If the total value of the contract is less than \$100,000, the contract may be approved by the City Manager, or their designee. If a contract under this subsection is not approved by the City Manager, or their designee, then it must be recommended for approval by the Public Utilities Board and approved by the City Council.
 - (b) If the total value of the contract is equal to or greater than \$100,000, the contract must be recommended for approval by the Public Utilities Board and approved by the City Council.

SCHEDULE PAF

POLE ATTACHMENT FEE (Effective [04/01/2607/15/26](#))

APPLICATION

This Rate is available to a licensee (“Licensee” or “licensee”) who desires to access designated poles or conduits owned by the City for the purpose of installing and maintaining their facilities and associated equipment to provide services to the public. An agreement between such entity and the City or its contractor shall be executed on a separate form, but will reference, the following rate schedule:

$$\text{Space Factor} = \frac{\text{Rate} = \text{Space Factor} \times \text{Cost}}{[(\text{Space Occupied}) + (2/3 \times (\text{Unusable Space} \div \text{No. of Attaching Entities}))]} \text{ (Pole Height)}$$

Cost:

in Service Areas where the number of Attaching Entities is 5 = 0.66 x (Net Cost of Bare Pole) x Carrying Charge Rate

in Service Areas where the number of Attaching Entities is 4 = 0.56 x (Net Cost of Bare Pole) x Carrying Charge Rate

in Service Areas where the number of Attaching Entities is 3 = 0.44 x (Net Cost of Bare Pole) x Carrying Charge Rate

in Service Areas where the number of Attaching Entities is 2 = 0.31 x (Net Cost of Bare Pole) x Carrying Charge Rate

NET ANNUAL RATE

(1) Annual Pole Attachment (“APA”) Distribution

\$/attachment/year	2 Attachers	3 Attachers	4 Attachers	5 Attachers
	\$19.86	\$19.78	\$19.83	\$19.59

plus;

(2) APA Transmission

\$/attachment/year	2 Attachers	3 Attachers	4 Attachers	5 Attachers
	\$410.93	\$403.94	\$399.99	\$390.72

Note: Annual Rates (2) and (3) listed above are not available on all poles nor in all areas across the City.

MISCELLANEOUS

- | | | |
|-----|---------------------------------|---------------------------------|
| (1) | Unauthorized Attachment Penalty | \$1,000 per attachment per pole |
| (2) | Undefined Work or Expense | Rate pursuant to Schedule SFR |

APPLICATION AND MAKE READY COSTS

Licensees will be required to pay for any work done or contracted by the City, including but not limited to any application fees, analysis, make ready work and any installed, used or maintained facilities in violation of the Agreement that the licensee has not corrected. The City or its Contractor will invoice licensee, and licensee must pay, for identified expenses as needed before any work will begin and shall include all reasonable fully loaded material (including any applicable overhead), labor, engineering, transportation and administrative costs. These fees will be as set forth in the contract agreement with the third-party contractor who provides such services, if applicable.

PAYMENT

Bills are due when rendered and become past due if not paid within fifteen (15) calendar days from date of issuance.

SCHEDULE BIF

BANNER INSTALL FEE (Effective [04/01/2607/15/26](#))

APPLICATION

Applicable to any person who has completed an application and received approval from the City to have a banner installed on facilities owned by the City for the purpose of marketing and publicizing community events shall be assessed a fee based on the following schedule:

NET ANNUAL RATE

Over the Street Banner Install	\$100.00 per banner
Pole One Time Banner Install	\$15.00 per banner
Pole Seasonal Banner Install	\$27.00 per banner

TERMS AND CONDITIONS OF SERVICE

Persons requesting the City install an Over the Street Banner must provide the City with a banner that is no more than three (3) feet tall by thirty-five (35) feet in length with six (6) feet of rope. All Over the Street Banners must be made out of mesh only (fish net type material). A sample of the banner material is recommended for approval. The City's Building Inspections Department requires an application and permit fee of sixty (60) dollars for installation of an Over the Street Banner which needs to be completed prior to contacting the City's electric utility.

Persons requesting the City install a Pole Banner must provide the City's electric utility with a banner that is no more than thirty (30) inches tall by eighty (80) inches in length with openings of two (2) inches. Pole Banners are required to be made of weather beater or vinyl material only. The appropriate application for each type of banner must be completed prior to installation and returned to a representative of the City's Electric Operations and Maintenance Division along with applicable fees listed above, a digital image of the banner, and location requests. The City's electric utility will determine install locations depending on availability. Any banners that promote sponsors or advertisement are strictly prohibited.

PAYMENT

Payment is required to the City at the time the banners are given for installation. Permit fees, when applicable, are due to Building Inspections in order to reserve specific dates.

SCHEDULE WNA

WIRELESS NODE ATTACHMENTS

(Effective [04/01/2607/15/26](#))

APPLICATION

This Rate is available to a licensee who desires to install and maintain their wireless nodes and associated equipment to provide services to the public. An agreement between such entity and the City shall be executed separate from, but will reference, the following rate schedule:

NET ANNUAL RATE

	(1)	Facility Charge	\$18.09 per node
plus;			
	(2)	Usage Charge	\$0.0674 per kWh
plus;			
	(3)	Energy Cost Adjustment Charge	See Schedule ECA
plus;			
	(4)	Transmission Cost Recovery Factor	See Schedule TCRF

METERED USAGE CHARGE

Billing for the Metered Usage Charge shall be based on actual kWh consumption for each device once every twelve (12) months at the end of the fiscal year.

$$\text{Usage Charge} = \text{All kWh per device} \times \text{Rate per kWh}$$

UNMETERED USAGE CHARGE

Billing for the Unmetered Usage Charge shall be based on 1) kWh consumption from similarly installed metered equipment; or 2) technical information of installed equipment provided by licensee, if similar equipment is not already metered. This calculated consumption will be billed for each device once every twelve (12) months at the end of the fiscal year.

$$\text{Usage Charge} = \text{Annual kWh per device} \times \text{Rate per kWh}$$

$$\text{Annual Usage} = 2,000 \text{ kWh per device per account (or calculated consumption based on technical information provided by licensee)}$$

MISCELLANEOUS

	(1)	Unauthorized Attachment Penalty	\$1,000 per attachment
	(2)	Undefined Work or Expense	Rate pursuant to Schedule SFR

MAKE READY COSTS

Licensees will be required to pay for any work done or contracted by the City, including but not limited to make ready work and any installed, used or maintained facilities in violation of the Agreement that the licensee has not corrected. The City will invoice licensee, and licensee must pay, for identified expenses as needed before any work will begin and shall include all reasonable fully loaded material (including any applicable overhead), labor, engineering, transportation and administrative costs.

PAYMENT

Bills are due when rendered and become past due if not paid within fifteen (15) calendar days from date of issuance.

SCHEDULE EVCR

ELECTRIC VEHICLE CHARGING RATE

(Effective ~~04/01/20~~07/15/26)

APPLICATION

Applicable to vehicles that utilize charging services from City of Denton owned and operated Level 2 EV chargers.

NET ANNUAL RATE

(1) Usage Charge \$0.0406 per minute

USAGE CHARGE

Billing for the Usage Charge shall be based on actual charging time incurred. The billing service will be provided by a third-party vendor

Usage Charge = EV Charging duration × Rate per Minute

SCHEDULE WTS

WHOLESALE TRANSMISSION SERVICE

(Effective [04/01/2607/15/26](#))

AVAILABILITY

To Eligible Transmission Service Customers for Wholesale Transmission Service through the Denton Municipal Electric Utility transmission system, at all points where transmission facilities of adequate capacity and suitable voltage are available to provide service, in accordance with Public Utility Commission of Texas (PUC or Commission) 16 Texas Administrative Code (TAC) §§ 25.191-.203.

APPLICABILITY

Applicable only to wholesale transactions involving the wholesale purchase of electric power and energy. This tariff for Wholesale Transmission Service is applicable to Transmission Service using any transmission facilities owned by the Denton Municipal Electric Utility in accordance with 16 TAC §§ 25.191-.203.

TYPE OF SERVICE

Three phase, 60 hertz alternating current, delivered onto, or received from Denton Municipal Electric Utility's transmission system at 60,000 volts or greater and on transmission facilities that have been prepared and made available for this service.

TRANSMISSION SERVICE REQUIREMENTS

As a condition to obtaining Wholesale Transmission Service, the Transmission Service Customer shall execute an Interconnection Agreement with each Transmission Provider, in accordance with 16 TAC § 25.198, and the Transmission Service Customer shall meet all Electric Reliability Council of Texas (ERCOT) requirements as specified in the ERCOT Protocols and Operating Guides.

CONDITIONS PRECEDENT FOR RECEIVING SERVICE

Subject to the terms and conditions hereof and of 16 TAC § 25.198, the Denton Municipal Electric Utility will provide wholesale Transmission Service to any Eligible Transmission Service Customer, provided that:

(A) the eligible Transmission Service Customer has completed an Application for Transmission Service, as provided under 16 TAC § 25.198;

(B) the eligible Transmission Service Customer and Denton Municipal Electric Utility, or a third party, have completed installation of all equipment specified under the Interconnection Agreement, consistent with NERC and ERCOT guidelines as set forth in 16 TAC § 25.198;

€ the eligible Transmission Service Customer has executed an Interconnection Agreement for service under this tariff or, if necessary, requested in writing that Denton Municipal Electric Utility file a proposed unexecuted agreement with the Commission;

(D) the eligible Transmission Service Customer has arranged for Ancillary Services necessary for the transactio€(E) each wholesale load for which Transmission Service is requested maintains a power factor of 95% or greater at each point of interconnection;

(F) the Transmission Service Customer has constructed, maintains and operates the facilities on its side of each point of interconnection that are necessary to reliably interconnect and deliver power from a resource to Denton Municipal Electric Utility's transmission system and from Denton Municipal Electric Utility's transmission system to the Transmission Service Customer's loads;

(G) to the extent the Transmission Service requires the addition of facilities or upgrades to the transmission system, such facilities have been placed in service.

APPLICATION PROCEDURES

The Denton Municipal Electric Utility and the Transmission Service Customer shall comply with the application procedures for Transmission Services set forth in 16 TAC § 25.198, which shall govern such procedures.

CONSTRUCTION OF NEW FACILITIES

Construction of new facilities needed to accommodate a request for Planned Transmission Service shall be in accordance with the procedures set forth in 16 TAC § 25.198. Upon receipt of a request for Transmission Service, the Denton Municipal Electric Utility shall, if necessary, perform a System Security Study in accordance with 16 TAC § 25.198. Based on the results of the System Security Study, the Denton Municipal Electric Utility also may perform a Facilities Study, in accordance with 16 TAC § 25.198. An executed Facilities Study agreement with the Transmission Service Customer is required prior to the Denton Municipal Electric Utility performing a Facilities Study. In the event that existing facilities are inadequate to support the requested Transmission Service, Denton Municipal Electric Utility may require the Transmission Service Customer to provide a contribution in aid of construction attributable to directly assigned facilities.

LOAD SHEDDING AND CURTAILMENT

Transmission Service hereunder shall be subject to, and the Denton Municipal Electric Utility and the Transmission Service Customer will comply with, the load shedding and curtailment procedures established under 16 TAC § 25.200. Any interruption shall be based on operational factors and shall not accord a higher priority to the Denton Municipal Electric Utility's retail and wholesale customers than to its customers taking Transmission Service. Service to all customers shall be restored as quickly as possible.

PRICING FOR TRANSMISSION SERVICE WITHIN ERCOT

Charges for Transmission Service hereunder shall be in accordance with Texas Utilities Code § 35.004(d). For Transmission Service a Transmission Service Customer shall incur both an access charge, as set forth below, and loss compensation charges.

Annual Postage Stamp Charge (access charge) \$0.333063 per kW of coincident peak demand determined in accordance with 16 TAC §25.192.

Monthly Postage Stamp Charge (access charge) \$0.027755 per kW of coincident peak demand determined in accordance with 16 TAC §25.192.

Charges for each calendar year shall be adjusted pursuant to the schedule in the PUC’s Order approving the transmission charges for that year.

PRICING FOR TRANSMISSION SERVICE FOR EXPORTS FROM ERCOT

Charges for Transmission Service for exports from ERCOT shall be in accordance with Texas Utilities Code § 35.004(d) and 16 TAC § 25.192. Transmission Service Customers exporting power from ERCOT will be assessed transmission service charges based on the amount of power actually exported and the duration of the transaction. Charges for Transmission Service for exports from ERCOT shall be determined in accordance with 16 TAC § 25.192(e) and shall be calculated using the charges set forth below:

	<u>Access Rate</u>
	per kW of
	<u>peak demand</u>
<u>Service Type</u>	
Hourly Rate	\$0.000038

LOSSES

Losses shall be calculated by the Independent System Operator (ISO) in accordance with the method approved by the 16 TAC § 25.192.

RESALE OF TRANSMISSION RIGHTS

With advance written notice to the Denton Municipal Electric Utility and subject to a reasonable credit review, a Transmission Service Customer may resell any and all Transmission Service rights contracted for by the Transmission Service Customer to other wholesale market participants pursuant to 16 TAC § 25.191. The Transmission Service Customer shall inform the Denton Municipal Electric Utility and obtain ISO approval for any resale of Transmission Service rights.

RELIABILITY GUIDELINES

To maintain reliability of the ERCOT transmission grid, Denton Municipal Electric Utility shall operate its transmission system in accordance with ERCOT Protocols, ERCOT Operating

Guides, NERC guidelines, and any other guidelines of the ISO that may apply to Denton Municipal Electric Utility' transmission system.

The Denton Municipal Electric Utility reserves the right, consistent with good utility practice and on a non-discriminatory basis, to interrupt Transmission Service without liability on the Denton Municipal Electric Utility's part for the purpose of making necessary adjustments to, changes in, or repairs to its lines, substations and other facilities, or where the continuance of Transmission Service would endanger persons or property. In the event of any adverse condition or disturbance on Denton Municipal Electric Utility's system or any other system directly or indirectly interconnected with Denton Municipal Electric Utility's system, Denton Municipal Electric Utility, consistent with Good Utility Practice, also may interrupt Transmission Service on a non-discriminatory basis in order to limit the extent or damage of the adverse condition or disturbance, to prevent damage to generating or transmission facilities, or to expedite restoration of service. The Denton Municipal Electric Utility will give the Transmission Service Customer as much advance notice as is practicable in the event of such interruption and shall restore service with due diligence.

The Transmission Service Customer's failure to respond to established emergency load shedding and curtailment procedures to relieve emergencies on Denton Municipal Electric Utility' transmission system may result in the Transmission Service Customer being deemed by Denton Municipal Electric Utility to be in default and may result in the termination of Transmission Service.

PAYMENT

Any charges due to Denton Municipal Electric Utility under this rate schedule shall be billed in accordance with 16 TAC § 25.202. Customers shall make payment to Denton Municipal Electric Utility in a manner consistent with the procedures and deadlines set forth in 16 TAC § 25.202. Any late payments by customers or customer defaults shall be handled in accordance with 16 TAC § 25.202.

CONTRACT TERM

Planned Transmission Service is available for annual service, monthly service in multiples of one-month, weekly service, and daily service. Unplanned Transmission Service is available for periods of not less than one hour or more than 30 days.

AGREEMENT

An agreement for Transmission Service containing terms and provisions consistent with 16 TAC §§ 25.191-.203 is required prior to commencement of such service. Such agreement will require approval of the City Council of Denton.

DEFINITIONS

Capitalized terms shall have the meanings set forth in 16 TAC §§ 25.5 and 25.191 .203.

AMENDMENTS TO RULES

In the event 16 TAC §§ 25.191-.203 are amended or if a new rule is adopted governing the subject matter of this tariff, this tariff shall, nevertheless, remain effective until the new tariff(s) filed pursuant to any such amendment(s) or such new rules are approved, unless the amendment(s) or new rules or an agreement of the parties provide otherwise.

PUBLIC UTILITIES COMMISSION OF TEXAS TARIFF

This Schedule WTS is subject to change. The most up to date WTS tariff rate is filed with the Public Utilities Commission of Texas

SECTION 2. The City Manager is hereby authorized to expend funds to authorize credits to Customers on their electric service bills and further to authorize cash incentives in accordance with the form and type set forth in Schedule GIP, as the installation of energy efficient upgrades is in the best interest of the City, as such will reduce energy demand and consumption, reduce the peak load of the City’s electric system, reduce emissions in the state, and promote energy conservation, which are all public purposes of the City.

SECTION 3. All ordinances or parts of ordinances in force when the provisions of this ordinance became effective which are inconsistent, or in conflict with the terms or provisions contained in this ordinance are hereby repealed to the extent of any such conflict.

SECTION 4. If any section, subsection, paragraph, sentence, clause, phrase or word in this ordinance, or application thereof to any person or circumstances is held invalid by any court of competent jurisdiction, such holding shall not affect the validity of the remaining portions of this ordinance, and the City Council of the City of Denton, Texas, hereby declares it would have enacted such remaining portions despite any such invalidity.

SECTION 5. The rates herein adopted shall become effective, charged, and applied to all electric services rendered by the City, and all energy usage by Customers of the City effective with the first billing issued on and after ~~July 15, 2026~~ October 15, 2025; and a copy of said rates shall be maintained on file in the Office of the City Secretary of the City of Denton, Texas.

SECTION 6. This ordinance shall be effective immediately upon its passage and approval.

The motion to approve this ordinance was made by _____, seconded by _____, and was passed and approved by the following vote [____ - ____]:

	Aye	Nay	Abstain	Absent
Mayor Gerard Hudspeth <u>Chris Watts</u> :	_____	_____	_____	_____
<u>Jordan Villarreal</u> Vicki Byrd , District 1:	_____	_____	_____	_____

Brian Beck <u>Nick Stevens</u> , District 2:	_____	_____	_____	_____
Suzi Rumohr, District 3:	_____	_____	_____	_____
Joe Holland, District 4:	_____	_____	_____	_____
Brandon Chase McGee <u>George Ferrie</u> ,				
At Large Place 5:	_____	_____	_____	_____
Jill Jester, At Large Place 6:	_____	_____	_____	_____

PASSED AND APPROVED this the _____ day of _____, 2026.

GERARD HUDSPETHCHRIS WATTS,

MAYOR

ATTEST:

KRISTI FOGLE~~INGRID REX~~, INTERIM CITY SECRETARY

BY: _____

APPROVED AS TO LEGAL FORM:
MACK REINWAND, CITY ATTORNEY

BY: _____

ORDINANCE NO. 2026-_____

AN ORDINANCE OF THE CITY OF DENTON, TEXAS, ESTABLISHING THE SCHEDULE OF RATES FOR ELECTRIC SERVICE; PROVIDING FOR A REPEALER; PROVIDING FOR A SEVERABILITY CLAUSE; AND PROVIDING FOR AN EFFECTIVE DATE.

THE COUNCIL OF THE CITY OF DENTON HEREBY ORDAINS:

SECTION 1. The Schedule of Rates for electrical services as provided for in Chapter 26 of the City of Denton Code of Ordinances, is as follows:

ELECTRIC RATE SCHEDULES

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RES Residential Service	2
GS General Service Small	4
GM General Service Medium	6
GL General Service Large	8
TG General Service Time Of Use	10
GOS Local Government Service Small	12
GOM Local Government Service Medium	14
GOL Local Government Service Large	16
T1 Temporary Service	18
AF Athletic Field	20
LS Street Lighting	22
LT Traffic Lighting	23
UFL Unmetered School Zone/Crossing Flashers	24
USC Unmetered Security Camera	25
UWF Unmetered Wi-Fi Devices	26
LO Other Lighting	27
DD Security Lighting	28
DSL Non-Standard Street Lighting	30
EGR Economic Growth Rider	32
GIP GreenSense Incentive Program	34
ECA Energy Cost Adjustment	35
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RESIDENTIAL ELECTRIC SERVICE
(Effective 07/15/26)

APPLICATION

Applicable to any Customer for all electric service used for residential purposes in an individual private dwelling or an individually metered apartment, supplied at one point of delivery and measured through one meter. This Rate is not applicable to resale service in any event, or to temporary, standby, or supplementary service.

MONTHLY RATE

(1)	Facility Charge	Per Bill
	Single-Phase Service (R2)	\$ 8.80
	Three-Phase Service (R2)	\$17.59
	Prepaid Service (P2)	\$16.26
plus;		
(2)	Usage Charge	Per kWh
	Winter (Billing months of November through April):	
	Tier 1: First 600 kWh	\$0.0694
	Tier 2: Additional kWh	\$0.0462
	Summer (Billing months of May through October):	
	Tier 1: All kWh	\$0.0694
plus;		
(3)	Energy Cost Adjustment Charge	See Schedule ECA
plus;		
(4)	Transmission Cost Recovery Factor	See Schedule TCRF

MINIMUM BILLING

For each billing period, the Customer shall be obligated to pay the Facility Charge as a minimum, regardless of actual energy usage.

USAGE CHARGE

Billing for the Usage Charge shall be based on actual kWh consumption during the billing period.

Winter (Billing months of November through April):

$$\text{Usage Charge} = \begin{array}{l} \text{kWh in Tier 1} \times \text{Tier 1 Rate per kWh} \\ \text{kWh in Tier 2} \times \text{Tier 2 Rate per kWh, if applicable} \end{array}$$

Summer (Billing months of May through October):

$$\text{Usage Charge} = \text{All kWh} \times \text{Tier 1 Rate per kWh}$$

SPECIAL FACILITIES

All services which require special facilities in order to meet Customer's service requirements shall be provided, subject to Special Facilities Rider.

PAYMENT

Bills are due when rendered and become past due if not paid within fifteen (15) calendar days from date of issuance.

SCHEDULE GS

GENERAL SERVICE SMALL

(Effective 07/15/26)

APPLICATION

Applicable to any commercial customer having a maximum demand of less than 21 kW in each of the previous twelve (12) months for all electric service supplied at one point of delivery and measured through one meter. If the demand is equal to or exceeds 21 kW in two consecutive months, account will be adjusted to bill under General Service Medium (GSM) and the Customer must remain on the GSM rate for a minimum of twelve (12) billing periods. At the end of the twelve (12) billing period, a review will be conducted to determine if account remains as GSM, drops to GSS or moves up to GSL at the next immediate billing period. This Rate is not applicable to resale service in any event, or to temporary, standby, or supplementary service.

MONTHLY RATE

(1)	Facility Charge	Per Bill
	Single-Phase	\$16.85
	Three-Phase	\$22.50
plus;		
(2)	Usage Charge	Per kWh
	Tier 1: First 2,500 kWh	\$0.0865
	Tier 2: Additional kWh	\$0.0453
plus;		
(3)	Energy Cost Adjustment Charge	See Schedule ECA
plus;		
(4)	Transmission Cost Recovery Factor	See Schedule TCRF

MINIMUM BILLING

For each billing period, the Customer shall be obligated to pay the Facility Charge as a minimum, regardless of actual energy usage.

USAGE CHARGE

Billing for the Usage Charge shall be based on actual kWh consumption during the billing period.

$$\text{Usage Charge} = \text{kWh in Tier 1} \times \text{Tier 1 Rate per kWh}$$

kWh in Tier 2 × Tier 2 Rate per kWh, if applicable

SPECIAL FACILITIES

All services which require special facilities in order to meet Customer's service requirements shall be provided, subject to Special Facilities Rider.

PAYMENT

Bills are due when rendered and become past due if not paid within fifteen (15) calendar days from date of issuance.

SCHEDULE GM

GENERAL SERVICE MEDIUM

(Effective 07/15/26)

APPLICATION

Applicable to any commercial customer having a maximum demand that meets or exceeds 21 kW but less than 240 kW in each of the previous twelve (12) months for all electric service supplied at one point of delivery and measured through one meter. If the demand is equal to or exceeds 240 kW in two consecutive months, account will be adjusted to bill under General Service Large (GSL), and the Customer must remain on the GSL rate for a minimum of twelve (12) billing periods. At the end of the twelve (12) billing period, a review will be conducted to determine if account remains as GSL or drops to GSM at the next immediate billing period.

Applicable to GSM Customers utilizing City owned and operated facilities and transformation equipment and who are metered at primary voltage. **(GM2)**

Applicable to GSM Customers that own, operate, and maintain all facilities necessary to receive three-phase primary voltage service and all transformation facilities required for conversion to utilization voltage. **(GM3)**

This Rate is not applicable to resale service in any event, or to temporary, standby, or supplementary service.

MONTHLY RATE

(1)	Facility Charge	Per Bill
	Single-Phase	\$16.85
	Three-Phase	\$22.50
plus;		
(2)	Demand Charge	Per kW
	All kW	\$4.85
plus;		
(3)	Usage Charge	Per kWh
	GM Tier 1: First 6,000 kWh	\$0.0531
	Tier 2: Additional kWh	\$0.0438
	GM2 Tier 1: First 6,000 kWh	\$0.0521
	Tier 2: Additional kWh	\$0.0428
	GM3 Tier 1: First 6,000 kWh	\$0.0500
	Tier 2: Additional kWh	\$0.0408

plus;

- | | | |
|-----|--------------------------------------|-------------------------|
| (4) | Energy Cost Adjustment Charge | See Schedule ECA |
|-----|--------------------------------------|-------------------------|
- plus;
- | | | |
|-----|--|--------------------------|
| (5) | Transmission Cost Recovery Factor | See Schedule TCRF |
|-----|--|--------------------------|

MINIMUM BILLING

For each billing period, the Customer shall be obligated to pay the Facility Charge plus the Demand Charge, regardless of actual energy usage.

DETERMINATION OF DEMAND

The demand used in calculating the Demand Charge for the billing period shall be the greater of: (1) the actual monthly kW demand as measured during the fifteen (15) minute period of maximum use each month; or (2) 21 kW; or (3) seventy percent (70%) of the maximum monthly actual demand for any month during the previous billing months of May through October in the twelve (12) months ending with the current month.

USAGE CHARGE

Billing for the Usage Charge shall be based on actual kWh consumption during the billing period.

$$\text{Usage Charge} = \begin{array}{l} \text{kWh in Tier 1} \times \text{Tier 1 Rate per kWh} \\ \text{kWh in Tier 2} \times \text{Tier 2 Rate per kWh, if applicable} \end{array}$$

SPECIAL FACILITIES

All services which require special facilities in order to meet Customer's service requirements shall be provided, subject to Special Facilities Rider.

PAYMENT

Bills are due when rendered and become past due if not paid within fifteen (15) calendar days from date of issuance.

SCHEDULE GL

GENERAL SERVICE LARGE

(Effective 07/15/26)

APPLICATION

Applicable to any commercial customer having a minimum demand of 240 kW for all electric service supplied at one point of delivery and measured through one meter. Customers who elect to discontinue service under this Rate are ineligible for service under this Rate for twelve (12) months.

Applicable to GSL Customers utilizing City owned and operated facilities and transformation equipment and who are metered at primary voltage. **(GL2)**

Applicable to GSL Customers that own, operate, and maintain all facilities necessary to receive three-phase primary voltage service and all transformation facilities required for conversion to utilization voltage. **(GL3)**

This Rate is not applicable to resale service in any event, or to temporary, standby, or supplementary service.

MONTHLY RATE

(1)	Facility Charge	Per Bill
	Three-Phase	\$70.10
plus;		
(2)	Demand Charge	Per kVA
	All kVA	\$10.96
plus;		
(3)	Usage Charge	Per kWh
	GL Tier 1: First 200,000 kWh	\$0.0249
	Tier 2: Additional kWh	\$0.0142
	GL2 Tier 1: First 200,000 kWh	\$0.0239
	Tier 2: Additional kWh	\$0.0132
	GL3 Tier 1: First 200,000 kWh	\$0.0218
	Tier 2: Additional kWh	\$0.0112
plus;		

- plus;
- | | | |
|-----|--|--------------------------|
| (4) | Energy Cost Adjustment Charge | See Schedule ECA |
| (5) | Transmission Cost Recovery Factor | See Schedule TCRF |

MINIMUM BILLING

For each billing period, the Customer shall be obligated to pay the Facility Charge plus the Demand Charge, regardless of actual energy usage.

DETERMINATION OF DEMAND

The demand used in calculating the Demand Charge for the billing period shall be the greater of: (1) the actual monthly kVA demand as measured during the fifteen (15) minute period of maximum use each month; or (2) 250 kVA; or (3) seventy percent (70%) of the maximum monthly kVA actual demand for any month during the previous billing months of May through October in the twelve (12) month period ending with the current month.

USAGE CHARGE

Billing for the Usage Charge shall be based on actual kWh consumption during the billing period.

$$\text{Usage Charge} = \begin{array}{l} \text{kWh in Tier 1} \times \text{Tier 1 Rate per kWh} \\ \text{kWh in Tier 2} \times \text{Tier 2 Rate per kWh, if applicable} \end{array}$$

SPECIAL FACILITIES

All services which require special facilities in order to meet Customer’s service requirements shall be provided, subject to Special Facilities Rider.

PAYMENT

Bills are due when rendered and become past due if not paid within fifteen (15) calendar days from date of issuance.

SCHEDULE TG

GENERAL SERVICE TIME OF USE (Effective 07/15/26)

APPLICATION

Applicable to any Customer having a minimum demand of 240 kW for all electric service supplied at one point of delivery and measured through one meter. Customers electing this Rate must remain on this Rate for a minimum of twelve (12) continuous billing months. If the Customer is new or does not have a history of on-peak use for June through September, and elects to accept service on the TGS Rate, the Customer's demand shall be billed at the GSL Demand Rate until the Customer establishes a separate on-peak and off-peak demand during an on-peak month.

Applicable to TGS Customers utilizing City owned and operated facilities and transformation equipment and who are metered at primary voltage. **(TG2)**

Applicable to TGS Customers that own, operate, and maintain all facilities necessary to receive three-phase primary voltage service and all transformation facilities required for conversion to utilization voltage. **(TG3)**

This Rate is not applicable to resale service in any event, or to temporary, standby, or supplementary service.

MONTHLY RATE

	(1) Facility Charge		Per Bill
	Three-Phase		\$81.75
plus;			
	(2) Demand Charge		Per kVA
	On-Peak		\$13.97
	Off-Peak		\$ 2.76
plus;			
	(3) Usage Charge		Per kWh
	TG All kWh		\$0.0083
	TG2 All kWh		\$0.0073
	TG3 All kWh		\$0.0053
plus;			
	(5) Energy Cost Adjustment Charge		See Schedule ECA

plus;

(6) Transmission Cost Recovery Factor

See Schedule TCRF

MINIMUM BILLING

For each billing period, the Customer shall be obligated to pay the Facility Charge plus the On-Peak and Off-Peak Demand Charges, regardless of actual energy usage.

DEFINITION OF TIME OF USE HOURS

The City's on-peak hours, for the purpose of this rate schedule, are designated as being from 2:00 P.M. to 7:00 P.M. each Monday through Friday, for the months of June through September excluding Independence Day and Labor Day. The City's on-peak hours may be changed from time to time.

The City's off-peak hours, for the purpose of this rate schedule, shall be all hours not designated as on-peak hours.

DETERMINATION OF DEMAND

On-Peak Demand Charge for the billing period shall be the greater of: (1) the kVA actual demand supplied during the fifteen (15) minute period of maximum use each month during on-peak hours as recorded by the City's demand meter; or (2) 250 kVA; or (3) one hundred percent (100%) of the actual maximum on-peak demand similarly determined during the billing months of June through September in the twelve (12) months immediately preceding the current month. The On-Peak Demand Charge will be applied to each billing period.

Off-Peak Demand Charge for the billing period shall be the greater of: (1) the kVA actual demand supplied during the fifteen (15) minute period of maximum use each month during on-peak hours as recorded by the City's demand meter; or (2) 250 kVA. The Off-Peak Demand Charge will be applied to each billing period.

USAGE CHARGE

Billing for the Usage Charge shall be based on actual kWh consumption during the billing period.

$$\text{Usage Charge} = \text{All kWh} \times \text{Rate per kWh}$$

SPECIAL FACILITIES

All services which require special facilities in order to meet Customer's service requirements shall be provided, subject to Special Facilities Rider.

PAYMENT

Bills are due when rendered and become past due if not paid within fifteen (15) calendar days from date of issuance.

SCHEDULE GOS

LOCAL GOVERNMENT SERVICE SMALL

(Effective 07/15/26)

APPLICATION

Applicable to any local City, County or School District customer having a maximum demand of less than 21 kW in each of the previous twelve (12) months for all electric service supplied at one point of delivery and measured through one meter. If the demand equals or exceeds 21 kW in two consecutive months, account will be adjusted to bill under Local Government Service Medium (GOM), and the Customer must remain on the GOM Rate for a minimum of twelve (12) billing periods. This Rate is not applicable to resale service in any event, or to temporary, standby or supplementary service.

NET MONTHLY RATE

Facility Charge		Per Bill
	Single-Phase	\$16.85
	Three-Phase	\$22.50
plus;		
(2)	Usage Charge	Per kWh
	Tier 1: First 2,500 kWh	\$0.0865
	Tier 2: Additional kWh	\$0.0453
plus;		
(3)	Energy Cost Adjustment Charge	See Schedule ECA
plus;		
(4)	Transmission Cost Recovery Factor	See Schedule TCRF

MINIMUM BILLING

For each billing period, the Customer shall be obligated to pay the Facility Charge as a minimum, regardless of actual energy usage.

USAGE CHARGE

Billing for the Usage Charge shall be based on actual kWh consumption during the billing period.

$$\text{Usage Charge} = \text{All kWh} \times \text{Rate per kWh}$$

SPECIAL FACILITIES

All services which require special facilities in order to meet Customer's service requirements shall be provided, subject to Special Facilities Rider.

PAYMENT

Bills are due when rendered and become past due if not paid within fifteen (15) calendar days from date of issuance.

SCHEDULE GOM

LOCAL GOVERNMENT SERVICE MEDIUM

(Effective 07/15/26)

APPLICATION

Applicable to any local City, County, or School District customer having a maximum demand that meets or exceeds 21 kW but less than 240 kW in each of the previous twelve (12) months for all electric service supplied at one point of delivery and measured through one meter. If the demand is equal to or exceeds 240 kW in two consecutive months, account will be adjusted to bill under Local Government Service Large (GOL), and the customer must remain on the GOL rate for a minimum of twelve (12) billing periods. This Rate is not applicable to resale service in any event, or to temporary, standby, or supplementary service.

NET MONTHLY RATE

(1)	Facility Charge	Per Bill
	Single-Phase	\$16.85
	Three-Phase	\$22.50
plus;		
(2)	Demand Charge	Per kW
	All kW	\$4.85
plus;		
(3)	Usage Charge	Per kWh
	Tier 1: First 6,000 kWh	\$0.0531
	Tier 2: Additional kWh	\$0.0438
plus;		
(4)	Energy Cost Adjustment Charge	See Schedule ECA
plus;		
(5)	Transmission Cost Recovery Factor	See Schedule TCRF

MINIMUM BILLING

For each billing period, the Customer shall be obligated to pay the Facility Charge plus the Demand Charge, regardless of actual energy usage.

DETERMINATION OF DEMAND

The demand used in calculating the Demand Charge for the billing period shall be the greater of: (1) The actual kW demand supplied during the fifteen (15) minute period of maximum use each month; or (2) fifty percent (50%) of the maximum monthly actual demand for any month during the previous billing months of May through October in the twelve (12) months ending with the current month.

USAGE CHARGE

Billing for the Usage Charge shall be based on actual kWh consumption during the billing period.

$$\text{Usage Charge} = \begin{array}{l} \text{kWh in Tier 1 kWh} \times \text{Rate per kWh} \\ \text{kWh in Tier 2 kWh} \times \text{Rate per kWh, if applicable} \end{array}$$

SPECIAL FACILITIES

All services which require special facilities in order to meet Customer's service requirements shall be provided, subject to Special Facilities Rider.

PAYMENT

The due date for the payment of the bill for utility services shall not be less than ten (10) business days after issuance.

SCHEDULE GOL

LOCAL GOVERNMENT SERVICE LARGE

(Effective 07/15/26)

APPLICATION

Applicable to any local City, County, or School District customer having a minimum demand of 240 kW for all electric service supplied at one point of delivery and measured through one meter. Customers who elect to discontinue service under this Rate are ineligible for service under this Rate for twelve (12) months.

Applicable to GOL Customers utilizing City owned and operated facilities and transformation equipment and who are metered at primary voltage. **(GO2)**

Applicable to GOL Customers that own, operate, and maintain all facilities necessary to receive three-phase primary voltage service and all transformation facilities required for conversion to utilization voltage. **(GO3)**

This Rate is not applicable to resale service in any event, or to temporary, standby, or supplementary service.

MONTHLY RATE

	(1)	Facility Charge	Per Bill
		Three-Phase	\$70.10
plus;			
	(2)	Demand Charge	Per kVA
		All kVA	\$10.96
plus;			
	(3)	Usage Charge	Per kWh
	GOL	Tier 1: First 200,000 kWh	\$0.0249
		Tier 2: Additional kWh	\$0.0142
	GO2	Tier 1: First 200,000 kWh	\$0.0239
		Tier 2: Additional kWh	\$0.0132
	GO3	Tier 1: First 200,000 kWh	\$0.0218
		Tier 2: Additional kWh	\$0.0112
plus;			

- plus;
- | | | |
|-----|--|--------------------------|
| (4) | Energy Cost Adjustment Charge | See Schedule ECA |
| (5) | Transmission Cost Recovery Factor | See Schedule TCRF |

MINIMUM BILLING

For each billing period, the Customer shall be obligated to pay the Facility Charge plus the Demand Charge, regardless of actual energy usage.

DETERMINATION OF DEMAND

The demand used in calculating the Demand Charge for the billing period shall be the greater of: (1) the actual monthly kVA demand as measured during the fifteen (15) minute period of maximum use each month; or (2) fifty percent (50%) of the maximum monthly kVA actual demand for any month during the previous billing months of May through October in the twelve (12) month period ending with the current month.

USAGE CHARGE

Billing for the Usage Charge shall be based on actual kWh consumption during the billing period.

$$\text{Usage Charge} = \begin{array}{l} \text{kWh in Tier 1} \times \text{Tier 1 Rate per kWh} \\ \text{kWh in Tier 2} \times \text{Tier 2 Rate per kWh, if applicable} \end{array}$$

SPECIAL FACILITIES

All services which require special facilities in order to meet Customer's service requirements shall be provided, subject to Special Facilities Rider.

PAYMENT

Bills are due when rendered and become past due if not paid within fifteen (15) calendar days from date of issuance.

SCHEDULE T1

TEMPORARY SERVICE

(Effective 07/15/26)

APPLICATION

Applicable to short term or temporary electric service where a Customer has received a permit. This Rate is not applicable after the certificate of occupancy or building final inspection has been issued.

NET MONTHLY RATE

(1)	Facility Charge	Per Bill
	Single-Phase	\$16.86
	Three-Phase	\$22.52
plus;		
(2)	Usage Charge	Per kWh
	All kWh	\$0.0867
plus;		
(3)	Energy Cost Adjustment Charge	See Schedule ECA
plus;		
(4)	Transmission Cost Recovery Factor	See Schedule TCRF

MINIMUM BILLING

For each billing period, the Customer shall be obligated to pay the Facility Charge regardless of actual energy usage.

USAGE CHARGE

Billing for the Usage Charge shall be based on actual kWh consumption during the billing period.

$$\text{Usage Charge} = \text{All kWh} \times \text{Rate per kWh}$$

ADDITIONAL TEMPORARY SERVICE CHARGES

Labor	Regular time or overtime labor hourly rates in effect at the time the work is performed for all personnel performing the work. Labor charges shall be based on a one (1) hour minimum with all additional time above the minimum to be measured to the nearest one-quarter hour.
Transportation	To be billed by hours or miles, as applicable, according to the estimated cost of operating the required equipment.
Material	Material that cannot be salvaged shall be billed at the City's Warehouse cost plus twenty five percent (25%), plus applicable sales tax. At the time a temporary service is removed or converted, any loss of the installed material due to negligence or willful action by the Customer will be billed separately to the Customer at replacement cost plus twenty five percent (25%), plus applicable sales tax.
Administrative Fee	Ten percent (10%) of the total labor, transportation, and material costs.

SPECIAL FACILITIES

All services which require special facilities in order to meet Customer's service requirements shall be provided, subject to Special Facilities Rider.

PAYMENT

Bills are due when rendered and become past due if not paid within fifteen (15) calendar days from date of issuance.

SCHEDULE AF

ATHLETIC FIELD
(Effective 07/15/26)

APPLICATION

Applicable to all electric service metered at one point for use to light specified areas for athletic events. This Rate is not applicable to resale service in any event, or to temporary, standby, or supplementary service except in conjunction with applicable rider.

NET MONTHLY RATE

(1)	Facility Charge	Per Bill
	Single-Phase	\$23.09
	Three-Phase	\$34.62
plus;		
(2)	Demand Charge	Per kW
	On-Peak	\$6.15
	Off-Peak	\$1.46
plus:		
(3)	Usage Charge	Per kWh
	On-Peak	\$0.0992
	Off-Peak	\$0.0496
plus;		
(4)	Energy Cost Adjustment Charge	See Schedule ECA
plus;		
(5)	Transmission Cost Recovery Factor	See Schedule TCRF

MINIMUM BILLING

For each billing period, the Customer shall be obligated to pay the Facility Charge, regardless of actual energy usage.

DEFINITION OF ON-PEAK AND OFF-PEAK HOURS

The City's on-peak hours, for the purpose of this rate schedule, are designated as being from 2:00 P.M. to 7:00 P.M., for the months of June through September. The City's on-peak hours may be changed from time to time.

The City's off-peak hours, for the purpose of this rate schedule, shall be all hours not designated as on-peak hours.

DETERMINATION OF DEMAND

The demand used in calculating the Demand Charge for the billing period shall be the actual kW demand supplied during the fifteen (15) minute period of maximum use during the current billing period as determined by the City's demand meter.

USAGE CHARGE

Billing for the Usage Charge shall be based on actual kWh consumption during the billing period.

$$\text{Usage Charge} = \begin{array}{l} \text{On-Peak kWh} \times \text{Rate per kWh} \\ \text{Off Peak kWh} \times \text{Rate per kWh} \end{array}$$

SPECIAL FACILITIES

All services which require special facilities in order to meet Customer's service requirements shall be provided, subject to Special Facilities Rider.

PAYMENT

Bills are due when rendered and become past due if not paid within fifteen (15) calendar days from date of issuance.

SCHEDULE LS

STREET LIGHTING

(Effective 07/15/26)

APPLICATION

Applicable to all street lighting owned and maintained by the City.

NET MONTHLY RATE

(1)	Facility Charge	Per Bill
	<u>Luminaire Style Type</u>	
	100 W Sodium Cobra (LSA)	\$6.17
	250 W Sodium Cobra (LSB)	\$8.75
	400 W Sodium Cobra (LSC)	\$11.02
	100 W LED Cobra (LSD)	\$6.17
	250 W LED Cobra (LSE)	\$8.75
	400 W LED Cobra (LSF)	\$11.02
	85 W LED Post (LSG)	\$11.02

plus;

(2)	Energy Cost Adjustment Charge	See Schedule ECA
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ENERGY COST ADJUSTMENT CHARGE

Current ECA multiplied by respective kWh based on the following Bulb Wattage Factors:

<u>Luminaire Type</u>	<u>Bulb Wattage Factor</u>
100 W Sodium(LSA)	48 kWh
250 W Sodium (LSB)	105 kWh
400 W Sodium (LSC)	159 kWh
100 W LED (LSD)	25 kWh
250 W LED (LSE)	96 kWh
400 W LED (LSF)	148 kWh
85 W LED (LSG)	23 kWh

PAYMENT

Bills are due when rendered and become past due if not paid within fifteen (15) calendar days from date of issuance.

TRAFFIC LIGHTING
(Effective 07/15/26)

APPLICATION

Applicable to State and Local Government agencies that operate and maintain their own traffic signals.

METERED TRAFFIC LIGHTING NET MONTHLY RATE (LT)

plus;	(1)	Usage Charge	\$0.0674 per kWh
	(2)	Energy Cost Adjustment Charge	See Schedule ECA
	(3)	Transmission Cost Recovery Factor	See Schedule TCRF

USAGE CHARGE

Billing for the Metered Traffic Lighting Usage Charge shall be based on actual kWh consumption during the billing period. Usage Charge = All kWh x Rate per kWh

UNMETERED TRAFFIC LIGHTING NET ANNUAL RATE (ULT)

plus;	(1)	Usage Charge	\$0.0674 per kWh
	(2)	Energy Cost Adjustment Charge	See Schedule ECA
	(3)	Transmission Cost Recovery Factor	See Schedule TCRF

USAGE CHARGE

Billing for the Unmetered Traffic Lighting Usage Charge shall be based on historical recorded annual kWh consumption. Usage Charge = All kWh x Rate per kWh

Annual Usage = 904 kWh per account

PAYMENT

Bills are due when rendered and become past due if not paid within fifteen (15) calendar days from date of issuance.

SCHEDULE UFL

UNMETERED SCHOOL ZONE/CROSSING FLASHERS

(Effective 07/15/26)

APPLICATION

Applicable to local government agencies that operate and maintain their own unmetered school zone/crossing flashers.

NET ANNUAL RATE

plus;	(1)	Usage Charge	\$0.0674per kWh
plus;	(2)	Energy Cost Adjustment Charge	See Schedule ECA
	(3)	Transmission Cost Recovery Factor	See Schedule TCRF

USAGE CHARGE

Billing for the Usage Charge shall be based on historical recorded annual kWh consumption. The total billed usage divided by number of school zone/crossing flashers will determine the average kWh usage. This average consumption will be billed for each school zone/crossing flasher once every twelve (12) months at the end of the fiscal year. Any accounts that are added during the year will be billed on prorated consumption.

$$\text{Usage Charge} = \text{All kWh} \times \text{Rate per kWh}$$

$$\text{Annual Usage} = 48 \text{ kWh per account}$$

PAYMENT

Bills are due when rendered and become past due if not paid within fifteen (15) calendar days from date of issuance.

SCHEDULE USC

UNMETERED SECURITY CAMERA

(Effective 07/15/26)

APPLICATION

Applicable to Local Government agencies that operate and maintain their own unmetered security cameras.

NET ANNUAL RATE

plus;	(1)	Facility Charge	\$18.09 per bill
	(2)	Usage Charge	\$0.0674 per kWh
plus;	(3)	Energy Cost Adjustment Charge	See Schedule ECA
	(1)	Transmission Cost Recovery Factor	See Schedule TCRF

USAGE CHARGE

Billing for the Usage Charge shall be based on technical information of installed equipment. This calculated consumption will be billed for each camera once every twelve (12) months at the end of the fiscal year. Any accounts that are added during the year will be billed on prorated consumption.

Usage Charge = annual kWh per camera × kWh Rate

Annual Usage = 300 kWh per camera per account

PAYMENT

Bills are due when rendered and become past due if not paid within fifteen (15) calendar days from date of issuance.

SCHEDULE UWF

UNMETERED WI-FI DEVICES

(Effective 07/15/26)

APPLICATION

Applicable to local government agencies that operate and maintain their own unmetered Wi-Fi devices.

NET ANNUAL RATE

plus;	(1)	Facility Charge	\$18.09 per bill
	(2)	Usage Charge	\$0.0674 per kWh
plus;	(3)	Energy Cost Adjustment Charge	See Schedule ECA
	(4)	Transmission Cost Recovery Factor	See Schedule TCRF

USAGE CHARGE

Billing for the Usage Charge shall be based on technical information of installed equipment. This calculated consumption will be billed for each device once every twelve (12) months at the end of the fiscal year. Any accounts that are added during the year will be billed on prorated consumption.

$$\text{Usage Charge} = \text{annual kWh per device} \times \text{kWh Rate}$$

$$\text{Annual Usage} = 300 \text{ kWh per device per account}$$

PAYMENT

Bills are due when rendered and become past due if not paid within fifteen (15) calendar days from date of issuance.

SCHEDULE LO

OTHER LIGHTING
(Effective 07/15/26)

APPLICATION

Applicable to Texas Department of Transportation unmetered and metered safety lighting systems and continuous lighting systems as those terms are defined in Texas Administrative Code, Title 43, Part 1, Chapter 25, Subchapter A, Rule §25.11.

METERED LIGHTING NET MONTHLY RATE (LOB)

- plus;
- | | | |
|-----|-------------------------------|------------------|
| (1) | Usage Charge | \$0.0674 per kWh |
| (2) | Energy Cost Adjustment Charge | See Schedule ECA |

METERED LIGHTING USAGE CHARGE (LOB)

Billing for the Usage Charge shall be based on actual kWh consumption during the billing period.
Usage Charge = All kWh × Rate per kWh

UNMETERED LIGHTING NET MONTHLY RATE (LOA)

- plus;
- | | | |
|-----|-------------------------------|------------------|
| (1) | Usage Charge | \$0.0674 per kWh |
| (2) | Energy Cost Adjustment Charge | See Schedule ECA |

UNMETERED LIGHTING USAGE CHARGE (LOA)

Billing for the Usage Charge shall be based on estimated kWh consumption during the billing period.
Usage Charge = (kWh Rate x Bulb Wattage/1000) x (Hours of Operation per Billing Period)

Hours of Operation per Billing Period = 333 hours

Bulb Wattage is the rated wattage of the luminaire bulb

PAYMENT

Bills are due when rendered and become past due if not paid within fifteen (15) calendar days from date of issuance.

SCHEDULE DD

SECURITY LIGHTING

(Effective 07/15/26)

APPLICATION

Applicable to all outdoor area lighting when such lighting facilities are operated as an extension of the City's distribution system.

NET MONTHLY RATE

(1) Facility Charge	Per Bill
<u>Luminaire Type</u>	
100 W Sodium Vapor (DSA)	\$ 9.75
250 W Sodium Vapor (DSB)	\$12.90
400 W Sodium Vapor (DSC)	\$15.55
250 W Metal Halide (DHA)	\$15.17
400 W Metal Halide (DHB)	\$18.09
100 W Equivalent LED (DSD)	\$ 9.75
250 W Equivalent LED (DSE)	\$12.90
400 W Equivalent LED (DSF)	\$15.55

plus;

(2) Energy Cost Adjustment Charge	See Schedule ECA
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ENERGY COST ADJUSTMENT CHARGE

Current ECA multiplied by respective kWh based on the following Bulb Wattage Factors:

<u>Luminaire Type</u>	<u>Bulb Wattage Factor</u>
100 W Sodium Vapor (DSA)	48 kWh
250 W Sodium Vapor (DSB)	105 kWh
400 W Sodium Vapor (DSC)	159 kWh
250 W Metal Halide (DHA)	105 kWh
400 W Metal Halide (DHB)	159 kWh
100 W Equivalent LED (DSD)	25 kWh
250 W Equivalent LED (DSE)	96 kWh
400 W Equivalent LED (DSF)	148 kWh

TYPE OF SERVICE

The City shall furnish, install, maintain and deliver electric service to automatically controlled lighting fixtures conforming to the City's standards and subject to its published rules and regulations.

Where necessary for proper illumination or where existing poles are inadequate, the City will install or cause to be installed, one (1) wood pole with the necessary lighting hardware and overhead conductor for each installed light, at a distance not to exceed eighty (80') feet from existing lines, at no charge to the Customer. Additional contractual arrangements between the City and the Customer are subject to the Special Facilities Rider.

TERM OF CONTRACT

A two (2) year contract shall be agreed to and signed by each Customer desiring security lighting service authorizing fixed monthly charges, which may be reviewed annually, and to be applied to the Customer's monthly municipal utilities bill. In the event that a Customer requests the removal of the unit or discontinuance of the service prior to completion of two (2) years, the remainder of the contract period shall become due and payable. After the end of the initial two (2) year contract, service shall continue on a month-to-month basis and may be canceled by either party upon thirty (30) days' notice.

SPECIAL FACILITIES

All services which require special facilities in order to meet Customer's service requirements shall be provided, subject to Special Facilities Rider.

PAYMENT

Bills are due when rendered and become past due if not paid within fifteen (15) calendar days from date of issuance.

SCHEDULE DSL

NON-STANDARD STREET LIGHTING

(Effective 07/15/26)

APPLICATION

Applicable to street lighting owned and maintained by the Customer. Availability of this service is contingent on the existence of an executed Special Facilities Rider between the legally responsible party and the City under which the legally responsible party accepts all responsibilities, both legal and financial, related to operation and maintenance of the subject lights, including but not limited to payment of all applicable energy charges.

NET MONTHLY RATE

plus;	(1) Facility Charge	\$ 9.32 per bill
	(2) Usage Charge	\$0.0674per kWh
plus;		
	(3) Energy Cost Adjustment Charge	See Schedule ECA

USAGE CHARGE

Current usage charge and ECA rates are multiplied by respective kWh based on the following Bulb Wattage Factors:

<u>Luminaire Type</u>	<u>Bulb Wattage Factor</u>
100 W Sodium Vapor (DLSA)	48 kWh
250 W Sodium Vapor (DLSB)	105 kWh
400 W Sodium Vapor (DLSC)	159 kWh
250 W Metal Halide (DLHA)	105 kWh
400 W Metal Halide (DLHB)	159 kWh

ADDITIONAL SERVICE CHARGES

If the City is required to maintain the privately owned lights to ensure public safety, the owner of the lights may be subject to additional service charges. The additional service charges shall be the actual cost of performing any work required to perform the necessary maintenance including but not limited to:

Labor Regular time or overtime labor hourly rates in effect at the time the work is

performed for all personnel performing the work. Labor charges shall be based on a one (1) hour minimum with all additional time above the minimum to be measured to the nearest one-quarter hour.

Transportation To be billed by hours or miles, as applicable, according to the estimated cost of operating the required equipment.

Material Any material needed to repair and/or maintain facilities will be billed at City Warehouse cost plus twenty five percent (25%).

Administrative Fee Ten percent (10%) of the total labor, transportation, and material costs.

PAYMENT

Bills are due when rendered and become past due if not paid within fifteen (15) calendar days from date of issuance.

SCHEDULE EGR

ECONOMIC GROWTH RIDER

(Effective 07/15/26)

PURPOSE

The purpose of this Rider is to facilitate local economic growth and expand the ad valorem tax base of the City.

AVAILABILITY

This Rider is available to the Customers who:

- (1) Receive service from Rate Schedules GSL or TGS; and
- (2) Pay City ad valorem tax; and
- (3) Receive no electric service discounts other than those specifically defined in the GSL or TGS Rate Schedules.

APPLICATION

This Rider is available to electric service supplied at any one location. It is for firm electric service applicable to new and existing customers as described below, over a five (5) year period. This Rider is available to the following classes of customers:

- (1) New Customers whose electric service represents demand not previously served by the City at any location in the City's service area in the last twelve (12) months, where such metered demand will be in excess of 1,000 kVA and customer load factor must be greater than the City's electric system load factor, as estimated and mutually agreed upon by the General Manager of the City's electric utility and the Customer.
- (2) Existing Customers served under Rate Schedules GSL or TGS who increase their prior existing metered demand by 1,000 kVA and customer load factor must be greater than the City's electric system load factor. This increase shall be verified by sub-metering (at the Customer's expense) the additional load. If sub-metering is not possible, at the discretion of the General Manager of the City's electric utility, the increase may be verified by comparing a three-month rolling average of the new level of demand to the prior demand averaged for corresponding months. During periods in which this verification method cannot be applied, the General Manager and the Customer may develop a mutually agreed-upon formula to estimate the base and additional demand levels.

In light of additional costs associated with the Economic Growth Rider and to mitigate potential risk to ratepayers, any participant in the Economic Growth Rider must be, at the time this Rider is applied for and continuing while such Rider is in effect, a Customer in good standing of all City utilities, including solid waste services. Unless legal review procedures have been invoked in good faith regarding the obligation, a Customer in good standing for the purpose of this Rider is defined as a Customer not owing any unpaid utility or solid waste debt obligation that is over forty-five (45) days past due to the City during the previous twelve (12) months.

NET MONTHLY RATE

The Customer shall be charged under the appropriate applicable rate schedules with the exception that the monthly billing demand (for the GSL Rate) or system demand and on-peak demand (for the TGS Rate) will be adjusted in accordance with the following table:

<u>Time Period</u>	<u>Reduction to Billing Demand</u>
First Year	50%
Second Year	40%
Third Year	30%
Fourth Year	20%
Fifth Year	10%

CONTRACT PERIOD

The term of the contract will be for five (5) years.

SCHEDULE GIP

GREENSENSE INCENTIVE PROGRAM

(Effective 07/15/26)

PROGRAM SUMMARY

The objective of the GreenSense Incentive Program (“Program”) is to reduce energy demand and consumption by promoting energy conservation, thereby reducing the utility bills of City Customers, reducing the peak load of the City’s electric system, reducing emissions in the state, and promoting energy conservation. The Program offers incentives that may be distributed in the form of credits on the electric service bills or cash incentives to City retail customers.

Any participant in the GreenSense Incentive Program must be, at the time this program is applied for and continuing while such program is in effect, a Customer in good standing of all City utilities, including solid waste services. Unless legal review procedures have been invoked in good faith regarding the obligation, a Customer in good standing for the purpose of this Program is defined as a Customer not owing any unpaid utility or solid waste debt obligation that is over forty-five (45) days past due to the City during the previous twelve (12) months.

Program applicants will be able to qualify for multiple incentives simultaneously, unless specified in the individual guidelines. A separate application may be necessary for each incentive. The Program will be in effect each fiscal year beginning on October 1, until the allotted funding is depleted or until cancellation of the program by the City. At the time the funds are depleted, no additional applications for participation will be accepted until the next fiscal year.

Qualifying applicants must receive electric service from the City. The program guidelines and payment provisions are subject to change by the City without prior notice. The City may, at any time, discontinue the Program without prior notice. The current program guidelines may be found in the GreenSense Incentive Program Manual located at www.cityofdenton.com.

SCHEDULE ECA

ENERGY COST ADJUSTMENT

(Effective 07/15/26)

The Energy Cost Adjustment (ECA) Rate shall be set to recover the net cost of energy delivered to Customers that are not Large Load Customers and to maintain the City's electric utility in a financially sound position.

NET MONTHLY RATE

(1) **Energy Cost Adjustment Charge** **\$0.0462 per kWh**

ENERGY COST ADJUSTMENT BALANCING ACCOUNT CALCULATION

The ECA Balancing Account shall be calculated using the following formula:

$$\text{ECA Balancing Account} = (\text{Beginning ECA Account Balance}) - (\text{Projected Net Energy Cost})$$

Where:

Projected Net Energy Cost = For the next fiscal quarter, the electric utility's projected cost of electric load purchases from ERCOT plus all projected electric utility power/energy related costs for that same period including, but not limited to, power production (excluding the Denton Energy Center debt); purchased power; applicable transmission services, losses and congestion; other ERCOT charges; renewable energy credits; and financial and/or physical power/energy trades (including natural gas); less all projected revenue to be received by the electric utility for power/energy related sales and/or trades; plus applicable Franchise Fees and required ROI.

ENERGY COST ADJUSTMENT CALCULATION

$$\text{ECA} = [(\text{Projected Net Energy Cost}) + (\text{ECA Balancing Account})] / (\text{Projected kWh sales})$$

ENERGY COST ADJUSTMENT CHARGE

The Energy Cost Adjustment Charge shall be based on actual kWh consumption during the billing period. Energy Cost Adjustment Charge = kWh \times ECA Rate

The General Manager of the City's electric utility or their designee shall calculate the ECA Balancing Account monthly. In the event that the ECA Balancing Account calculated during the last month of each fiscal quarter (December, March, June, and September) is projected to be over or under collected by \$20,000,000 or more at the end of the next 4 quarters, the General Manager or their designee may recommend to the PUB and City Council a revision to the ECA to maintain the City's electric utility in a financially sound position. Any change to the ECA will be placed on the City Council's consent agenda.

SCHEDULE ECA LL

ENERGY COST ADJUSTMENT FOR LARGE LOADS

(Effective 07/15/26)

The Energy Cost Adjustment (ECA) for Large Loads (LL) Rate shall be set to recover the net cost of energy delivered to Large Load Customers and to maintain the City's electric utility in a financially sound position. This rate applies to all Large Load customers regardless of their actual monthly usage. Large Load Customers are defined as customers whose planned or actual single point of delivery meets or exceeds 20MW.

NET MONTHLY RATE

(1) **Energy Cost Adjustment for Large Load Charge** **\$0.0696 per kWh**

ENERGY COST ADJUSTMENT BALANCING ACCOUNT CALCULATION

The ECA Balancing Account shall be calculated using the following formula:

$$\text{ECA Balancing Account} = (\text{Beginning ECA LL Account Balance}) - (\text{Projected Net Energy Cost for Large Load})$$

Where:

Projected Net Energy Cost = For the next fiscal quarter, the electric utility's projected cost of electric load purchases from ERCOT to feed Large Loads plus all projected Large Load related electric utility power/energy related costs for that same period including, but not limited to, purchased power; applicable transmission services, losses and congestion; other ERCOT charges; renewable energy credits; and financial and/or physical power/energy trades (including natural gas); less all projected revenue to be received by the electric utility for Large Load related power/energy related sales and/or trades; plus applicable Franchise Fees and required ROI.

ENERGY COST ADJUSTMENT CALCULATION

$$\text{ECA LL} = [(\text{Projected Large Load Net Energy Cost}) + (\text{ECA LL Balancing Account})] / (\text{Projected Large Load kWh sales})$$

ENERGY COST ADJUSTMENT CHARGE

The Energy Cost Adjustment Large Load Charge shall be based on actual kWh consumption during the billing period. Energy Cost Adjustment Charge for Large Load = kWh × ECA LL Rate

The General Manager of the City's electric utility or their designee shall calculate the ECA LL Balancing Account monthly. In the event that the ECA LL Balancing Account calculated during the last month of each fiscal quarter (December, March, June, and September) is projected to be below \$0 to \$20,000,000 or more at the end of the next 4 quarters, the General Manager or their designee may recommend to the PUB and City Council a revision to the ECA LL to maintain the City's electric utility in a financially sound position. Any change to the ECA LL will be placed on the City Council's consent agenda.

SCHEDULE TCRF

TRANSMISSION COST RECOVERY FACTOR

(Effective 07/15/26)

The Transmission Cost Recovery Factor (TCRF) Rate shall be set to recover the costs of transmission service paid by DME to other transmission owners within the boundaries of the Electric Reliability Council of Texas (“ERCOT”) region. The TCRF Rate shall be reviewed on a quarterly basis and adjusted as defined below. The TCRF Rate charges are pass-through charges to customers in order to maintain the City’s electric utility in a financially sound position.

NET MONTHLY RATE \$0.0138 Per kWh

Residential
General Service Small
Local Government Service Small
Temporary Service
Athletic Field
Traffic Lighting
Unmetered Traffic Lighting
Unmetered School Zone/Crossing
Unmetered Security Camera
Unmetered Wi-Fi Devices

NET MONTHLY RATE \$3.98 Per kW

General Service Medium
Local Government Service Medium

NET MONTHLY RATE \$5.51 Per kVA

General Service Large
Local Government Service Large
General Service Time Of Use

TRANSMISSION COST RECOVERY FACTOR BALANCING ACCOUNT CALCULATION

The TCRF shall be calculated using the following formula:

TCRF Annual Billing = (Actual monthly net TCOS billing amounts charged by ERCOT transmission service providers to the City) + (Projected increases or decreases pursuant to PUCT-approved TCOS billing amount charges to ERCOT utilities) + (applicable Franchise Fees and required ROI)

During the last month of each fiscal year quarter (December, March, June, and September), the General Manager of the City’s electric utility or their designee shall calculate the TCRF Balancing Account. The TCRF charge will be developed by the City for each applicable customer billing schedule herein, based on projected kWh sales for billing schedules without a demand component and on monthly peak kW or kVA for billing schedules with a demand component. The cumulative forecasted TCRF revenues from all rate classes shall fully recover the TCRF Annual Billing. The General Manager or their designee may recommend to the PUB and City Council a revision to the

TCRF to maintain the City's electric utility in a financially sound position. Any change to the TCRF will be placed on the City Council's consent agenda.

TCRF rate class allocation amount = [(TCRF annual billing) x (Projected rate class kWh usage)] / (Total projected usage for all rate classes).

SCHEDULE DGR

DISTRIBUTED GENERATION FROM RENEWABLE SOURCES RIDER

(Effective 07/15/26)

APPLICATION

This Rider is available to retail Customers receiving electric service under a City electric rate schedule who owns and operates an on-site generating system powered by a renewable resource capable of producing power, and which is interconnected with the City's electric system. Systems greater than 20 kW may be required to enter into a Purchase Power Agreement (PPA) applicable to their specific situation in lieu of this rate schedule. Renewable energy technology is any technology that exclusively relies on an energy source that is naturally regenerated over a short time and derived directly or indirectly from the sun or wind. A renewable energy technology does not rely on energy resources derived from fossil fuels, waste products from fossil fuels, or waste products from inorganic sources.

This Rider applies to a Customer-owned generating system that primarily offsets all or part of the Customer's electric service provided by the City. If the Customer-owned generating system is sized such that it produces energy in excess of a Customer's electric consumption, special arrangements and a contract may be necessary. The current interconnection guidelines may be found in the Distributed Generation Manual located at www.cityofdenton.com.

In light of additional costs associated with the Distributed Generation From Renewable Sources Rider and to mitigate potential risk to ratepayers, any participant in the Distributed Generation From Renewable Sources Rider must be, at the time this Rider is applied for and continuing while such Rider is in effect, a Customer in good standing of all City utilities, including solid waste services. Unless legal review procedures have been invoked in good faith regarding the obligation, a Customer in good standing for the purpose of this Rider is defined as a Customer not owing any unpaid utility or solid waste debt obligation that is over forty-five (45) days past due to the City during the previous twelve (12) months.

CONDITIONS OF SERVICE

All charges, character of service, and terms and conditions of the electric rate schedule under which the Customer receives service shall apply except as expressly altered by this Rider. This Rider is subject to change at any time.

The Customer shall comply with the City's current technical requirements for distributed generation interconnection. The Customer shall obtain approval from the City prior to the installation of the on-site generating system. The Customer shall submit to the City a completed interconnection application form and signed Agreement for Interconnection and Parallel Operation of Distributed Generation before the system installation. The minimum term of an agreement under this Rider is one year, extended automatically unless terminated by either party with sixty (60) days advance written notice.

The Customer is responsible for the costs of interconnecting with the City's electric system, including transformers, service lines, or other equipment determined necessary by the City for safe installation and operation of the Customer's equipment with the City's electric system. The

Customer is responsible for any costs associated with required inspections and permits.

METERING

Metering under this Rider shall be performed by a single meter capable of registering the flow of electricity in two directions (delivered by the City's electric system to the Customer and delivered to the City's electric system by the Customer's system) to determine the Customer's generation delivered to the City.

The Value of Solar (VOS) Rate

Applicable to any customer receiving City electric service that owns an on-site distributed generation (DG) system powered by solar which is interconnected with the City's electric system and does not otherwise have a purchase power agreement with the City.

MONTHLY RATE

(1) Value of Solar Rate	\$0.0500 per kWh
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VALUE OF SOLAR CALCULATION

VOS Credit = (all kWh delivered from customer DG to DME) * (VOS Rate)

The Value of Solar credit will be applied monthly based on all kWh delivered from Customer to City's electric system during the billing period regardless of customer usage during that month.

Beginning in the billing period after a Customer receives approval from the City, to interconnect the Customer's on-site generating system; all energy generated by the Customer's system and delivered to the City's electric system will be considered renewable energy. The Customer shall be billed for all energy delivered by the City to the Customer under the approved rates.

Any Billing Period Credit shall be applied to the utility charges due from the Customer to the City for the billing period.

INDEMNIFICATION

The Customer operating the renewable distributed generation system indemnifies the City and holds the City harmless for all damages and injuries to the City, the Customer, or others arising out of Customer's use, ownership or operation of Customer's distributed generation facilities in parallel with the City's system. Customer is solely responsible for providing adequate protection for operating in parallel with the City's system in such a manner that faults or other disturbances on the City's system do not cause damage to the Customer's distributed generation equipment.

SCHEDULE SFR

SPECIAL FACILITIES RIDER

(Effective 07/15/26)

- (1) All service shall be offered from available facilities. If a Customer's service characteristics require facilities and devices not normally and readily available at the location where the Customer requests service, the total cost incurred by the City for all facilities installed, buried, relocated and/or removed shall be the responsibility of the Customer and subject to a contract entered between the City and the Customer. This contract shall be signed by both parties prior to the City providing service to the Customer.
- (2) Any contract under this rider is subject to the following approvals:
 - (a) If the total value of the contract is less than \$100,000, the contract may be approved by the City Manager, or their designee. If a contract under this subsection is not approved by the City Manager, or their designee, then it must be recommended for approval by the Public Utilities Board and approved by the City Council.
 - (b) If the total value of the contract is equal to or greater than \$100,000, the contract must be recommended for approval by the Public Utilities Board and approved by the City Council.

SCHEDULE PAF

POLE ATTACHMENT FEE

(Effective 07/15/26)

APPLICATION

This Rate is available to a licensee (“Licensee” or “licensee”) who desires to access designated poles or conduits owned by the City for the purpose of installing and maintaining their facilities and associated equipment to provide services to the public. An agreement between such entity and the City or its contractor shall be executed on a separate form, but will reference, the following rate schedule:

$$\text{Space Factor} = \frac{\text{Rate} = \text{Space Factor} \times \text{Cost}}{[(\text{Space Occupied}) + (2/3 \times (\text{Unusable Space} \div \text{No. of Attaching Entities}))]} \text{ (Pole Height)}$$

Cost:

in Service Areas where the number of Attaching Entities is 5 = 0.66 x (Net Cost of Bare Pole) x Carrying Charge Rate

in Service Areas where the number of Attaching Entities is 4 = 0.56 x (Net Cost of Bare Pole) x Carrying Charge Rate

in Service Areas where the number of Attaching Entities is 3 = 0.44 x (Net Cost of Bare Pole) x Carrying Charge Rate

in Service Areas where the number of Attaching Entities is 2 = 0.31 x (Net Cost of Bare Pole) x Carrying Charge Rate

NET ANNUAL RATE

(1) Annual Pole Attachment (“APA”) Distribution

\$/attachment/year	2 Attachers	3 Attachers	4 Attachers	5 Attachers
	\$19.86	\$19.78	\$19.83	\$19.59

plus;

(2) APA Transmission

\$/attachment/year	2 Attachers	3 Attachers	4 Attachers	5 Attachers
	\$410.93	\$403.94	\$399.99	\$390.72

Note: Annual Rates (2) and (3) listed above are not available on all poles nor in all areas across the City.

MISCELLANEOUS

- | | | |
|-----|---------------------------------|---------------------------------|
| (1) | Unauthorized Attachment Penalty | \$1,000 per attachment per pole |
| (2) | Undefined Work or Expense | Rate pursuant to Schedule SFR |

APPLICATION AND MAKE READY COSTS

Licensees will be required to pay for any work done or contracted by the City, including but not limited to any application fees, analysis, make ready work and any installed, used or maintained facilities in violation of the Agreement that the licensee has not corrected. The City or its Contractor will invoice licensee, and licensee must pay, for identified expenses as needed before any work will begin and shall include all reasonable fully loaded material (including any applicable overhead), labor, engineering, transportation and administrative costs. These fees will be as set forth in the contract agreement with the third-party contractor who provides such services, if applicable.

PAYMENT

Bills are due when rendered and become past due if not paid within fifteen (15) calendar days from date of issuance.

SCHEDULE BIF

BANNER INSTALL FEE

(Effective 07/15/26)

APPLICATION

Applicable to any person who has completed an application and received approval from the City to have a banner installed on facilities owned by the City for the purpose of marketing and publicizing community events shall be assessed a fee based on the following schedule:

NET ANNUAL RATE

Over the Street Banner Install	\$100.00 per banner
Pole One Time Banner Install	\$15.00 per banner
Pole Seasonal Banner Install	\$27.00 per banner

TERMS AND CONDITIONS OF SERVICE

Persons requesting the City install an Over the Street Banner must provide the City with a banner that is no more than three (3) feet tall by thirty-five (35) feet in length with six (6) feet of rope. All Over the Street Banners must be made out of mesh only (fish net type material). A sample of the banner material is recommended for approval. The City's Building Inspections Department requires an application and permit fee of sixty (60) dollars for installation of an Over the Street Banner which needs to be completed prior to contacting the City's electric utility.

Persons requesting the City install a Pole Banner must provide the City's electric utility with a banner that is no more than thirty (30) inches tall by eighty (80) inches in length with openings of two (2) inches. Pole Banners are required to be made of weather beater or vinyl material only. The appropriate application for each type of banner must be completed prior to installation and returned to a representative of the City's Electric Operations and Maintenance Division along with applicable fees listed above, a digital image of the banner, and location requests. The City's electric utility will determine install locations depending on availability. Any banners that promote sponsors or advertisement are strictly prohibited.

PAYMENT

Payment is required to the City at the time the banners are given for installation. Permit fees, when applicable, are due to Building Inspections in order to reserve specific dates.

SCHEDULE WNA

WIRELESS NODE ATTACHMENTS

(Effective 07/15/26)

APPLICATION

This Rate is available to a licensee who desires to install and maintain their wireless nodes and associated equipment to provide services to the public. An agreement between such entity and the City shall be executed separate from, but will reference, the following rate schedule:

NET ANNUAL RATE

	(1)	Facility Charge	\$18.09 per node
plus;			
	(2)	Usage Charge	\$0.0674 per kWh
plus;			
	(3)	Energy Cost Adjustment Charge	See Schedule ECA
plus;			
	(4)	Transmission Cost Recovery Factor	See Schedule TCRF

METERED USAGE CHARGE

Billing for the Metered Usage Charge shall be based on actual kWh consumption for each device once every twelve (12) months at the end of the fiscal year.

$$\text{Usage Charge} = \text{All kWh per device} \times \text{Rate per kWh}$$

UNMETERED USAGE CHARGE

Billing for the Unmetered Usage Charge shall be based on 1) kWh consumption from similarly installed metered equipment; or 2) technical information of installed equipment provided by licensee, if similar equipment is not already metered. This calculated consumption will be billed for each device once every twelve (12) months at the end of the fiscal year.

$$\text{Usage Charge} = \text{Annual kWh per device} \times \text{Rate per kWh}$$

$$\text{Annual Usage} = 2,000 \text{ kWh per device per account (or calculated consumption based on technical information provided by licensee)}$$

MISCELLANEOUS

	(1)	Unauthorized Attachment Penalty	\$1,000 per attachment
	(2)	Undefined Work or Expense	Rate pursuant to Schedule SFR

MAKE READY COSTS

Licensees will be required to pay for any work done or contracted by the City, including but not limited to make ready work and any installed, used or maintained facilities in violation of the Agreement that the licensee has not corrected. The City will invoice licensee, and licensee must pay, for identified expenses as needed before any work will begin and shall include all reasonable fully loaded material (including any applicable overhead), labor, engineering, transportation and administrative costs.

PAYMENT

Bills are due when rendered and become past due if not paid within fifteen (15) calendar days from date of issuance.

SCHEDULE EVCR

ELECTRIC VEHICLE CHARGING RATE

(Effective 07/15/26)

APPLICATION

Applicable to vehicles that utilize charging services from City of Denton owned and operated Level 2 EV chargers.

NET ANNUAL RATE

(1) Usage Charge \$0.0406 per minute

USAGE CHARGE

Billing for the Usage Charge shall be based on actual charging time incurred. The billing service will be provided by a third-party vendor

Usage Charge = EV Charging duration × Rate per Minute

SCHEDULE WTS

WHOLESALE TRANSMISSION SERVICE

(Effective 07/15/26)

AVAILABILITY

To Eligible Transmission Service Customers for Wholesale Transmission Service through the Denton Municipal Electric Utility transmission system, at all points where transmission facilities of adequate capacity and suitable voltage are available to provide service, in accordance with Public Utility Commission of Texas (PUC or Commission) 16 Texas Administrative Code (TAC) §§ 25.191-.203.

APPLICABILITY

Applicable only to wholesale transactions involving the wholesale purchase of electric power and energy. This tariff for Wholesale Transmission Service is applicable to Transmission Service using any transmission facilities owned by the Denton Municipal Electric Utility in accordance with 16 TAC §§ 25.191-.203.

TYPE OF SERVICE

Three phase, 60 hertz alternating current, delivered onto, or received from Denton Municipal Electric Utility's transmission system at 60,000 volts or greater and on transmission facilities that have been prepared and made available for this service.

TRANSMISSION SERVICE REQUIREMENTS

As a condition to obtaining Wholesale Transmission Service, the Transmission Service Customer shall execute an Interconnection Agreement with each Transmission Provider, in accordance with 16 TAC § 25.198, and the Transmission Service Customer shall meet all Electric Reliability Council of Texas (ERCOT) requirements as specified in the ERCOT Protocols and Operating Guides.

CONDITIONS PRECEDENT FOR RECEIVING SERVICE

Subject to the terms and conditions hereof and of 16 TAC § 25.198, the Denton Municipal Electric Utility will provide wholesale Transmission Service to any Eligible Transmission Service Customer, provided that:

(A) the eligible Transmission Service Customer has completed an Application for Transmission Service, as provided under 16 TAC § 25.198;

(B) the eligible Transmission Service Customer and Denton Municipal Electric Utility, or a third party, have completed installation of all equipment specified under the Interconnection Agreement, consistent with NERC and ERCOT guidelines as set forth in 16 TAC § 25.198;

€ the eligible Transmission Service Customer has executed an Interconnection Agreement for service under this tariff or, if necessary, requested in writing that Denton Municipal Electric Utility file a proposed unexecuted agreement with the Commission;

(D) the eligible Transmission Service Customer has arranged for Ancillary Services necessary for the transactio€(E) each wholesale load for which Transmission Service is requested maintains a power factor of 95% or greater at each point of interconnection;

(F) the Transmission Service Customer has constructed, maintains and operates the facilities on its side of each point of interconnection that are necessary to reliably interconnect and deliver power from a resource to Denton Municipal Electric Utility's transmission system and from Denton Municipal Electric Utility's transmission system to the Transmission Service Customer's loads;

(G) to the extent the Transmission Service requires the addition of facilities or upgrades to the transmission system, such facilities have been placed in service.

APPLICATION PROCEDURES

The Denton Municipal Electric Utility and the Transmission Service Customer shall comply with the application procedures for Transmission Services set forth in 16 TAC § 25.198, which shall govern such procedures.

CONSTRUCTION OF NEW FACILITIES

Construction of new facilities needed to accommodate a request for Planned Transmission Service shall be in accordance with the procedures set forth in 16 TAC § 25.198. Upon receipt of a request for Transmission Service, the Denton Municipal Electric Utility shall, if necessary, perform a System Security Study in accordance with 16 TAC § 25.198. Based on the results of the System Security Study, the Denton Municipal Electric Utility also may perform a Facilities Study, in accordance with 16 TAC § 25.198. An executed Facilities Study agreement with the Transmission Service Customer is required prior to the Denton Municipal Electric Utility performing a Facilities Study. In the event that existing facilities are inadequate to support the requested Transmission Service, Denton Municipal Electric Utility may require the Transmission Service Customer to provide a contribution in aid of construction attributable to directly assigned facilities.

LOAD SHEDDING AND CURTAILMENT

Transmission Service hereunder shall be subject to, and the Denton Municipal Electric Utility and the Transmission Service Customer will comply with, the load shedding and curtailment procedures established under 16 TAC § 25.200. Any interruption shall be based on operational factors and shall not accord a higher priority to the Denton Municipal Electric Utility's retail and wholesale customers than to its customers taking Transmission Service. Service to all customers shall be restored as quickly as possible.

PRICING FOR TRANSMISSION SERVICE WITHIN ERCOT

Charges for Transmission Service hereunder shall be in accordance with Texas Utilities Code § 35.004(d). For Transmission Service a Transmission Service Customer shall incur both an access charge, as set forth below, and loss compensation charges.

Annual Postage Stamp Charge (access charge) \$0.333063 per kW of coincident peak demand determined in accordance with 16 TAC §25.192.

Monthly Postage Stamp Charge (access charge) \$0.027755 per kW of coincident peak demand determined in accordance with 16 TAC §25.192.

Charges for each calendar year shall be adjusted pursuant to the schedule in the PUC’s Order approving the transmission charges for that year.

PRICING FOR TRANSMISSION SERVICE FOR EXPORTS FROM ERCOT

Charges for Transmission Service for exports from ERCOT shall be in accordance with Texas Utilities Code § 35.004(d) and 16 TAC § 25.192. Transmission Service Customers exporting power from ERCOT will be assessed transmission service charges based on the amount of power actually exported and the duration of the transaction. Charges for Transmission Service for exports from ERCOT shall be determined in accordance with 16 TAC § 25.192(e) and shall be calculated using the charges set forth below:

	<u>Access Rate</u>
	per kW of
	<u>peak demand</u>
<u>Service Type</u>	
Hourly Rate	\$0.000038

LOSSES

Losses shall be calculated by the Independent System Operator (ISO) in accordance with the method approved by the 16 TAC § 25.192.

RESALE OF TRANSMISSION RIGHTS

With advance written notice to the Denton Municipal Electric Utility and subject to a reasonable credit review, a Transmission Service Customer may resell any and all Transmission Service rights contracted for by the Transmission Service Customer to other wholesale market participants pursuant to 16 TAC § 25.191. The Transmission Service Customer shall inform the Denton Municipal Electric Utility and obtain ISO approval for any resale of Transmission Service rights.

RELIABILITY GUIDELINES

To maintain reliability of the ERCOT transmission grid, Denton Municipal Electric Utility shall operate its transmission system in accordance with ERCOT Protocols, ERCOT Operating

Guides, NERC guidelines, and any other guidelines of the ISO that may apply to Denton Municipal Electric Utility' transmission system.

The Denton Municipal Electric Utility reserves the right, consistent with good utility practice and on a non-discriminatory basis, to interrupt Transmission Service without liability on the Denton Municipal Electric Utility's part for the purpose of making necessary adjustments to, changes in, or repairs to its lines, substations and other facilities, or where the continuance of Transmission Service would endanger persons or property. In the event of any adverse condition or disturbance on Denton Municipal Electric Utility's system or any other system directly or indirectly interconnected with Denton Municipal Electric Utility's system, Denton Municipal Electric Utility, consistent with Good Utility Practice, also may interrupt Transmission Service on a non-discriminatory basis in order to limit the extent or damage of the adverse condition or disturbance, to prevent damage to generating or transmission facilities, or to expedite restoration of service. The Denton Municipal Electric Utility will give the Transmission Service Customer as much advance notice as is practicable in the event of such interruption and shall restore service with due diligence.

The Transmission Service Customer's failure to respond to established emergency load shedding and curtailment procedures to relieve emergencies on Denton Municipal Electric Utility' transmission system may result in the Transmission Service Customer being deemed by Denton Municipal Electric Utility to be in default and may result in the termination of Transmission Service.

PAYMENT

Any charges due to Denton Municipal Electric Utility under this rate schedule shall be billed in accordance with 16 TAC § 25.202. Customers shall make payment to Denton Municipal Electric Utility in a manner consistent with the procedures and deadlines set forth in 16 TAC § 25.202. Any late payments by customers or customer defaults shall be handled in accordance with 16 TAC § 25.202.

CONTRACT TERM

Planned Transmission Service is available for annual service, monthly service in multiples of one-month, weekly service, and daily service. Unplanned Transmission Service is available for periods of not less than one hour or more than 30 days.

AGREEMENT

An agreement for Transmission Service containing terms and provisions consistent with 16 TAC §§ 25.191-.203 is required prior to commencement of such service. Such agreement will require approval of the City Council of Denton.

DEFINITIONS

Capitalized terms shall have the meanings set forth in 16 TAC §§ 25.5 and 25.191 .203.

AMENDMENTS TO RULES

In the event 16 TAC §§ 25.191-.203 are amended or if a new rule is adopted governing the subject matter of this tariff, this tariff shall, nevertheless, remain effective until the new tariff(s) filed pursuant to any such amendment(s) or such new rules are approved, unless the amendment(s) or new rules or an agreement of the parties provide otherwise.

PUBLIC UTILITIES COMMISSION OF TEXAS TARIFF

This Schedule WTS is subject to change. The most up to date WTS tariff rate is filed with the Public Utilities Commission of Texas

SECTION 2. The City Manager is hereby authorized to expend funds to authorize credits to Customers on their electric service bills and further to authorize cash incentives in accordance with the form and type set forth in Schedule GIP, as the installation of energy efficient upgrades is in the best interest of the City, as such will reduce energy demand and consumption, reduce the peak load of the City’s electric system, reduce emissions in the state, and promote energy conservation, which are all public purposes of the City.

SECTION 3. All ordinances or parts of ordinances in force when the provisions of this ordinance became effective which are inconsistent, or in conflict with the terms or provisions contained in this ordinance are hereby repealed to the extent of any such conflict.

SECTION 4. If any section, subsection, paragraph, sentence, clause, phrase or word in this ordinance, or application thereof to any person or circumstances is held invalid by any court of competent jurisdiction, such holding shall not affect the validity of the remaining portions of this ordinance, and the City Council of the City of Denton, Texas, hereby declares it would have enacted such remaining portions despite any such invalidity.

SECTION 5. The rates herein adopted shall become effective, charged, and applied to all electric services rendered by the City, and all energy usage by Customers of the City effective with the first billing issued on and after July 15, 2026; and a copy of said rates shall be maintained on file in the Office of the City Secretary of the City of Denton, Texas.

SECTION 6. This ordinance shall be effective immediately upon its passage and approval.

The motion to approve this ordinance was made by _____, seconded by _____, and was passed and approved by the following vote [____ - ____]:

	Aye	Nay	Abstain	Absent
Mayor Chris Watts:	_____	_____	_____	_____
Jordan Villarreal, District 1:	_____	_____	_____	_____
Nick Stevens, District 2:	_____	_____	_____	_____
Suzi Rumohr, District 3:	_____	_____	_____	_____
Joe Holland, District 4:	_____	_____	_____	_____
George Ferrie, At Large Place 5:	_____	_____	_____	_____
Jill Jester, At Large Place 6:	_____	_____	_____	_____

PASSED AND APPROVED this the _____ day of _____, 2026.

CHRIS WATTS, MAYOR

ATTEST:
KRISTI FOGLE, INTERIM CITY SECRETARY

BY: _____

APPROVED AS TO LEGAL FORM:
MACK REINWAND, CITY ATTORNEY

BY: *Marcella Lunn*



3rd Quarter Review- Energy Cost Adjustment (ECA) and Transmission Cost Recovery Factor (TCRF)

Melissa Cuevas
Executive Manager of Energy Services
July 14, 2026

ID26-0828

Current Rates

- Native Load Energy Cost Adjustment (No Changes Recommended)
 - \$0.0462/kWh
 - Provides a buffer +/- \$20,000,000 ECA Balance
- Large Load Energy Cost Adjustment (Increase)
 - \$0.0606/kWh increase to \$0.0696/kWh
 - Provides a \$0 to \$20,000,000 ECA balance buffer
- Transmission Cost Recovery Factor (No Changes Recommended)

Native Load ECA Forecasted Account Balance

ECA Account Balance Forecast		
Month	Year	Maintain Rate
		\$ 0.0462
April	2026	16,561,505.18
May	2026	16,441,976.77
June	2026	15,562,652.37
July	2026	18,950,851.60
August	2026	22,365,249.00
September	2026	23,761,763.38
October	2026	22,452,802.95
November	2026	18,121,460.37
December	2026	15,033,521.43
January	2026	15,117,665.80
February	2026	14,296,128.87
March	2026	\$ 13,517,219.92

Native Load ECA Rate Changes		
Month	Year	ECA Rate
October	2023	\$ 0.0341
April	2024	\$ 0.0447
August	2024	\$ 0.0515
December	2024	\$ 0.0462

TCRF Forecasted Account Balance

TCRF Account Rate Revenue Forecast		
Month	Year	Maintain Rate
		\$ 0.0156
January	2026	2,217,239
February	2026	2,476,409
March	2026	2,185,905
April	2026	2,188,322
May	2026	2,167,741
June	2026	2,690,957
July	2026	3,057,495
August	2026	3,065,531
September	2026	2,446,540
October	2027	1,899,980
November	2027	1,678,391
December	2027	1,871,867
Total		\$ 27,946,377

January through April are actual revenues

TCRF Rate Changes as of October 2023		
Month	Year	TCRF Rate
October	2023	\$ -
April	2024	\$ 0.0135
December	2025	\$ 0.0176
April	2026	\$ 0.0156

Recommendation

DME General Manager and Finance Department recommendation
(Effective July 15, 2026).

- ECA
 - No changes recommended
- Large Load ECA
 - Increase LL ECA to \$0.0696/kWh
- TCRF
 - No changes recommended





Questions?



City of Denton

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

AGENDA INFORMATION SHEET

DEPARTMENT: Finance

ACM: Christine Taylor

DATE: July 14, 2026

SUBJECT

Consider adoption of an ordinance of the City of Denton approving and authorizing the execution of an agreement between the City of Denton and Interfaith Ministries of Denton, Inc., a Texas nonprofit organization operating in the City of Denton, for the expenditure of City Council contingency funds in the amount of five hundred dollars (\$500) designated for donation; providing a severability clause; and providing an effective date.

BACKGROUND

Council Contingency Fund support provides each Council Member with \$1,700 annually to donate to eligible nonprofit organizations within the City of Denton. Organizations receiving Council Contingency Fund donations must meet the City Council's established eligibility criteria.

The following request was made by Council Member Nick Stevens to donate Fiscal Year 2025-26 Council Contingency Funds:

Council Member Nick Stevens	
Interfaith Ministries	\$500
TOTAL	\$500

RECOMMENDATION

Staff recommends approval.

FISCAL INFORMATION

Council Contingency Funds are budgeted annually at a total of \$11,900. Funding for this agreement will come from the City's Fiscal Year 2025-2026 Council Contingency Fund budget.

EXHIBITS

- Exhibit 1 - Agenda Information Sheet
- Exhibit 2 - Council Contingency Support Criteria
- Exhibit 3 – Ordinance

Respectfully submitted:
Terrance Jones
Grants Program Manager

Prepared By:
Terrance Jones
Grant Program Manager



Council Contingency Support

Eligibility Criteria

In accordance with the Sponsorship guidelines, requests for Council Contingency support will only be considered for organizations that meet the eligibility criteria listed below. City staff will seek consultation with appropriate City stakeholders (e.g. City Legal, Finance Department), as needed.

- Must be a non-profit Texas corporation, federally tax-exempt under the Internal Revenue Code (501 (c) (3)) or public agency;
- Must demonstrate corporate good standing with the state of Texas at time of review;
- The applicant must be based in the City of Denton;
- Must have programming, administrative practices and board membership that does not discriminate in violation of state or federal law;
- If previously sponsored, applicant must have successfully fulfilled all prior contracts;
- The applicant cannot represent a for-profit enterprise;
- Must further a charitable cause, economic or community growth, or public interest

The City reserves the right to reject a request at any time.

ORDINANCE NO.

AN ORDINANCE OF THE CITY OF DENTON APPROVING AND AUTHORIZING THE EXECUTION OF AN AGREEMENT BETWEEN THE CITY OF DENTON AND INTERFAITH MINISTRIES OF DENTON, INC., A TEXAS NONPROFIT ORGANIZATION OPERATING IN THE CITY OF DENTON, FOR THE EXPENDITURE OF CITY COUNCIL CONTINGENCY FUNDS IN THE AMOUNT OF FIVE HUNDRED DOLLARS (\$500) DESIGNATED FOR DONATION; PROVIDING A SEVERABILITY CLAUSE; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the City of Denton's Council Contingency Program provides support to nonprofit organizations that are based in the City of Denton and provide programming to benefit the community; and

WHEREAS, Interfaith Ministries of Denton, Inc. (Organization) is a Texas nonprofit corporation operating in the City of Denton that provides emergency assistance, basic resources, supports access to affordable housing, and provides services including utility assistance, diapers and wipes, hygiene supplies, transportation assistance, as well as other services and supplies; and

WHEREAS, Nick Stevens, Mayor Pro Tem, has requested support from available contingency funds to support the eligible organizations; and

WHEREAS, the City Council of the City of Denton hereby finds the agreement between the City and the nonprofit organization, attached hereto as Exhibit A and made a part hereof by reference (the "Agreement"), furthers a charitable cause, economic or community growth, or public interest; NOW THEREFORE,

THE COUNCIL OF THE CITY OF DENTON HEREBY ORDAINS:

SECTION 1. The findings set forth in the preamble of this Ordinance are incorporated by reference into the body of this Ordinance and hereby ratified.

SECTION 2. The Agreement in Exhibit A and the amount designated therein for donation as indicated below is hereby approved:

Exhibit A – Interfaith Ministries - \$500 – Nick Stevens, Mayor Pro, Tem District 2.

SECTION 3. The City Manager, or designee, is hereby authorized to execute the Agreement and to carry out the duties and responsibilities of the City under the Agreements, including the expenditure of funds in accordance with the terms of the Agreement.

SECTION 4. This Ordinance shall become effective immediately upon its passage and approval.

The motion to approve this Ordinance was made by [____] and seconded by [____].

The Ordinance was passed and approved by the following vote [_- _- _]:

	Aye	Nay	Abstain	Absent
Mayor Chris Watts:	_____	_____	_____	_____
Jordan Villareal, District 1:	_____	_____	_____	_____
Nick Stevens, Mayor Pro Tem District 2:	_____	_____	_____	_____
Suzi Rumohr, District 3:	_____	_____	_____	_____
Joe Holland, District 4:	_____	_____	_____	_____
George Ferrie, At Large Place 5:	_____	_____	_____	_____
Jill Jester, At Large Place 6:	_____	_____	_____	_____

PASSED AND APPROVED this the _____ day of _____, 2026.

CHRIS WATTS, MAYOR

ATTEST:
KRISTI FOGLE, INTERIM CITY SECRETARY

BY: _____

APPROVED AS TO LEGAL FORM:
MACK REINWAND, CITY ATTORNEY

BY: _____

**COUNCIL CONTINGENCY FUND AGREEMENT
BETWEEN THE CITY OF DENTON AND
INTERFAITH MINISTRIES**

This Agreement is hereby entered into by and between the City of Denton, a Texas home rule municipal corporation, hereinafter referred to as “City”, and Interfaith Ministries of Denton, Inc. hereinafter referred to as “Organization”, a Texas non-profit corporation.

WHEREAS, the City has determined the services provided by Organization to the citizens of the City merit assistance through the Council Contingency Fund and the City has provided funds in its budget for such Council Contingency Fund; and

WHEREAS, Nick Stevens, Mayor Pro Tem, District 2, requested support from available contingency funds to support Organization; and

WHEREAS, this Agreement serves a valid municipal and public purpose and is in the public interest;

NOW, THEREFORE, the parties hereto mutually agree as follows:

I: OBLIGATIONS OF ORGANIZATION

In consideration of the receipt of funds from the City, Organization agrees to the following terms and conditions:

- A. Five Hundred and no cents (\$500.00) shall be paid to Organization by the City.
- B. Organization will maintain adequate records to establish that the City funds are used only for the purposes authorized by this Agreement.
- C. Upon request, Organization will permit authorized officials of the City to review its books, financial statements, and records and provide copies of its By-Laws, rules and regulations, and meeting minutes at any time. Such information shall be made available within ten (10) business days of such request. All records pertaining to the funds granted hereby shall be maintained for at least five (5) years after the expiration or termination of this Agreement.
- D. Organization will not enter into any contracts that would encumber City funds or the use thereof for a period that would extend beyond the term of this Agreement.
- E. Organization will appoint a representative who will be available to meet with City officials when requested.
- F. Organization will comply with all applicable federal, State, and local laws and policies including all state and federal anti-discrimination laws. In the event Organization fails to comply, this Agreement may be canceled, terminated, or suspended in whole or in part, and Organization may be barred from further contracts with the City.
- G. Organization will comply with all applicable federal, state, and local laws and

policies regarding conflicts of interest and will not participate in any transactions or decisions where such a conflict might exist.

II: TIME OF PERFORMANCE

The term of this Agreement shall commence on the date of the last signature affixed to this Agreement (the "Effective Date") and terminate one year from the Effective Date unless the contract is sooner terminated under Section V "Termination".

III. PAYMENTS

A PAYMENTS TO ORGANIZATION. City shall pay to Organization the sum specified in Article I after the Effective Date of this Agreement.

B EXCESS PAYMENT. Organization shall refund to City within ten (10) working days of City's request, any sum of money which has been paid by City and which City at any time thereafter determines: has resulted in overpayment to Organization; or has not been spent strictly in accordance with the terms of this Agreement; or is not supported by adequate documentation to fully justify the expenditure.

IV. EVALUATION

Organization agrees to participate in an implementation and maintenance system whereby the services can be continuously monitored. Organization maintains records that provide complete and accurate statements as to the status and use of City funds. In addition, upon request, Organization agrees to provide the City with the following data and reports, or copies thereof related to this Agreement, including all external and internal audits. Organization shall submit a copy of the annual independent audit to the City within ten (10) days of receipt; all external or internal evaluation reports; and an explanation of any major changes in program services.

V. TERMINATION

The City may terminate this Agreement for cause if Organization violates any provision of this Agreement, Organization' insolvency or filing of bankruptcy, dissolution, or receivership, or Organization' violation of any law or regulation to which it is bound under the terms of this Agreement. The City may terminate this Agreement for other reasons not specifically enumerated in this paragraph, including for convenience. The Agreement shall immediately terminate upon reasonable notice to Organization.

VI. WARRANTIES

Organization represents and warrants that:

A. All financial reports, information, reports, records, and data heretofore or hereafter requested by City and furnished to City pursuant to this Agreement, are complete and accurate and fairly reflect the financial conditions of Organization of the date shown on the financial report, information, data, record, or report, and, since that date, have not undergone any significant change, adverse or otherwise, without written notice to City.

B. No litigation or legal proceedings are presently pending or threatened against Organization.

C. None of the provisions herein contravenes or is in conflict with the authority under which Organization doing business or with the provisions of any existing indenture or agreement of Organization.

D. Organization has the power to enter into this Agreement and accept payments hereunder and has taken all necessary action to authorize such acceptance under the terms and conditions of this Agreement.

E. Organization does not have any conflicts of interest with respect to this transaction.

Each of the representations and warranties made by Organization herein shall be continuing and shall be deemed to have been repeated by the submission of each request for payment.

VII. CHANGES AND AMENDMENTS

A. Any alterations, additions, or deletions to the terms of this Agreement shall be by written amendment executed by both parties.

B. It is understood and agreed by the parties hereto that changes in the State, Federal, or local laws or regulations pursuant hereto may occur during the term of this Agreement. Any such modifications are to be automatically incorporated into this Agreement without written amendment hereto and shall become a part of the Agreement on the effective date specified by the law or regulation.

C. Organization shall notify the City of any changes in executive, managerial, or similar level of personnel or in governing board composition.

VIII. INDEMNIFICATION

TO THE EXTENT AUTHORIZED BY LAW, ORGANIZATION AGREES TO INDEMNIFY, HOLD HARMLESS, AND DEFEND THE CITY, ITS OFFICERS, AGENTS, AND EMPLOYEES FROM AND AGAINST ANY AND ALL CLAIMS OR SUITS FOR INJURIES, DAMAGE, LOSS, OR LIABILITY OF WHATEVER KIND OR CHARACTER, ARISING OUT OF OR RELATED TO THE PERFORMANCE BY ORGANIZATION OR THOSE SERVICES CONTEMPLATED BY THIS AGREEMENT, INCLUDING ALL SUCH CLAIMS OR CAUSES OF ACTION BASED UPON COMMON, CONSTITUTIONAL OR STATUTORY LAW, OR BASED, IN WHOLE OR IN PART, UPON ALLEGATIONS OF NEGLIGENT OR INTENTIONAL ACTS OF ORGANIZATION, ITS OFFICERS, EMPLOYEES, AGENTS, SUBCONTRACTORS, LICENSEES, AND INVITEES.

IX. NOTICE

Any notice or other written instrument required or permitted to be delivered under the terms of this Agreement shall be deemed to have been delivered, whether actually received or not, when deposited in the United States mail, postage prepaid, registered or certified, return receipt requested, or via hand-delivery, e-mail, addressed to Organization or City, as the case may be, at the following addresses:

CITY	ORGANIZATION
City of Denton, Texas	Interfaith Ministries
Attn: Interim City Manager	Keri Caruthers
215 E. McKinney St.	Executive Director
Denton, TX 76201	1109 North Elm
cassey.ogden@cityofdenton.com	Denton, TX 76201

Either party may change its mailing address by sending written notice of change of address to the other at the above address by certified mail, return receipt requested.

X. MISCELLANEOUS

A. Organization shall not transfer, pledge or otherwise assign this Agreement or any interest therein, or any claim arising thereunder to any party without the prior written approval of the City.

B. If any provision of this Agreement is held to be invalid, illegal, or unenforceable, the remaining provisions shall remain in full force and effect and continue to conform to the original intent of both parties hereto.

C. In no event shall any payment to Organization hereunder, or any other act or failure of City to insist in any one or more instances upon the terms and conditions of this Agreement constitute or be construed in any way to be a waiver by City of any breach or default under this Agreement. Neither shall such payment, act, or omission in any manner impair or prejudice any right, power, privilege, or remedy available to the City to enforce its rights hereunder, which rights, powers, privileges, or remedies are always specifically preserved. No representative or agent of the City may waive the effect of this provision.

D. The following sections shall survive the termination of this Agreement: Section I, Subsections B, C, and E; Section III Subsection B; Section VI Subsection A; Section VIII. INDEMNIFICATION, and Section IX.

E. This Agreement, together with herein referenced exhibits and attachments, which are hereby incorporated, constitutes the entire agreement between the parties hereto, and no prior agreement, assertion, statement, understanding, or other commitment occurring during the term of this Agreement or subsequent thereto, has any legal force or effect whatsoever, unless properly executed in writing, and if appropriate, recorded as an amendment of this Agreement.

F. This Agreement shall be governed by the laws of the State of Texas and venue shall be and remain in Denton County, Texas.

IN WITNESS WHEREOF, the parties do hereby each affix their signatures by and through their respective duly authorized representatives and enter into this Agreement as of the _____ day of _____, 2026.

CITY OF DENTON
CASSEY OGDEN, INTERIM CITY MANAGER

ATTEST:
KRISTI FOGLE, INTERIM CITY
SECRETARY

BY: _____

INTERFAITH MINISTRIES OF DENTON INC.

APPROVED AS TO LEGAL FORM
MACK REINWAND, CITY ATTORNEY

BY: Susan Keller

THIS AGREEMENT HAS BEEN BOTH
REVIEWED AND APPROVED
As to financial and operational obligations
And business terms.

SIGNATURE

PRINT NAME

TITLE
Finance
DEPARTMENT



City of Denton

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

AGENDA INFORMATION SHEET

DEPARTMENT: City Attorney's Office

CM/ DCM/ ACM: Mack Reinwand, City Attorney

AGENDA DATE: July 14, 2026

SUBJECT

Consider adoption of an ordinance of the City of Denton approving a Settlement Agreement and Release implementing the terms of the settlement in litigation styled "*Jose Garcia v. City of Denton*;" Cause No. CV-2026-00945 pending in the County Court at Law No. 2, Denton County, Texas; and directing the City Manager or designee and the City's attorneys to effectuate as necessary and appropriate the terms of a Settlement Agreement and Release to effectuate this approval; and declaring an effective date.

BACKGROUND

On 2/25/26, Plaintiff, Jose Garcia, filed suit against the City of Denton because of a vehicle collision with a City of Denton Police Department vehicle. On 1/28/2025, Plaintiff was stopped at a traffic light on Fort Worth Drive, and a City of Denton police vehicle driven by a Citizen's Police Academy Alumni Association volunteer who removed their foot from the brake and rolled into the back of Plaintiff's vehicle at low speed.

OPTIONS

Given the City's liability exposure, the costs to defend the matter, and Plaintiff's damages, I recommend that we settle this matter for \$15,200. Settlement of this matter is within previously delegated settlement authority, and the option is to formally ratify and approve the settlement.

RECOMMENDATION

Proceed with formal approval.

EXHIBITS

Exhibit 1 – AIS

Exhibit 2 – Ordinance and Settlement Agreement and Release

Respectfully submitted:

/s/ Devin Q. Alexander
Senior Deputy City Attorney

Legal Staff Contact:
Devin Alexander

ORDINANCE NO. _____

AN ORDINANCE OF THE CITY OF DENTON APPROVING A SETTLEMENT AGREEMENT AND RELEASE IMPLEMENTING THE TERMS OF THE SETTLEMENT IN LITIGATION STYLED “JOSE GARCIA V. CITY OF DENTON” CAUSE NO. CV-2026-00945 PENDING IN THE COUNTY COURT AT LAW NO. 2, DENTON COUNTY, TEXAS; AND DIRECTING THE CITY MANAGER OR DESIGNEE AND THE CITY’S ATTORNEYS TO EFFECTUATE AS NECESSARY AND APPROPRIATE THE TERMS OF A SETTLEMENT AGREEMENT AND RELEASE TO EFFECTUATE THIS APPROVAL; AND DECLARING AN EFFECTIVE DATE.

THE COUNCIL OF THE CITY OF DENTON HEREBY ORDAINS:

SECTION 1. The City Council hereby ratifies and approves the proposed settlement of litigation styled “*Jose Garcia v. City of Denton*” Cause No. CV-2026-00945 pending in the County Court at Law No. 2, Denton County, Texas, under terms set forth in the attached Settlement Agreement and Release.

SECTION 2. The City Manager or designee and the City’s Attorneys are hereby authorized to act on the City’s behalf in approving and executing any and all documents necessary or appropriate to effectuate the terms of the settlement, and to take other actions necessary to finalize the settlement.

SECTION 3. This Ordinance shall become effective immediately upon its passage and approval.

The motion to approve this ordinance was made by _____ and seconded by _____. This Ordinance was passed and approved by the following vote [___ - ___]:

	Aye	Nay	Abstain	Absent
Mayor Chris Watts:	_____	_____	_____	_____
Jordan Villarreal, District 1:	_____	_____	_____	_____
Nick Stevens, District 2:	_____	_____	_____	_____
Suzi Rumohr, District 3:	_____	_____	_____	_____
Joe Holland, District 4:	_____	_____	_____	_____
George Ferrie, At Large Place 5:	_____	_____	_____	_____
Jill Jester, At Large Place 6:	_____	_____	_____	_____

PASSED AND APPROVED this the _____ day of _____, 2026.

CHRIS WATTS, MAYOR

ATTEST:
KRISTI FOGLE, INTERIM CITY SECRETARY

BY: _____

APPROVED AS TO LEGAL FORM:
MACK REINWAND, CITY ATTORNEY

BY: *Devin Q. Alexander*

EXHIBIT "A"

Settlement Agreement and Release

CAUSE NO. CV-2026-00945

JOSE GARCIA.	§	IN THE COUNTY COURT AT LAW
	§	
Plaintiff,	§	
	§	
v.	§	COUNTY COURT AT LAW NO.2
	§	
CITY OF DENTON,	§	
	§	
Defendant.	§	DENTON COUNTY, TEXAS

COMPROMISE SETTLEMENT AGREEMENT AND RELEASE

STATE OF TEXAS)	
)	KNOW ALL MEN BY THESE PRESENTS:
COUNTY OF DENTON)	

1. That I, Chasity Martinez, the undersigned authorized representative of Jose Garcia (hereinafter the "Plaintiff") for and in consideration of the sum of FIFTEEN THOUSAND and TWO-HUNDRED DOLLARS AND 00/100 (\$15,200.00) cash paid to Plaintiff AND DFW INJURY LAWYERS, by the City of Denton (hereinafter the "City"), the receipt of which is hereby acknowledged, do by these presents acknowledge the full and complete settlement of Plaintiff's claim(s) against the City, and hereby release and forever discharge the City and its employees including but not limited to Thomas Ishee from any and all damages sustained by Plaintiff resulting from the automobile accident on or about January 28, 2025, at or near Denton, Texas, which allegations are set out more fully in the Plaintiff's Original Petition in this matter filed in the County Court at Law No. 2 in Denton County, Texas.

2. It is the intention of the undersigned to acknowledge the satisfaction in full of all damages of any nature whatsoever which have occurred to the Plaintiff as a result of the above described accident, whether fully developed at this time or not. It is understood that the

considerations stated cover the contingency of a greater or lesser damage to the Plaintiff, whether known or unknown at this time, fully developed or otherwise.

3. The undersigned must deliver settlement payment to the DFW INJURY LAWYERS within 30 days of receipt of the original fully executed Agreement to the Office of the City Attorney, 215 E. McKinney, Denton, Texas 76201. To be considered fully executed, the Agreement must be signed and dated by the City's representative before a notary public, signed and dated by the City's legal counsel, signed and dated by a representative of DFW INJURY LAWYERS and signed and dated by Plaintiff before a notary public.

4. Plaintiff warrants and represents that he is the sole owner of the claims and causes of action asserted and such claims have not been further assigned, sold, pledged or otherwise encumbered in any way.

5. It is further understood that this settlement is a compromise of a disputed claim, and that payment is not to be construed as an admission of liability on the part of the City and its officers, agents, or employees by whom liability is expressly denied.

6. For the aforesaid consideration, Plaintiff further agrees to dismiss with prejudice Cause No. CV-2026-00945, pending in the County Court at Law No. 2 in Denton County, Texas, styled "*Jose Garcia v. the City of Denton*". All claims Plaintiff has in such suit being hereby released by the undersigned as authorized representative of Plaintiff.

7. It is understood and agreed that this Release contains the entire agreement between the parties and supersedes any and all prior agreements, arrangements, or understandings between the parties relating to the subject matter. No oral understandings, statements, promises or inducements contrary to the terms of this Release exists. This Release cannot be changed or terminated orally.

8. In making this agreement of compromise and settlement, Plaintiff has not relied upon any statement or representation pertaining to this matter made by the persons, firms, organizations or corporations who are hereby released, or by any person or persons representing them.

9. It is understood and agreed that this Release shall be binding upon and inure to the benefit of the parties and their respective heirs, representatives, successors and assigns.

10. It is understood and agreed that this Release shall be governed by, construed and enforced in accordance with, and subject to, the laws of the State of Texas.

11. It is understood and agreed that this Release may be executed in a number of identical counterparts, each of which shall be deemed an original for all purposes.

12. The undersigned, further states that in entering into this Settlement Agreement and Release, she has relied upon the legal advice of her attorney, who is the attorney of her own choice, and that the terms of this Settlement Agreement have been completely read and explained to the undersigned by her attorney and that the terms are fully understood and voluntarily accepted by the undersigned.

PLAINTIFF SIGNATURE:

Jose Garcia by counsel Chasity Martinez
JOSE GARCIA

Date of Signature: 6/19/2024

BEFORE ME, the undersigned authority, on this day personally appeared Chasity Martinez, who is known to me to be the person whose name is subscribed to the foregoing instrument, who is personally known by me or by providing Drivers License as qualifying identification.

GIVEN UNDER MY HAND AND SEAL OF OFFICE THIS 19th DAY OF June, 2026.

[Signature]
Notary Public - State of Texas

APPROVED AS TO LEGAL FORM
CHASITY MARTINEZ, ATTORNEY FOR PLAINTIFF

BY: _____
Chasity Martinez



DEFENDANT SIGNATURE:

CITY OF DENTON, TEXAS
SIGNATURE:

Date of Signature: _____

CASSEY OGDEN, INTERIM CITY MANAGER
On behalf of the City of Denton, Texas
Per delegated authority

BEFORE ME, the undersigned authority, on this day personally appeared Sara Hensley, known to me to be the person whose name is subscribed to the foregoing instrument, who is personally known to me or by providing _____ as qualifying identification.

GIVEN UNDER MY HAND AND SEAL OF OFFICE THIS _____ DAY OF _____, 2026.

Notary Public – State of Texas

APPROVED AS TO LEGAL FORM
MACK REINWAND, CITY ATTORNEY

BY: Devin Q. Alexander
Devin Q. Alexander



City of Denton

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

AGENDA INFORMATION SHEET

DEPARTMENT: Procurement
ACM: Christine Taylor
DATE: July 14, 2026

SUBJECT

Consider adoption of an ordinance of the City of Denton, a Texas home-rule municipal corporation, authorizing the City Manager to execute a contract with Kraftsman, LLC dba Kraftsman Commercial Playgrounds & Water Parks, through the Buy Board Cooperative Purchasing Network Contract No. 781-25, for the acquisition of materials and construction of park improvements at Briercliff Park for the Parks and Recreation Department; providing for the expenditure of funds therefor; and providing an effective date (File 9021 – awarded to Kraftsman, LLC dba Kraftsman Commercial Playgrounds & Water Parks, in the not-to-exceed amount of \$1,400,711.00).

STRATEGIC ALIGNMENT

This action supports Key Focus Area: Strengthen Community and Quality of Life.

INFORMATION/BACKGROUND

The City of Denton Parks and Recreation Department owns a 9.62-acre developed parcel named Briercliff Park, located at 3200 State School Road, Denton, TX 76201. On May 17, 2022, City Council approved John R McAdams Company, Inc. for professional design services for the Briercliff Park Master Plan (Ordinance 22-986). The master plan project consisted of public engagement, needs assessment, conceptual designs, construction documents, and probable cost for the development.

The life cycle for a park master plan consists of the stages below. The project is currently in step 9.

1. Hire a consulting firm
2. Assessment & Rendering Creation
3. Community Engagement & Workshop Meetings
4. Board & Commissions Engagement
5. Final Adoption of Master Plan
6. Construction Document Creation
7. If applicable, Grant Writing/Application
8. Funding Allocation
9. Procurement Process/Construction
10. Grand Opening

From June to August 2022, McAdams, in coordination with Parks and Recreation staff, held a series of planning meetings and conducted a site analysis of the existing park. This work resulted in an

initial conceptual rendering used to gather community feedback. In addition, the Development Service Review Team (Planning, Engineering, Wastewater, Solid Waste, Fire, Transportation) reviewed the initial conceptual plan and provided input to McAdams.

Design development and construction documents continued through 2025 to prepare for project delivery. McAdams subcontracted Kraftsman, an aquatic engineering company, for the design and construction documents related to the sprayground components. Kraftsman was utilized for the Carl Young Sr. Sprayground project in Denton and is an approved Buy Board vendor, enabling cost-effective procurement and construction management for the Briercliff sprayground. The pump room components will align with the systems used throughout the other aquatic facilities for ease of replacing parts, operation, and maintenance.

The proposed contract for Kraftsman will be one of two contractor companies managing the overall construction of Briercliff Park. A separate sealed competitive bid will go out through Purchasing for the primary general contracting firm that will oversee the remainder of the park and coordinate any overlapping construction activities.

The City of Denton has been awarded a Local Parks Grant from the Texas Parks and Wildlife Department (TPWD) in the amount of \$750,000 for the renovation and development of Briercliff Park. All elements relating to the grant scope must be completed no later than September 30, 2027.

The acquisition of materials and construction of park improvements at Briercliff Park has a total estimated cost of \$1,400,711. This estimate includes a \$1,273,374 total base bid amount and a contingency of \$127,337. A contingency allowance, if any, is for the sole use of the City and will be subject to written authorization by the City's Project Manager and Program Manager.

Pricing obtained through the Buy Board Cooperative Purchasing Network has been competitively bid and meets the statutory requirements of Texas Local Government Code 271.102.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On February 1, 2005, City Council approved the interlocal agreement with the Buy Board Cooperative Purchasing Network (Ordinance 2005-034).

On May 17, 2022, City Council approved John R McAdams Company, Inc. for professional design services for the Briercliff Park Master Plan (Ordinance 22-986).

On January 9, 2023, Parks, Recreation and Beautification Board approved the design of Briercliff Park from John R McAdams Company, Inc. (5-0).

RECOMMENDATION

Award a contract with Kraftsman, LLC dba Kraftsman Commercial Playgrounds & Water Parks, for the acquisition of materials and construction of park improvements at Briercliff Park for the Parks and Recreation Department, for the amount of \$1,273,374 with an additional 10% contingency of \$127,337 in the not-to-exceed amount of \$1,400,711.

PRINCIPAL PLACE OF BUSINESS

Kraftsman, LLC dba Kraftsman Commercial Playgrounds & Water Parks
Spring, TX

ESTIMATED SCHEDULE OF PROJECT

This project will be started upon approval, with a completion date by December 31, 2027. This Buy Board contract expires on September 30, 2028.

FISCAL INFORMATION

These items and services will be funded from a combination of the following:

Funding Source	Amount	Project Number
Briercliff Park Improvements Park Project Fund	\$ 1,375,000.00	400358403
Briercliff Park Improvements Park Dedication Fund	\$ 25,711.00	400358915

Requisition #175769 has been entered into the Purchasing software system in the amount of \$1,273,374. The budgeted amount for this item is \$1,400,711.

EXHIBITS

- Exhibit 1: Agenda Information Sheet
- Exhibit 2: Ordinance and Contract

Respectfully submitted:
Lori Hewell, 940-349-7100
Purchasing Manager

For information concerning this acquisition, contact: Monica Martin, 940-349-8232.

Legal point of contact: Leah Bush at 940-349-8333.

ORDINANCE NO. _____

AN ORDINANCE OF THE CITY OF DENTON, A TEXAS HOME-RULE MUNICIPAL CORPORATION, AUTHORIZING THE CITY MANAGER TO EXECUTE A CONTRACT WITH KRAFTSMAN, LLC DBA KRAFTSMAN COMMERCIAL PLAYGROUNDS & WATER PARKS, THROUGH THE BUY BOARD COOPERATIVE PURCHASING NETWORK CONTRACT NO. 781-25, FOR THE ACQUISITION OF MATERIALS AND CONSTRUCTION OF PARK IMPROVEMENTS AT BRIERCLIFF PARK FOR THE PARKS AND RECREATION DEPARTMENT; PROVIDING FOR THE EXPENDITURE OF FUNDS THEREFOR; AND PROVIDING AN EFFECTIVE DATE (FILE 9021 – AWARDED TO KRAFTSMAN, LLC DBA KRAFTSMAN COMMERCIAL PLAYGROUNDS & WATER PARKS, IN THE NOT-TO-EXCEED AMOUNT OF \$1,400,711.00).

WHEREAS, pursuant to Ordinance 2005-034, the Buy Board Cooperative Purchasing Network has solicited, received, and tabulated competitive bids for the purchase of necessary materials, equipment, supplies, or services in accordance with the procedures of state law and city ordinances; and

WHEREAS, the City Manager, or a designated employee, has reviewed and recommended that the herein described materials, equipment, supplies, or services can be purchased by the City through the Buy Board Cooperative Purchasing Network programs at less cost than the City would expend if bidding these items individually; and

WHEREAS, this procurement was undertaken as part of the City’s governmental function; and

WHEREAS, the City Council has provided in the City Budget for the appropriation of funds to be used for the purchase of the materials, equipment, supplies, or services approved and accepted herein; NOW, THEREFORE,

THE COUNCIL OF THE CITY OF DENTON HEREBY ORDAINS:

SECTION 1. The items shown in the “File Number” referenced herein and on file in the office of the Purchasing Agent, are hereby accepted and approved as being the lowest responsible bids for such items:

<u>FILE NUMBER</u>	<u>VENDOR</u>	<u>AMOUNT</u>
9021	Kraftsman, LLC dba Kraftsman Commercial Playgrounds & Water Parks	\$1,400,711.00

SECTION 2. By the acceptance and approval of the items set forth in the referenced file number, the City accepts the offer of the persons submitting the bids to the Buy Board Cooperative Purchasing Network for such items and agrees to purchase the materials, equipment, supplies, or services in accordance with the terms, conditions, specifications, standards,

quantities, and for the specified sums contained in the bid documents and related documents filed with the Buy Board Cooperative Purchasing Network and the purchase orders issued by the City.

SECTION 3. Should the City and persons submitting approved and accepted items set forth in the referenced file number wish to enter into a formal written agreement as a result of the City's ratification of bids awarded by the Buy Board Cooperative Purchasing Network, the City Manager, or their designated representative, is hereby authorized to execute the written contract which shall be attached hereto; provided that the written contract is in accordance with the terms, conditions, specifications, and standards contained in the Proposal submitted to the Buy Board Cooperative Purchasing Network, and the quantities and specified sums contained in the City's purchase orders and related documents referenced herein are approved and accepted.

SECTION 4. The City Council of the City of Denton hereby expressly delegates the authority to take any actions that may be required or permitted to be performed by the City of Denton under this ordinance to the City Manager of the City of Denton, or their designee.

SECTION 5. By the acceptance and approval of the items set forth in the referenced file number, the City Council hereby authorizes the expenditure of funds therefor in the amount and in accordance with the approval of purchase orders or pursuant to a written contract made pursuant thereto as authorized herein.

SECTION 6. This ordinance shall become effective immediately upon its passage and approval.

The motion to approve this ordinance was made by _____ and seconded by _____. The ordinance was passed and approved by the following vote [___ - ___]:

	Aye	Nay	Abstain	Absent
Mayor Chris Watts:	_____	_____	_____	_____
Jordan Villarreal, District 1:	_____	_____	_____	_____
Nick Stevens, District 2:	_____	_____	_____	_____
Suzi Rumohr, District 3:	_____	_____	_____	_____
Joe Holland, District 4:	_____	_____	_____	_____
George Ferrie, At Large Place 5:	_____	_____	_____	_____
Jill Jester, At Large Place 6:	_____	_____	_____	_____

PASSED AND APPROVED this the _____ day of _____, 2026.

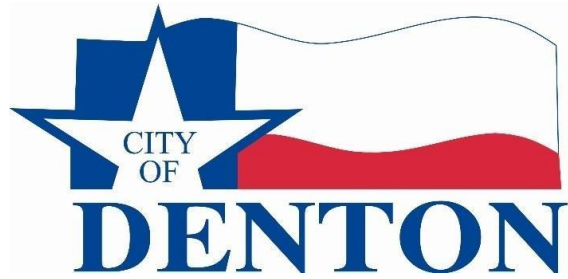
CHRIS WATTS, MAYOR

ATTEST:
KRISTI FOGLE, INTERIM CITY SECRETARY

BY: _____

APPROVED AS TO LEGAL FORM:
MACK REINWAND, CITY ATTORNEY

BY: Leah Bush



DocuSign City Council Transmittal Coversheet

COOP	9021
File Name	Briercliff Sprayground Park
Purchasing Contact	Erica Garcia
City Council Target Date	
Piggy Back Option	Not Applicable
Contract Expiration	
Ordinance	

CONTRACT BY AND BETWEEN
CITY OF DENTON, TEXAS AND KRAFTSMAN, LLC dba KRAFTSMAN COMMERCIAL
PLAYGROUNDS & WATER PARKS
(File #9021)

THIS CONTRACT is made and entered into this date _____, by and between Kraftsman, LLC dba Kraftsman Commercial Playgrounds & Water Parks a Texas Limited Liability Company, whose address is 19535 Haude Rd., Spring, TX 77388, hereinafter referred to as "Contractor," and the CITY OF DENTON, TEXAS, a Texas Municipal Corporation and Home-Rule City, hereinafter referred to as "City," to be effective upon approval of the Denton City Council and the subsequent execution of this Contract by the Denton City Manager, or his duly authorized designee.

For and in consideration of the covenants and agreements contained herein, and for the mutual benefits to be obtained hereby, the parties agree as follows:

SCOPE OF SERVICES

Contractor shall provide construction services in accordance with the Contractors' quote, a copy of which is attached hereto and incorporated herein for all purposes as "Exhibit G". The Contract consists of this written agreement and the following items which are attached hereto and incorporated herein by reference:

- (a) Special Terms and Conditions (**Exhibit "A"**);
- (b) Buyboard Cooperative Purchasing Contract #781-25 with Kraftsman L.P dba Kraftsman Commercial Playground and Water Parks (**Exhibit "B" on file at the office of the Purchasing Agent**);
- (c) General Provisions-Standard Terms and Conditions (**Exhibit "C"**);
- (d) Payment and Performance Bond Requirements (**Exhibit "D"**);
- (e) Certificate of Interested Parties Electronic Filing (**Exhibit "E"**);
- (f) Insurance Requirements (**Exhibit "F"**);
- (g) Contractor's Proposal (**Exhibit "G"**);
- (h) Form CIQ – Conflict of Interest Questionnaire (**Exhibit "H"**);
- (i) Grant Agreement (**Exhibit "I" on file at the office of the Purchasing Agent**)

These documents make up the Contract documents and what is called for by one shall be as binding as if called for by all. In the event of an inconsistency or conflict in any of the provisions of the Contract documents, the inconsistency or conflict shall be resolved by giving precedence first to this written Contract, and then to the Contract documents in the sequential order in which they are listed above. These documents shall be referred to collectively as "Contract Documents."

Prohibition on Contracts with Companies Boycotting Israel

Contractor acknowledges that in accordance with Chapter 2271 of the Texas Government Code, City is prohibited from entering into a contract with a company for goods or services unless the contract contains a written verification from the company that it: (1) does not boycott Israel; and (2) will not boycott Israel during the term of the contract. The terms "boycott Israel" and "company" shall have the meanings ascribed to those terms in Section 808.001 of the Texas Government Code. *By signing this agreement, Contractor certifies that Contractor's signature provides written verification to the City that Contractor: (1) does not File # 9021*

boycott Israel; and (2) will not boycott Israel during the term of the agreement. Failure to meet or maintain the requirements under this provision will be considered a material breach.

Prohibition on Contracts with Companies Boycotting Certain Energy Companies

Contractor acknowledges that in accordance with Chapter 2274 of the Texas Government Code, City is prohibited from entering into a contract with a company for goods or services unless the contract contains written verification from the company that it (1) does not boycott energy companies; and (2) will not boycott energy companies during the term of the contract. The terms “boycott energy company” and “company” shall have the meanings ascribed to those terms in Section 809.001 of the Texas Government Code. ***By signing this agreement, Contractor certifies that Contractor’s signature provides written verification to the City that Contractor: (1) does not boycott energy companies; and (2) will not boycott energy companies during the term of the agreement.*** Failure to meet or maintain the requirements under this provision will be considered a material breach.

Prohibition on Contracts with Companies Boycotting Certain Firearm Entities and Firearm Trade Associations

Contractor acknowledges that in accordance with Chapter 2274 of the Texas Government Code, City is prohibited from entering into a contract with a company for goods or services unless the contract contains written verification from the company that it (1) does not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association; and (2) will not discriminate during the term of the contract against a firearm entity or firearm trade association. The terms “discriminate against a firearm entity or firearm trade association,” “firearm entity” and “firearm trade association” shall have the meanings ascribed to those terms in Chapter 2274 of the Texas Government Code. ***By signing this agreement, Contractor certifies that Contractor’s signature provides written verification to the City that Contractor: (1) does not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association; and (2) will not discriminate during the term of the contract against a firearm entity or firearm trade association.*** Failure to meet or maintain the requirements under this provision will be considered a material breach.

Prohibition On Contracts With Companies Doing Business with Iran, Sudan, or a Foreign Terrorist Organization

Sections 2252 and 2270 of the Texas Government Code restricts CITY from contracting with companies that do business with Iran, Sudan, or a foreign terrorist organization. ***By signing this agreement, Contractor certifies that Contractor’s signature provides written verification to the City that Contractor, pursuant to Chapters 2252 and 2270, is not ineligible to enter into this agreement and will not become ineligible to receive payments under this agreement by doing business with Iran, Sudan, or a foreign terrorist organization.*** Failure to meet or maintain the requirements under this provision will be considered a material breach.

Termination Right for Contracts with Companies Doing Business with Certain Foreign-Owned Companies

The City of Denton may terminate this Contract immediately without any further liability if the City of Denton determines, in its sole judgment, that this Contract meets the requirements under Chapter 2274, and Contractor is, or will be in the future, (i) owned by or the majority of stock or other ownership interest of the company is held or controlled by individuals who are citizens of China, Iran, North Korea, Russia, or other designated country (ii) directly controlled by the Government of China, Iran, North Korea, Russia, or other designated country, or (iii) is headquartered in China, Iran, North Korea, Russia, or other designated country.

The parties agree to transact business electronically. Any statutory requirements that certain terms be in writing will be satisfied using electronic documents and signing. Electronic signing of File # 9021

this document will be deemed an original for all legal purposes.

IN WITNESS WHEREOF, the parties of these presents have executed this Contract in the year and day first above written.

CITY OF DENTON, TEXAS

BY: _____
CASSEY OGDEN
INTERIM CITY MANAGER

ATTEST:

BY: _____

APPROVED AS TO LEGAL FORM:
MACK REINWAND, CITY ATTORNEY

BY: ^{Signed by:}
Leah Bush

3A6254145BDA469...

CONTRACTOR

^{DocuSigned by:}
Korey Soderberg

16142A37E978484...
AUTHORIZED SIGNATURE

Printed Name: Korey Soderberg

Title: COO

2,813,539,599.00

PHONE NUMBER

KoreyS@kraftsmanplay.com

EMAIL ADDRESS

2026-1464450

TEXAS ETHICS COMMISSION
CERTIFICATE NUMBER

THIS AGREEMENT HAS BEEN BOTH
REVIEWED AND APPROVED as to financial
and operational obligations and business terms.

^{Signed by:}
Allison Wing

75387A6E0F1B4E3
SIGNATURE Allison Wing
PRINTED NAME

Interim Director
TITLE

Parks and Recreation
DEPARTMENT

EXHIBIT A SPECIAL TERMS AND CONDITIONS

Total Contract Amount

City agrees to pay Contractor for performance of the Work in accordance with the Contract Documents an amount, in current funds, of \$1,273,374. At the sole option of the City, a contingency in the amount of \$127,337 may be used for a total not-to-exceed amount of \$1,400,711. Pricing shall be per Exhibit G attached.

Contract Term

The contract will be effective from date of award or notice to proceed with a purchase order as determined by the City of Denton Purchasing Department with a final completion by April 30, 2027.

Special Notice and Additional Requirement(s):

1. Additional safety precautions shall be instituted by the awarded Contractor, as the work environment will be in an area where citizens and employees may be present, and work safety must be coordinated with the owner.
2. The Contractor shall be responsible for all spoil removals, and any excess soil that will require removal.
3. It is understood that the basis for payment on the work to be done according to the final plans and specifications shall be a lump sum fee as set forth in Contractor's Proposal. Any quantity estimates supplied by Designer or City are intended only as a guide to the respondent. Contractor is responsible for making his own quantity estimates and pricing from his own examination of the work to be done.
4. Contractor shall obtain all necessary permits.
5. Contractor is scheduled to remove the existing structures along with other site improvements.

Retainage:

The City is required to withhold five percent (5%) retainage for public works contracts in which the total contract price estimate at the time of execution is more than \$400,000; however, this requirement is applied by the City for all public works contracts in excess of \$50,000.

Prevailing Wage Rates:

The Contractor shall comply with prevailing wage rates as defined by the United States Department of Labor Davis-Bacon Wage Determination at [Davis-Bacon Wage Determinations | U.S. Department of Labor](#) and at the Wage Determinations website [Wage Determinations | SAM.gov](#) for Denton County, Texas (WD-2509).

BUY AMERICAN ACT-SUPPLIES (Applicable to certain federally funded requirements)

The following federally funded requirements are applicable. A. Definitions. As used in this paragraph –

File # 9021

i. "Component" means an article, material, or supply incorporated directly into an end product.

ii. "Cost of components" means -

(1) For components purchased by the Contractor, the acquisition cost, including transportation costs to the place of incorporation into the end product (whether or not such costs are paid to a domestic firm), and any applicable duty (whether or not a duty-free entry certificate is issued); or

(2) For components manufactured by the Contractor, all costs associated with the manufacture of the component, including transportation costs as described in paragraph (1) of this definition, plus allocable overhead costs, but excluding profit. Cost of components does not include any costs associated with the manufacture of the end product.

iii. "Domestic end product" means-

(1) An unmanufactured end product mined or produced in the United States; or

(2) An end product manufactured in the United States, if the cost of its components mined, produced, or manufactured in the United States exceeds 50 percent of the cost of all its components. Components of foreign origin of the same class or kind as those that the agency determines are not mined, produced, or manufactured in sufficient and reasonably available commercial quantities of a satisfactory quality are treated as domestic. Scrap generated, collected, and prepared for processing in the United States is considered domestic.

iv. "End product" means those articles, materials, and supplies to be acquired under the contract for public use.

v. "Foreign end product" means an end product other than a domestic end product.

vi. "United States" means the 50 States, the District of Columbia, and outlying areas.

B. The Buy American Act (41 U.S.C. 10a - 10d) provides a preference for domestic end products for supplies acquired for use in the United States.

C. The City does not maintain a list of foreign articles that will be treated as domestic for this Contract; but will consider for approval foreign articles as domestic for this product if the articles are on a list approved by another Governmental Agency. The Contractor shall submit documentation with their offer demonstrating that the article is on an approved Governmental list.

D. The Contractor shall deliver only domestic end products except to the extent that it specified delivery of foreign end products in the provision of the Solicitation entitled "Buy American Act Certificate".

Federal Requirements:

The Federal regulations titled "2 CFR, Part 200: Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" are incorporated by reference into this Agreement

EXHIBIT C
GENERAL PROVISIONS- TERMS AND CONDITIONS FOR FACILITY
CONSTRUCTION SERVICES

Invoices, Payments, and Releases

1. INVOICES AND PAYMENT PROCESSING:

Payment processing: The City review, inspection, and processing procedures for invoices ordinarily require thirty (30) days after receipt of invoices, materials, or services. Proposals which call for payment before thirty (30) days from receipt of invoice, or cash discounts given on such payment, will be considered only if, in the opinion of the Purchasing Manager, the review, inspection, and processing procedures can be completed as specified. It is the intention of the City of Denton to make payment within thirty (30) days after receipt of valid invoices for which items or services have been received unless unusual circumstances arise. The thirty (30) day processing period for invoices will begin on the date the invoice is received or the date the items or services are received, **whichever date is later.**

Direct deposit for payments: Prime Contractors are encouraged to arrange for receiving payments through direct deposit. Information regarding direct deposit payments is available from the City of Denton Purchasing website: www.dentonpurchasing.com.

Invoices: Invoices shall be sent directly to the City of Denton Accounts Payable Department, 215 E McKinney St, Denton, TX, 76201-4299. **Invoices must be fully documented as to labor, materials, and equipment provided, if applicable, and must reference the City of Denton Purchase Order Number in order to be processed. No payments shall be made on invoices not listing a Purchase Order Number.** Invoices for partial payments on construction projects should normally be presented for payment within the first five (5) days of the month, and submitted on the Pay Application Form.

2. TAX EXEMPTION:

The City of Denton qualifies for sales tax exemption pursuant to the provisions of Article 20.04 (F) of the Texas Limited Sales, Excise and Use Tax Act. Any Prime Contractor performing work under this Contract for the City of Denton may purchase materials and supplies and rent or lease equipment sales tax free. This is accomplished by issuing exemption certificates to suppliers. Certificates must comply with State Comptroller's ruling #95-0.07 and #95-0.09.

3. PAYMENTS TO CONTRACTORS:

Upon presentation of valid invoices, which should be within the first week of each month, the Owner shall make partial payments to the Prime Contractor for construction accomplished during the preceding calendar month on the basis of completed construction certified to by the Prime Contractor and approved by the Owner and Architect/Engineer solely for the purposes of payment. Provided, however, that such approval shall not be deemed approval of the workmanship or materials. Only ninety-five percent (95%) of each payment request approved during the construction of the project shall be paid by the Owner to the Prime Contractor prior to completion of the Project. Upon the approval by the Owner of the Prime Contractor's "Final Invoice for Payment" showing the total cost of the construction performed, the Owner shall make payment to the Prime Contractor of all amounts to which the Prime Contractor shall be entitled there under which shall not have been paid: Provided, however, that such final

payment shall be made not later than ninety (90) days after the date of completion of construction of the Project, as specified in the Final Invoice for Payment, unless withheld because of the fault of the Prime Contractor.

- A. The Prime Contractor shall be paid on the basis of the percentage of the work actually completed for each construction item. The total amount paid for periodic billings shall not exceed the maximum Contract price for the construction of the project as set forth in the Contract, unless such excess shall have been approved in writing by the Purchasing Agent as part of a change order.
- B. No payment shall be due while the Prime Contractor is in default in respect of any of the provisions of this Contract, and the Owner may withhold from the Prime Contractor the amount of any claim by any third party against either the Prime Contractor or the Owner based upon an alleged failure of the Prime Contractor to perform the work hereunder in accordance with the provisions of this Contract. This includes, without limitation, the alleged failure of the Prime Contractor to make payments to subcontractors.

4. RELEASE OF LIENS AND CERTIFICATE OF CONTRACTOR:

Upon award of the Contract, the Prime Contractor shall inform the Owner of the subcontractors and material sources that will be used. Upon the completion by the Prime Contractor of the construction of the Project, but prior to final payment to the Prime Contractor, the Prime Contractor shall deliver to the Owner releases of all liens, and of rights to claim any lien, from all manufacturers, materialmen and subcontractors furnishing services or materials for the Project, to the effect that all materials or services used on or for the Project have been paid for and indicating that the Owner is fully released from all such claims.

5. PAYMENTS TO MATERIALMEN AND SUBCONTRACTORS:

The Prime Contractor shall pay each materialman, and each subcontractor, if any, not later than five (5) days after receipt of any payment from the Owner, the amount thereof allowed the Contractor for and on account of materials furnished or construction performed by each materialman or each subcontractor.

6. REMEDIES:

A. Completion of Prime Contractor's Default

If default shall be made by the Prime Contractor or by any subcontractor in the performance of any of the terms of this proposal, the Owner, without in any manner limiting its legal and equitable remedies in the circumstances, may serve upon the Prime Contractor and the Surety or Sureties upon the Prime Contractor's bond or bonds a written notice requiring the Prime Contractor to cause such default to be corrected forthwith. Unless within twenty (20) days after the service of such notice upon the Prime Contractor such default shall be corrected or arrangements for the correction thereof satisfactory to the Owner and/or Architect/Engineer shall be made by the Prime Contractor or its Surety or Sureties, the Owner may take over the construction of the Project and prosecute the same to completion by Contract or otherwise for the account and at the expense of the Prime Contractor, and the Prime Contractor and its Surety or Sureties shall be liable to the Owner for any cost or expense in excess of the Contract price occasioned thereby. In such event the Owner may

take possession of and utilize, in completing the construction of the project, any materials, tools, supplies, equipment, appliances, and plant belonging to the Prime Contractor or any of its subcontractors, which may be situated at the site of the Project. The Owner in such contingency may exercise any rights, claims or demands which the Prime Contractor may have against third persons in connection with this Contract and for such purpose the Prime Contractor does hereby assign, transfer and set over unto the Owner all such rights claims and demands.

B. Liquidated Damages

The time of the completion of construction of the project is of the essence of the contract. Should the Contractor neglect, refuse or fail to complete the construction within the time herein agreed upon, after giving effect to extensions of time, if any, herein provided, then, in that event and in view of the difficulty of estimating with exactness damages caused by such delay, the City shall have the right to deduct from and retain out of such money which may be then due or which may become due and payable to the Contractor the sum of FIFTY DOLLARS (\$50.00) per day for each and every day, including weekends, that such construction is delayed on its completion beyond the specified time, as liquidated damages and not as a penalty; if the amount due and to become due from the City to the Contractor is insufficient to pay in full any such liquidated damages, the Contractor shall pay to the City the amount necessary to effect such payment in full: Provided, however, that the City shall promptly notify the Contractor in writing of the manner in which the amount retained, deducted or claimed as liquidated damages was computed.

C. Cumulative Remedies

Every right or remedy herein conferred upon or reserved to the Owner shall be cumulative, shall be in addition to every right and remedy now or hereafter existing at law or in equity or by statute, and the pursuit of any right or remedy shall not be construed as an election. Provided, however, that the provisions of the **REMEDIES SECTION** shall be the exclusive measure of damages for failure by the Prime Contractor to complete the construction of the Project within the time herein agreed upon.

CITY OF DENTON STANDARD PURCHASE TERMS AND CONDITIONS FOR FACILITY CONSTRUCTION SERVICES

ARTICLE 1 GENERAL PROVISIONS

GENERAL DEFINITIONS

1.1 The following definitions apply throughout these General Conditions and to the other Contract Documents:

a) THE CONTRACT DOCUMENTS

The Contract Documents consist of the formal Building Construction Services Agreement

between the Owner and the Prime Contractor, these General Conditions and other supplementary conditions included by special provisions or addenda, drawings, specifications, addenda issued prior to execution of the Contract, other documents listed in the Contract, and Amendments issued after execution of the Contract. For purposes of these General Conditions, an Amendment is:

- (1) a written Supplemental Agreement to the Contract signed by authorized representatives of both parties;
- (2) a Change Order, including Change Orders signed only by the Owner as described in Subparagraph 7.1(b) and Subparagraph 7.1(e); or
- (3) a written order for a minor change in the Work issued by the Architect/Engineer as described in Paragraph 7.3.

The Contract Documents also include bid documents such as the Owner's Instructions to Bidders, sample forms, the Prime Contractor's Bid Proposal and portions of addenda relating to any of these documents, and any other documents, exhibits or attachments specifically enumerated in the Building Construction Services Agreement, but specifically exclude geotechnical and subsurface reports that the Owner may have provided to the Prime Contractor.

b) THE CONTRACT

The Contract Documents, as defined in Paragraph 1.1, are expressly incorporated into and made a part of the formal Building Construction Services Agreement between the Owner and the Prime Contractor by reference in this Paragraph and Paragraph 1.1 (which documents are sometimes also referred to collectively in these General Conditions as the "Contract"). The Contract Documents represent the entire and integrated agreement between the Owner and the Prime Contractor and supersede all prior negotiations, representations or agreements, either written or oral. The terms and conditions of the Contract Documents may be changed only by an Amendment. The Contract Documents shall not be construed to create a contractual relationship of any kind:

- (1) between the Architect/Engineer and Prime Contractor;
- (2) between the Owner and a Subcontractor or -subcontractor; or
- (3) between any persons or entities other than the Owner and Prime Contractor.

The Architect/Engineer shall, however, be entitled to performance and enforcement of obligations under the Contract Documents intended to facilitate performance of the Architect/Engineer's duties.

c) THE WORK

The term “Work” means the construction and services required by the Contract Documents, whether completed or partially completed, and includes all labor, materials, equipment, and services provided or to be provided by the Prime Contractor, or any Subcontractors, Sub-subcontractors, material suppliers, or any other entity for whom the Prime Contractor is responsible, to fulfill the Prime Contractor’s obligations. The Work may constitute the whole or a part of the Project.

d) THE PROJECT

The Project is the total construction more particularly described in the Building Construction Services Agreement, of which the Work performed under the Contract Documents may be the whole or a part of the Project and which may include construction by the Owner or by separate contractors. All references in these General Conditions to or concerning the Work or the site of the Work will use the term “Project,” notwithstanding that the Work may only be a part of the Project.

e) THE DRAWINGS

The Drawings (also known as the “Plans”) are the graphic and pictorial portions of the Contract Documents, wherever located and whenever issued, showing the design, location and dimensions of the Work, generally including plans, elevations, sections, details, schedules, and diagrams.

f) THE SPECIFICATIONS

The Specifications are that portion of the Contract Documents consisting of the written requirements for materials, equipment, construction systems, standards, and workmanship for the Work, performance of related services, and other technical requirements.

g) THE PROJECT MANUAL

The Project Manual is the volume or volumes which contain the bidding requirements, sample forms, General Conditions for Building Construction, special provisions, and Specifications. The Project Manual may be modified by written addendums issued by the Owner during bidding, in which case the written addendums become a part of the Project Manual upon their issuance, unless otherwise indicated by the Owner in writing.

h) ALTERNATE

An Alternate is a variation in the Work on which the Owner requires a price separate from the City Building General Conditions Base Bid. If an Alternate is accepted by the Owner, the variation will become a part of the Contract through the execution of a change order or amendment to the Contract and the Base Bid will be adjusted to include the amount quoted. If an alternate is accepted by the Owner, and later deleted prior to any Work under the alternate being performed or materials delivered to the Project site, the Owner will be entitled to a credit in the full value of the alternate as priced in the Prime Contractor’s Bid.

i) BASE BID

The Base Bid is the price quoted for the Work before Alternates are considered.

j) HAZARDOUS SUBSTANCE

The term Hazardous Substance is defined to include the following:

- (1) any asbestos or any material which contains any hydrated mineral silicate, including chrysolite, amosite, crocidolite, tremolite, anthophyllite or actinolite, whether friable or non-friable;
- (2) any polychlorinated biphenyls ("PCBs"), or PCB-containing materials, or fluids;
- (3) radon;
- (4) any other hazardous, radioactive, toxic or noxious substance, material, pollutant, or solid, liquid or gaseous waste;
- (5) any pollutant or contaminant (including but not limited to petroleum, petroleum hydrocarbons, petroleum products, crude oil or any fractions thereof, any oil or gas exploration or production waste, any natural gas, synthetic gas or any mixture thereof, lead, or other toxic metals) which in its condition, concentration or area of release could have a significant effect on human health, the environment, or natural resources;
- (6) any substance that, whether by its nature or its use, is subject to regulation or requires environmental investigation, monitoring, or remediation under any federal, state, or local environmental laws, rules, or regulations;
- (7) any underground storage tanks, as defined in 42 U.S.C. Section 6991(1)(A)(I) (including those defined by Section 9001(1) of the 1984 Hazardous and Solid Waste Amendments to the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq.; the Texas Water Code Annotated Section 26.344; and Title 30 of the Texas Administrative Code Sections 334.3 and 334.4), whether empty, filled or partially filled with any substance; and
- (8) any other hazardous material, hazardous waste, hazardous substance, solid waste, and toxic substance as those or similar terms are defined under any federal, state, or local environmental laws, rules, or regulations.

k) OTHER DEFINITIONS

As used in the Contract Documents, the following additional terms have the following meanings:

- (1) “provide” means to furnish, install, fabricate, deliver and erect, including all services, materials, appurtenances and other expenses to complete in place, ready for operation or use;
- (2) “shall” means the action of the party to which reference is being made is mandatory;
- (3) “as required” means as prescribed in the Contract Documents; and
- (4) “as necessary” means all action essential or needed to complete the work in accordance with the Contract Documents and applicable laws, ordinances, construction codes, and regulations.

1.2 EXECUTION, CORRELATION AND INTENT

- (a) The Building Construction Services Agreement shall be signed by duly authorized representatives of the Owner and Prime Contractor as provided in the Agreement.
- (b) Execution of the Building Construction Services Agreement by the Prime Contractor is a representation that the Prime Contractor has visited the site, has become familiar with local conditions, including but not limited to subsurface conditions, under which the Work is to be performed and correlated personal observations with requirements of the Contract Documents.
- (c) The intent of the Contract Documents is to include all items necessary for the proper execution and completion of the Work by the Prime Contractor. The Contract Documents are complementary, and what is required by one shall be as binding as if required by all; performance by the Prime Contractor shall be required only to the extent consistent with the Contract Documents and reasonably inferable from them as being necessary to produce the intended results.
- (d) Organization of the Specifications into divisions, sections, and articles, and arrangement of Drawings shall not control the Prime Contractor in dividing the Work among Subcontractor(s) or in establishing the extent of Work to be performed by any trade.
- (e) Unless otherwise stated in the Contract Documents, words which have well-known technical or construction industry meanings are used in the Contract Documents in accordance with such recognized meanings.
- (f) The Drawings and Specifications are intended to agree with one another, and Work called for by Drawings and not mentioned in Specifications, or vice versa, shall be furnished as if set forth by both. Specifications shall govern materials, methods and quality of work. In the event of a conflict on the Drawings between scale and dimension, figured dimensions shall govern over scale dimensions and large scale drawings shall govern over small scale drawings. Conflict between two or more dimensions applying to a common point shall be referred to the Architect/Engineer/Engineer for final adjustment. If discrepancies or conflicts occur within or between the Drawings and Specifications regarding the Work, or

within or between other Contract Documents, the Prime Contractor shall not perform such Work without having obtained a clarification from the Architect/Engineer and resolution by the Owner. The Owner's decision as to the appropriate resolution of a conflict or discrepancy shall be final. Should the Drawings or the Specifications disagree within themselves or with each other; the Base Bid will be based on the most expensive combination of quality and quantity of Work indicated.

- (g) Deviations from Contract Documents shall be made only after written approval is obtained from Architect/Engineer and Owner, as provided in Article 7.
- (h) The intention of the Contract Documents is to include all materials, labor, tools, equipment, utilities, appliances, accessories, services, transportation, and supervision required to completely perform the fabrication, erection and execution of the Work in its final position.
- (i) The most recently issued Drawing or Specification takes precedence over previous issues of the same Drawing or Specification. In the event of a conflict, the order of precedence of interpretation of the Contract Documents is as follows:
 - (1) Amendments (see Paragraph 7.2 for order of precedence between Amendments);
 - (2) the Building Construction Services Agreement;
 - (3) addenda, with those addenda of later date having precedence over those of an earlier date;
 - (4) the Supplementary General Conditions and Special Provisions, if any;
 - (5) the General Conditions for Building Construction;
 - (6) the Specifications and Drawings.

1.3 OWNERSHIP AND USE OF ARCHITECT/ENGINEER'S DRAWINGS, SPECIFICATIONS AND OTHER DOCUMENTS

All Drawings, Specifications, and copies thereof furnished by the Architect/Engineer are and shall remain the property of the Owner and are, with the exception of the Contract set for each party, to be returned to the Owner upon request at the completion of the Work.

1.4 CAPITALIZATION

Terms capitalized in these General Conditions include those which are:

- (1) specifically defined in these General Conditions (except the terms defined in Subparagraph 1.1(j), which terms are of common grammatical usage and are not normally capitalized);
- (2) the titles of numbered articles and identified references to Paragraphs, Subparagraphs, and Clauses;
- (3) the titles of other documents published or used by the Owner as manuals or official policy statements; or
- (4) proper nouns or other words required under standard grammatical rules to be capitalized.

ARTICLE 2 - THE OWNER

2.1 DEFINITION OF OWNER

The Owner is the City of Denton, a Texas municipal corporation, and is identified as such in the Building Construction Services Agreement, and is referred to throughout the Contract Documents as if singular in number. The term "Owner" means the Owner or the Owner's authorized representatives.

2.2 INFORMATION AND SERVICES REQUIRED OF THE OWNER

- (a) The Owner shall furnish the most recent survey describing the physical characteristics, legal limits, utility locations, and a permanent benchmark for the site of the Project. The Owner shall also furnish any environmental site assessments that may have been given to the Owner or conducted for the property upon which the Project is to be constructed. THIS INFORMATION IS FURNISHED TO THE PRIME CONTRACTOR ONLY IN ORDER TO MAKE DISCLOSURE OF THIS MATERIAL AND FOR NO OTHER PURPOSE. BY FURNISHING THIS MATERIAL, THE OWNER DOES NOT REPRESENT, WARRANT, OR GUARANTEE ITS ACCURACY EITHER IN WHOLE, IN PART, IMPLICITLY OR EXPLICITLY, OR IN ANY OTHER WAY, AND THE OWNER SHALL HAVE NO LIABILITY FOR THIS MATERIAL.
- (b) Except for permits and fees which are provided for in Subparagraph 3.7(a), the Owner shall secure and pay for necessary approvals, easements, assessments, and charges required for construction, use, or occupancy of permanent structures or for permanent changes in existing facilities.
- (c) Information or services under the Owner's control shall be furnished by the Owner with reasonable promptness to avoid delay in the orderly progress of the Work. It is incumbent upon the Prime Contractor to identify, establish, and maintain a current schedule of latest dates for submittal and approval, as required in Paragraph 3.10, including when such information or services must be delivered. If Owner delivers the information or services to the Prime Contractor as scheduled and Prime Contractor is not prepared to accept or act on such information or services, then Prime Contractor shall reimburse Owner for all extra costs incurred of holding, storage, or retention, including redeliveries by the Owner to comply with the current schedule.

- (d) Unless otherwise provided in the Contract Documents, the Prime Contractor will be furnished electronic copies of the Drawings and Specifications for bid purposes and one hard copy approved by Building Inspections upon execution of the Contract. Prime Contractor may obtain additional copies by paying the cost of additional printing or reproduction.
- (e) The obligations described above are in addition to other duties and responsibilities of the Owner enumerated in the Contract Documents and especially those in respect to Article 6 (Construction by Owner or by Separate Contractors), Article 9 (Payments and Completion), and Article 11 (Insurance and Bonds).
- (f) The Owner shall forward all instructions to the Prime Contractor through the Architect/Engineer, except for the Owner's Notice to Proceed and the Owner's decision to carry out Work as described in Paragraph 2.4.
- (g) The Owner's employees, agents, and consultants may be present at the Project site during performance of the Work to assist the Architect/Engineer in the performance of the Architect/Engineer's duties and to verify the Prime Contractor's record of the number of workmen employed on the Work, their occupational classification, the time each is engaged in the Work, the equipment used in the performance of the Work, and for purpose of verification of Prime Contractor's Applications for Payment.

2.3 OWNER'S RIGHT TO STOP THE WORK

If the Prime Contractor fails to correct any portion of the Work which is not in accordance with the requirements of the Contract Documents as required by Paragraph 12.2 or refuses or fails to carry out all or any part of the Work in accordance with the Contract Documents, the Owner, by written order, may order the Prime Contractor to stop the Work, or any portion of the Work, until the cause for the order has been eliminated. The right of the Owner however, to stop the Work shall not create or imply a duty on the part of the Owner to exercise this right for the benefit of the Prime Contractor or any other person or entity. The rights of the Owner under this Paragraph 2.3 shall be in addition to, and not in restriction of, the Owner's rights under Paragraph 12.2.

2.4 OWNER'S RIGHT TO CARRY OUT THE WORK

If the Prime Contractor fails or refuses to carry out the Work or perform any of the terms, covenants, or obligations of the Contract Documents, and fails or refuses to correct any failure or refusal with diligence and promptness within fourteen (14) days after receipt of written notice from the Owner, the Owner may correct the Prime Contractor's failure or refusal or cause such failure or refusal to be corrected, without affecting, superseding, or waiving any other contractual, legal, or equitable remedies the Owner has, including but not limited to the Owner's termination rights under Article 13. In that case, an appropriate Change Order will be issued deducting the Owner's cost of correction, including Architect/Engineer's compensation for additional services and expenses made necessary by the failure or refusal of the Prime Contractor from payments then or thereafter due to the Prime Contractor. The cost of correction is subject to verification (but not approval) by the Architect/Engineer. If payments then or thereafter due the Prime Contractor are not sufficient to cover the cost of correction, the Prime Contractor shall pay the difference to the Owner.

2.5 NOTICE TO PROCEED

After final execution of the Contract and receipt and approval of the required performance and payment bonds and evidence of required insurance, the Owner will issue a written Notice to Proceed with the Work, including the designated Contract Time within which Substantial Completion of the Work must be achieved. If the Owner unreasonably delays issuance of a written Notice to Proceed through no fault of the Prime Contractor, the Prime Contractor shall be entitled only to an equitable adjustment of the Contract Time, if properly claimed pursuant to the requirements of Paragraph 4.3; but the Prime Contractor shall not be entitled to any increase to the Contract Sum whatsoever for this reason.

ARTICLE 3 - THE CONTRACTOR

3.1 DEFINITION OF CONTRACTOR

The Prime Contractor is the person or business entity identified as such in the Building Construction Services Agreement, and is referred to throughout the Contract Documents as if singular in number. The term "Prime Contractor" means the Prime Contractor or the Prime Contractor's authorized employees or representatives.

3.2 REVIEW OF CONTRACT DOCUMENTS AND FIELD CONDITIONS BY CONTRACTOR

- (a) The Prime Contractor shall carefully check, study, and compare the Contract Documents with each other and shall at once report to the Architect/Engineer in writing any inconsistency, ambiguity, error, omission, conflict, or discrepancy the Prime Contractor may discover. The Prime Contractor shall also verify all dimensions, field measurements, and field conditions before laying out the Work. The Prime Contractor will be held responsible for any subsequent error, omission, conflict, or discrepancy which might have been avoided by the above-described check, study, comparison, and reporting. In the event the Prime Contractor continues to work on an item where an inconsistency, ambiguity, error, omission, conflict, or discrepancy exists without obtaining such clarification or resolution or commences an item of the Work without giving written notice of an error, omission, conflict, or discrepancy that might have been avoided by the check, study, and comparison required above, it shall be deemed that the Prime Contractor bid and intended to execute the more stringent, higher quality, or state of the art requirement, or accepted the condition "as is" in the Contract Documents, without any increase to the Contract Sum or Contract Time. The Prime Contractor shall also be responsible to correct any failure of component parts to coordinate or fit properly into final position as a result of Prime Contractor's failure to give notice of and obtain a clarification or resolution of any error, omission, conflict, or discrepancy, without any right to any increase to the Contract Sum or Contract Time.
- (b) The Prime Contractor shall perform the Work in accordance with the Contract Documents and submittals approved pursuant to Paragraph 3.12.

3.3 SUPERVISION AND CONSTRUCTION PROCEDURES

- (a) The Prime Contractor shall supervise and direct the Work, using the Prime Contractor's best skill and attention. The Prime Contractor shall be solely responsible for and have control over construction means, methods, techniques, sequences, and procedures and for coordinating all portions of the Work, unless the Contract Documents set forth specific instructions concerning these matters.
- (b) The Prime Contractor shall be responsible to the Owner for the acts and omissions of the Prime Contractor's employees, Subcontractors, Sub-subcontractors, and their respective agents and employees, and any other persons performing portions of the Work under a subcontract with the Prime Contractor, or with any Subcontractor, and all other persons or entities for which the Prime Contractor is legally responsible. All labor shall be performed by mechanics that are trained and skilled in their respective trades. Standards of work required throughout shall be of a quality that will bring only first class results. Mechanics whose work is unsatisfactory, or who are considered careless, incompetent, unskilled, or otherwise objectionable shall be dismissed promptly from the Work and immediately replaced with competent, skilled personnel. Any part of the Work adversely affected by the acts or omissions of incompetent, unskilled, careless, or objectionable personnel shall be immediately corrected by the Prime Contractor.
- (c) The Prime Contractor shall not be relieved of its obligation to perform the Work in accordance with the Contract Documents either by activities or duties of the Architect/Engineer in the Architect/Engineer's administration of the Contract, or by tests, inspections, or approvals required or performed by persons other than the Prime Contractor.
- (d) The Prime Contractor shall be responsible for inspection of portions of Work already performed under this Contract to determine that such portions are in proper condition to receive subsequent Work. The Prime Contractor's responsibility under this paragraph will not in any way eliminate the Architect/Engineer's responsibility to the Owner under the Architect/Engineer/Owner Agreement.
- (e) Any Prime Contractor, Subcontractor, Sub-subcontractor, or separate contractor who commences Work over, in, or under any surface prepared by the Owner or by any other contractor, subcontractor, sub-subcontractor or any separate contractor, without the Prime Contractor having given written notice to the Architect/Engineer of the existence of any faulty surface or condition in the surface that prevents achieving the quality of workmanship specified by the Contract Documents and without having obtained the prior approval of the Architect/Engineer and the Owner to proceed is deemed to have accepted the surface or condition in the surface as satisfactory at the commencement of such Work. Any unsatisfactory Work subsequently resulting from such a faulty surface or condition in the surface that was not pre-approved by the Architect/Engineer or the Owner after notice as provided above may be rejected and replacement required, without any increase to the Contract Sum or Contract Time.

- (f) All grades, lines, levels, and benchmarks shall be established and maintained on an ongoing basis by the Prime Contractor. The Prime Contractor is solely responsible for any errors made in establishing or maintaining proper grades, lines, levels, or benchmarks. Contractor shall verify all grades, lines, levels, and dimensions as indicated on Drawings. He shall report any errors, omissions, conflicts, or inconsistencies to Architect/Engineer before commencing any Work affected by these conditions. Contractor shall establish and safeguard benchmarks in at least two widely separated places and, as Work progresses, establish benchmarks at each level and lay out partitions on rough floor in exact locations as guides to all trades. The Contractor shall, from the permanent benchmark provided by the Owner, establish and maintain adequate horizontal and vertical control.

3.4 LABOR AND MATERIALS

- (a) Except as is otherwise specifically provided in the Contract Documents as being the responsibility of the Owner, the Prime Contractor shall provide and pay for labor, materials, equipment, tools, construction equipment and machinery, water, heat, utilities, transportation, and other facilities and services necessary for proper execution and completion of the Work, whether temporary or permanent and whether or not incorporated or to be incorporated in the Work.
- (b) The Prime Contractor shall enforce strict discipline and good order among the Prime Contractor's employees and all other persons carrying out the Contract. The Prime Contractor shall not permit employment of unfit persons or persons not skilled in tasks assigned to them.
- (c) The Prime Contractor shall give preference, when qualified labor is available to perform the Work to which the employment relates, to all labor hired for the Project in the following order:
 - (1) residents of the City of Denton, Texas;
 - (2) residents of the County of Denton, Texas;

3.5 WARRANTY

- (a) General Warranty. The Contractor warrants to the Owner that all Work shall be accomplished in a good and workmanlike manner and that all materials and equipment furnished under the Contract will be of good quality, new (unless otherwise specified), and free from faults or defects, and that the Work will otherwise conform to the Contract Documents. Work not conforming to these requirements, including substitutions not properly approved and authorized, will be considered defective or nonconforming. The Contractor's warranty excludes any remedy for damage or defect caused by abuse, modifications not executed by the Contractor, improper or insufficient maintenance, improper operation, or normal wear and tear under normal usage. If required by the

Architect/Engineer, the Contractor shall furnish satisfactory evidence as to the kind and quality of materials and equipment. The commencement date, duration, and other conditions related to the scope of this general warranty are established in Subparagraphs 9.9 (a) and 12.2(b) of these General Conditions. THE GENERAL WARRANTY PROVIDED IN THIS SUBPARAGRAPH IS IN ADDITION TO AND DOES NOT LIMIT OR DISCLAIM ANY OTHER WARRANTY OR REMEDY REQUIRED OR PROVIDED BY LAW OR THE CONTRACT DOCUMENTS AND SUCH WARRANTY SHALL REQUIRE THE CONTRACTOR TO REPLACE DEFECTIVE MATERIALS AND RE-EXECUTE DEFECTIVE WORK THAT IS DISCLOSED BY THE OWNER TO THE CONTRACTOR WITHIN A PERIOD OF TWO (2) YEARS AFTER SUBSTANTIAL COMPLETION OF THE ENTIRE WORK; OR, IF A LATENT DEFECT IS DISCOVERED WITHIN TWO YEARS OF SUBSTANTIAL COMPLETION OF THE ENTIRE WORK.

- (b) Special Warranties. The Contractor shall assign to the Owner in writing, as a condition precedent to final payment, the terms and conditions of all special warranties required under the Contract Documents.

3.6 TAXES

The Owner qualifies for exemption from state and local sales and use taxes, pursuant to the provisions of Section 151.309 of the Texas Tax Code, as amended. Therefore, the Owner shall not be liable for, or pay the Contractor's cost of, such sales and use taxes which would otherwise be payable in connection with the purchase of tangible personal property furnished and incorporated into the real property being improved under the Contract Documents or the purchase of materials, supplies and other tangible personal property, other than machinery or equipment and its accessories and repair and replacement parts, necessary and essential for performance of the Contract which is to be completely consumed at the job site. The Contractor shall issue an exemption certificate in lieu of the tax on such purchases.

3.7 PERMITS, FEES AND NOTICES

- (a) The Architect/Engineer will apply and arrange for the issuance of the City of Denton Building Permit. The Prime Contractor and Subcontractors will apply and arrange for the issuance of all other required permits, and will not be required to pay a fee for any City of Denton permits required for the Project. The Owner will pay all service extension charges, including tap fees, assessed by the Water Utilities Department.
- (b) The Prime Contractor shall comply with and give notices required by laws, ordinances, rules, regulations, and lawful orders of governmental entities or agencies applying to performance of the Work.
- (c) Except as provided in Subparagraph (d) below, it is not the Prime Contractor's responsibility to ascertain that the Contract Documents are in accordance with applicable laws, ordinances, construction codes, and rules and regulations. However, if the Prime Contractor observes that portions of the Contract Documents are at variance with

applicable laws, ordinances, construction codes, rules or regulations, the Prime Contractor shall promptly notify the Architect/Engineer and the Owner in writing, and necessary changes shall be accomplished by appropriate Amendment.

- (d) If the Prime Contractor performs Work knowing it to be contrary to laws, ordinances, construction codes, or rules and regulations without notifying the Architect/Engineer and the Owner, the Prime Contractor shall assume full responsibility for the Work and shall bear the attributable costs of the correction of the Work and any other Work in place that may be adversely affected by the corrective work.

3.8 ALLOWANCES

- (a) The Prime Contractor shall include in the Contract Sum all allowances stated in the Contract Documents. Items covered by allowances shall be supplied for the amounts identified in the Contract and by persons or entities as the Owner may direct, but the Prime Contractor shall not be required to employ persons or entities against which the Prime Contractor makes reasonable objection.
- (b) Unless otherwise provided in the Contract Documents:
- (1) materials and equipment under an allowance shall be selected promptly by the Owner to avoid delay in the Work;
 - (2) the amount of each allowance shall cover the cost to the Prime Contractor of materials and equipment delivered at the site less all exempted taxes and applicable trade discounts;
 - (3) the amount of each allowance includes the Prime Contractor's costs for unloading and handling at the site, labor, installation costs, overhead, profit, and other expenses contemplated for stated allowance Work;
 - (4) whenever costs are more than or less than allowances, the Contract Sum shall be adjusted accordingly by Change Order. The amount of the Change Order shall reflect:
 - (i) the difference between actual costs and the allowances under Clause (b) (2); and
 - (ii) changes in Contractor's costs under Clause (b) (3);
 - (5) the Owner retains the right to review and approve Subcontractors selected by the Prime Contractor to perform work activities covered by allowances.

3.9 SUPERINTENDENT

The Prime Contractor shall employ a competent superintendent and necessary assistants who shall be in attendance at the Project Site during performance of the Work. The superintendent shall represent the Prime Contractor, and communications given to the superintendent shall be

as binding as if given to the Prime Contractor. Important communications shall be confirmed in writing. Other communications shall be similarly confirmed on written request in each case. The Owner reserves the right to request that the Prime Contractor replace its superintendent at any time and the Prime Contractor will replace said superintendent at the Owner's direction.

3.10 PRIME CONTRACTOR'S CONSTRUCTION SCHEDULES

- (a) The Prime Contractor shall, immediately after award of the Contract and before submittal of the first Application for Payment, prepare and submit the construction schedule for the Architect/Engineer's and Owner's information, review, and approval in accordance with the following provisions:
 - (1) Unless otherwise approved in writing by the Owner, the construction schedule shall not exceed the Contract Time limits currently in effect under the Contract Documents and shall provide for expeditious and practicable execution of the Work.
 - (2) The construction schedule shall include all shop drawing and submittal data requirements, indicating for each:
 - (i) the latest date to be submitted by the Prime Contractor; and
 - (ii) the latest date for approval by the Architect/Engineer.
 - (3) The construction schedule shall be in the form of a critical path management schedule, and shall indicate each critical task (the "predecessor") of all the major construction activities of the Work in a logical and sequential order (the "project network") which requires completion prior to commencement of the task next following (the "successor"). Each task shall be identified with:
 - (i) actual work time, exclusive of slack time, for accomplishment;
 - (ii) the latest start date;
 - (iii) the latest finish date;
 - (iv) the amount of float associated with each task;
 - (v) the amount of labor, material, and equipment associated with each task; and
 - (vi) the percentage of completion as of the date of the current schedule.
 - (4) The construction schedule shall be revised and updated monthly to reflect the actual status of the Work and shall be submitted with each Application for Payment.
 - (5) On or before the first day of each month, following the date of commencement of the Work as stated in the notice to proceed, the Prime Contractor shall prepare and submit to the Architect/Engineer and the Owner an up-to-date status report of the progress of the various construction phases of the Work in the form of an updated construction

schedule. This status report shall consist of a time scale drawing indicating actual progress of the various phases of the Work and the percentage of completion of the entire Work. The original construction schedule shall be updated or changed to indicate any adjustments to the Contract Time granted by the Owner. The updated schedule must be submitted with the Prime Contractor's Application for Payment. No such application will be certified without a satisfactory update to the construction schedule.

- (6) The construction schedule will also be revised to show the effect of change orders and other events on Contract Time. No request for an increase in Contract Time will be considered unless it is accompanied by a schedule revision demonstrating the amount of time related to the cause of the request. If the Contractor's status schedules reflect that the Prime Contractor has fallen behind the pace required to complete the Work within the Contract Time, through no fault of the Owner, the Prime Contractor shall prepare a recovery schedule demonstrating how it intends to bring its progress back within the Contract Time. This recovery schedule shall be in a form acceptable to the Owner.
- (7) Costs incurred by the Prime Contractor in preparing and maintaining the required construction schedule, any updated schedule, and any recovery schedule required by the Owner will not be paid as an additional or extra cost and shall be included in the Contract Sum.
- (8) The Contract Sum is deemed to be based upon a construction schedule requiring the full Contract Time. NO CLAIM FOR ADDITIONAL COMPENSATION SHALL BE ALLOWED AS A RESULT OF THE PRIME CONTRACTOR BASING HIS BID ON AN EARLY COMPLETION SCHEDULE, OR AS A RESULT OF DELAYS AND COSTS ATTRIBUTABLE TO COMPLETION LATER THAN THE PLANNED EARLY COMPLETION DATE.
 - (b) The Prime Contractor shall also prepare and keep current, for the Architect/Engineer's approval, a schedule of submittals which is coordinated with the Prime Contractor's construction schedule and allows the Architect/Engineer reasonable time to review submittals.
 - (c) The Prime Contractor shall conform to the most recent schedules approved as to form by the Architect/Engineer and the Owner. Any subsequent revisions made by the Prime Contractor to schedules in effect shall conform to the provisions of Subparagraph 3.10(a)
 - (d) If the Work falls behind the approved construction schedule, the Prime Contractor shall take such steps as may be necessary to improve his progress, and the Architect/Engineer and the Owner may require him to increase the number of shifts, overtime operations, days of work, or the amount of construction plant, and to submit for approval revised schedules in the form required above in order to demonstrate the manner in which the agreed rate of progress will be regained, all without additional cost to the Owner.

3.11 DOCUMENTS AND SAMPLES AT THE PROJECT SITE

The Contractor shall maintain at the Project site for the Owner one record copy of the Drawings, Specifications, addenda, and Amendments in good order and marked currently to record changes and selections made during construction, and in addition shall maintain at the Project site approved Shop Drawings, Product Data, Samples, and similar required submittals. These shall be available to the Architect/Engineer and shall be delivered to the Architect/Engineer for submittal to the Owner upon completion of the Work.

3.12 SHOP DRAWINGS, PRODUCT DATA AND SAMPLES

- (a) Shop Drawings are drawings, diagrams, schedules, and other data specially prepared for the Work by the Contractor or a Subcontractor, Sub-subcontractor, materialmen, manufacturer(s), supplier(s), or distributor(s) to illustrate some portion of the Work.
- (b) Product Data are illustrations, standard schedules, performance charts, instructions, brochures, diagrams, and other information furnished by the Contractor to illustrate materials or equipment for some portion of the Work.
- (c) Samples are physical examples which illustrate materials, equipment, or workmanship and establish standards by which the Work will be judged.
- (d) Shop Drawings, Product Data, Samples, and similar submittals are not Contract Documents. The purpose of their submittal is to demonstrate for those portions of the Work for which submittals are required the way the Contractor proposes to conform to the information given and the design concept expressed in the Contract Documents. Review by the Architect/Engineer is subject to the limitations of Paragraph 4.2.
- (e) The Prime Contractor shall review, approve and submit to the Architect/Engineer Shop Drawings, Product Data, Samples, and similar submittals required by the Contract Documents with reasonable promptness and in such sequence as to cause no delay in the Work or in the activities of the Owner, or of separate contractors. Submittals made by the Prime Contractor which are not required by the Contract Documents may be returned without action.
- (f) The Prime Contractor shall perform no portion of the Work requiring submittal and review of Shop Drawings, Product Data, Samples, or similar submittals until the respective submittal has been approved by the Architect/Engineer. Work requiring this submittal and review shall be in accordance with approved submittals and any identified exceptions noted by the Architect/Engineer.
- (g) By approving and submitting Shop Drawings, Product Data, Samples and similar submittals, the Prime Contractor represents that the Prime Contractor has determined and verified materials, field measurements, and related field construction criteria, or will do so, and has checked and coordinated the information contained within submittals with the requirements of the Work and of the Contract Documents. The Prime Contractor's attention

is directed to Paragraph 3.2 of these General Conditions and the requirements stated in that Paragraph.

- (h) The Prime Contractor shall not be relieved of responsibility for deviations, substitutions, changes, additions, deletions or omissions from requirements of the Contract Documents by the Architect/Engineer's approval of Shop Drawings, Product Data, Samples, or similar submittals unless the Prime Contractor has specifically informed the Architect/Engineer in writing of such substitutions, changes, additions, deletions, omissions, or deviations involved in the submittal at the time of submittal and the Architect/Engineer, subject to a formal Change Order signed by the Owner, Architect/Engineer and Prime Contractor, has given written approval to the specific substitutions, changes, additions, deletions, omissions, or deviations. The Prime Contractor shall not be relieved of responsibility for errors or omissions in Shop Drawings, Product Data, Samples, or similar submittals by the Architect/Engineer's approval thereof. Further, notwithstanding any approval of a submittal by the Architect/Engineer, the Prime Contractor shall be responsible for all associated Project costs, including costs of coordination's, modifications, or impacts, direct or indirect, resulting from any and all substitutions, changes, additions, deletions, omissions, or deviations, whether or not specifically identified by the Prime Contractor to the Architect/Engineer at the time of the above-mentioned submittals, including additional consulting fees, if any, in any and all accommodations associated with such substitutions, changes, additions, deletions, omissions, or deviations to the requirements of the Contract Documents.
- (i) The Prime Contractor shall direct specific attention, in writing or on resubmitted Shop Drawings, Product Data, Samples, or similar submittals, to additional revisions other than those requested by the Architect/Engineer on previous submittals. In the absence of such written notice, the Architect/Engineer's approval of a resubmission shall not apply to the additional revisions not requested.
- (j) Informational submittals upon which the Architect/Engineer is not expected to take responsive action may be so identified in the Contract Documents.
- (k) When professional certification of performance criteria of materials, systems, or equipment is required by the Contract Documents, the Architect/Engineer shall be entitled to rely upon the accuracy and completeness of such calculations and certifications.

3.13 USE OF THE PROJECT SITE

The Prime Contractor shall confine operations at the Project site to areas permitted by law, ordinances, permits, and the Contract Documents and shall not unreasonably encumber the Project site with materials or equipment.

3.14 CUTTING AND PATCHING

- (a) The Prime Contractor shall be responsible for cutting, fitting or patching required to complete the Work or to make its parts fit together properly.
- (b) The Prime Contractor shall not damage or endanger a portion of the Work or any fully or partially completed construction of the Owner or separate contractors by cutting,

patching, or otherwise altering the construction, or by excavating. The Prime Contractor shall not cut or otherwise alter the construction by the Owner or a separate contractor except with the written consent of the Owner and of the separate contractor; consent shall not be unreasonably withheld. The Prime Contractor shall not unreasonably withhold from the Owner or a separate contractor the Prime Contractor's consent to cutting or otherwise altering the Work.

- (c) A "Hot Work Permit" must be obtained from the City of Denton's Facilities Management Department, 869 S. Woodrow Lane, Denton, Texas (940 349-7200) for any temporary operation involving open flames or producing heat and/or sparks. This includes, but is not limited to: Brazing, Cutting, Grinding, Soldering, Torch Applied Roofing and Welding.

3.15 CLEANING UP

- (a) The Prime Contractor shall keep the Project site and surrounding area free from accumulation of waste materials or rubbish caused by operations under the Contract. Upon the completion of the Work the Prime Contractor shall remove from and about the Project site all waste materials, and rubbish, and all of the Prime Contractor's tools, construction equipment, machinery, and surplus materials.
- (b) If the Prime Contractor fails to clean up as provided in the Contract Documents, the Owner may, at Owner's option, clean up the Project site, and the Owner's cost of cleaning up shall be charged to the Contractor.

3.16 ACCESS TO WORK

The Prime Contractor shall provide the Owner and the Architect/Engineer access to the Work in preparation and progress wherever located during the course of construction.

3.17 TESTS AND INSPECTIONS

- (a) Tests, inspections, and approvals of portions of the Work required by the Contract Documents or by laws, ordinances, rules, regulations, or orders of governmental entities or agencies having jurisdiction over the Work shall be made at appropriate times. Unless otherwise provided, the Prime Contractor shall make arrangements for such tests, inspections, and approvals with an independent testing laboratory or entity acceptable to the Owner or with the appropriate governmental entity or agency, and the Prime Contractor shall bear all related costs of tests, inspections, and approvals. The Prime Contractor shall give the Architect/Engineer timely notice of when and where tests and inspections are to be made so the Architect/Engineer may observe such procedures. The Owner shall bear costs of tests, inspections, or approvals which become requirements after bids or proposals are received.
- (b) If the Architect/Engineer, the Owner or other public authorities having jurisdiction over the Work determine that portions of the Work require additional testing, inspection or

approval not included under Subparagraph 3.17(a), the Architect/Engineer will, upon written authorization from the Owner, instruct the Prime Contractor to make arrangements for such additional testing, inspection or approval by an entity acceptable to the Owner, and the Prime Contractor shall give timely notice to the Architect/Engineer of when and where tests and inspections are to be made so that the Architect/Engineer may observe such procedures. The Owner shall bear such costs except as provided in Subparagraph 3.17(c).

- (c) If procedures for testing, inspection, or approval under Subparagraphs 3.17(a) and 3.17(b) reveal deficiencies or nonconformities in the Work, the Prime Contractor shall bear all costs made necessary to correct the deficiencies or nonconformities, including those of repeated procedures and compensation for the Architect/Engineer's services and expenses, if any. The Prime Contractor shall bear the costs of any subsequent testing, inspection, or approval of the corrected Work.
- (d) Required certificates of testing, inspection or approval shall, unless otherwise required by the Contract Documents, be secured by the Prime Contractor and promptly delivered to the Architect/Engineer.
- (e) If the Architect/Engineer is to observe tests, inspections or approvals required by the Contract Documents, the Architect/Engineer will do so promptly and, where practicable, at the normal place of testing or inspection.
- (f) Tests or inspections conducted pursuant to the Contract Documents shall be made promptly to avoid unreasonable delay in the Work.

3.18 ROYALTIES AND PATENTS

The Contractor shall pay all royalties and license fees. CONTRACTOR SHALL COMPLETELY DEFEND, INDEMNIFY AND HOLD OWNER AND ARCHITECT/ENGINEER HARMLESS FROM ANY AND ALL LIABILITIES, SUITS OR CLAIMS FOR INFRINGEMENT OF PATENT RIGHTS, REGARDLESS OF WHETHER OR NOT THE OWNER OR THE ARCHITECT/ENGINEER SPECIFIED A PARTICULAR DESIGN, PROCESS OR PRODUCT IN THE CONTRACT DOCUMENTS THAT MAY BE THE SUBJECT OF A PATENT INFRINGEMENT OR OTHERWISE ACTIVELY INDUCED OR CONTRIBUTED TO THE PATENT INFRINGEMENT. In the event the Prime Contractor has reason to believe that a particular design, process or product specified infringes a patent, the Prime Contractor shall immediately notify the Owner and the Architect/Engineer of same.

3.19 INDEMNIFICATION

- (a) THE PRIME CONTRACTOR AGREES TO DEFEND, INDEMNIFY AND HOLD THE OWNER, ITS OFFICERS, AGENTS AND EMPLOYEES, AND THE ARCHITECT/ENGINEER, HARMLESS AGAINST ANY AND ALL CLAIMS,

LIABILITIES, LAWSUITS, JUDGMENTS, FINES, PENALTIES, COSTS AND EXPENSES FOR PERSONAL INJURY (INCLUDING DEATH), PROPERTY DAMAGE OR OTHER HARM OR VIOLATIONS FOR WHICH RECOVERY OF DAMAGES, FINES, OR PENALTIES IS SOUGHT, SUFFERED BY ANY PERSON OR PERSONS, THAT MAY ARISE OUT OF OR BE OCCASIONED BY CONTRACTOR'S BREACH OF ANY OF THE TERMS OR PROVISIONS OF THIS CONTRACT, VIOLATIONS OF LAW, OR BY ANY NEGLIGENT, GROSSLY NEGLIGENT, INTENTIONAL, OR STRICTLY LIABLE ACT OR OMISSION OF THE PRIME CONTRACTOR, ITS OFFICERS, AGENTS, EMPLOYEES, SUBCONTRACTORS, OR SUB-SUBCONTRACTORS AND THEIR RESPECTIVE OFFICERS, AGENTS, OR REPRESENTATIVES, OR ANY OTHER PERSONS OR ENTITIES FOR WHICH THE PRIME CONTRACTOR IS LEGALLY RESPONSIBLE IN THE PERFORMANCE OF THIS CONTRACT; EXCEPT THAT THE INDEMNITY PROVIDED FOR IN THIS PARAGRAPH SHALL NOT APPLY TO ANY LIABILITY RESULTING FROM THE SOLE NEGLIGENCE OR FAULT OF THE OWNER, ITS OFFICERS, AGENTS, EMPLOYEES OR SEPARATE CONTRACTORS, OR OF THE ARCHITECT/ENGINEER, AND IN THE EVENT OF JOINT AND CONCURRENT NEGLIGENCE OR FAULT OF THE CONTRACTOR, THE OWNER, AND THE ARCHITECT/ENGINEER, RESPONSIBILITY AND INDEMNITY, IF ANY, SHALL BE APPORTIONED IN ACCORDANCE WITH THE LAW OF THE STATE OF TEXAS, WITHOUT, HOWEVER, WAIVING ANY GOVERNMENTAL IMMUNITY AVAILABLE TO THE OWNER UNDER TEXAS LAW, AND WITHOUT WAIVING ANY DEFENSES OF THE PARTIES UNDER TEXAS LAW. THE PROVISIONS OF THIS PARAGRAPH ARE SOLELY FOR THE BENEFIT OF THE PARTIES HERETO AND ARE NOT INTENDED TO CREATE OR GRANT ANY RIGHTS, CONTRACTUAL OR OTHERWISE, TO ANY OTHER THIRD PERSON OR ENTITY.

- (b) In claims against any person or entity indemnified under this Paragraph 3.19 by an employee of the Prime Contractor, a Subcontractor, anyone directly or indirectly employed by them or anyone for whose acts they may be liable, the indemnification obligation under this Paragraph 3.19 shall not be limited by a limitation on amount or type of damages, compensation or benefits payable by or for the Prime Contractor or any Subcontractor, under workers compensation acts, disability benefit acts or other employee benefit acts.
- (c) Indemnification under this Paragraph 3.19 shall include, but is not limited to, liability which could result to or be created for the Owner, its officers, agents, or employees, or the Architect/Engineer pursuant to State or Federal laws or regulations relating to pollution of the environment and State or Federal laws or regulations relating to the occupational safety and health of workers. The Prime Contractor specifically agrees to comply with the above-mentioned laws and regulations in the performance of the Work by the Prime Contractor and that the obligations of the Owner, its officers, agents, and employees, and the Architect/Engineer under the above-mentioned laws and regulations are secondary to those of the Prime Contractor.

ARTICLE 4 - CONTRACT ADMINISTRATION

4.1 THE DESIGN PROFESSIONAL (ARCHITECT/ENGINEER)

- (a) The design professional is the person lawfully licensed to practice architecture or engineering or a firm or other business entity lawfully practicing architecture/engineering identified as such in the formal Building Construction Services Agreement and is referred to throughout the Contract Documents as if singular in number. The term “Architect/Engineer” means the Architect/Engineer or the Architect/Engineer’s authorized representative. The Owner may, at its option, designate a qualified Owner representative to serve as the Architect/Engineer on the Project instead of an outside firm or person. In such event, the references in these General Conditions that refer to the Architect/Engineer shall apply to the Owner-designated Architect/Engineer representative and the Owner-designated Architect/Engineer representative shall be accorded that same status by the Prime Contractor.
- (b) In the event the Architect/Engineer is an outside person or firm and the Architect/Engineer's employment is terminated, the Owner may, at its option, contract with a new outside Architect/Engineer to replace the former, or may designate a qualified Owner representative to serve as the Architect/Engineer. The replacement Architect/Engineer, whether an Owner representative, an independent Architect/Engineer or any other qualified person or entity, shall be regarded as the Architect/Engineer for all purposes under the Contract Documents and shall be accorded that same status by the Prime Contractor. Any dispute in connection with such appointment shall be reviewed and settled by the Owner, whose decision shall be final and binding.
- (c) Owner reserves the right to appoint a representative empowered to act for the Owner during the Construction Phase and to supersede the Architect/Engineer’s Construction Phase responsibility. Similarly, from time to time the Owner may expand or reduce the Owner’s delegation of powers to the Architect/Engineer, with the Owner notifying the Prime Contractor of any such changes. The Architect/Engineer shall not be construed as a third party beneficiary to the Contract and can in no way object to any expansion or reduction of powers as set forth in this Subparagraph (c). In no event, however, shall the Owner have control over charge of, or be responsible for, construction means, methods, techniques, sequences, or procedures, or for safety precautions or programs in connection with the Work since these are solely the Contractor’s responsibility. The Owner will not be responsible for the Prime Contractor’s failure to carry out the Work in accordance with the Contract Documents. The Owner will not have control over or charge of and will not be responsible for acts or omissions of Prime Contractor, Subcontractors, or their agents or employees, or of any other persons performing portions of the Work.

4.2 ARCHITECT/ENGINEER’S RESPONSIBILITIES DURING CONSTRUCTION

- (a) The Architect/Engineer will administer the Contract as described in the Contract Documents and in accordance with the terms of the Architect/Engineer's agreement with the Owner, where applicable, subject to the direction and approval of the Owner. If

requested by the Prime Contractor, the provisions of the Owner/Architect/Engineer Agreement will be made available to the Prime Contractor.

- (b) The Architect/Engineer shall provide, during performance of the Work, adequate and competent periodic on-site construction observation, periodically visiting the Project site to the extent necessary to personally familiarize themselves with the progress and quality of the Work, and to determine if the Work is proceeding in accordance with the Contract Documents. The Architect/Engineer shall not, however, be required to make continuous on-site inspections to check the Work. Field reports of each visit shall be prepared by the Architect/Engineer and submitted to the Owner. The Architect/Engineer shall employ all reasonable measures to safeguard the Owner against defects and nonconformities in the Work. The Architect/Engineer shall not be responsible for the construction means, methods, techniques, sequences of procedures, nor for the safety precautions and programs employed in connection with the Work. The Architect/Engineer will, however, immediately inform the Owner whenever defects or nonconformities in the Work are observed, or when any observed actions or omissions are undertaken by the Prime Contractor or any Subcontractor which are not in the best interests of the Owner or the Project.
- (c) The Architect/Engineer and the Owner will not have control over or charge of and will not be responsible for construction means, methods, techniques, sequences, or procedures, or for safety precautions and programs in connection with the Work, since these are solely the Prime Contractor's responsibility as provided in Paragraph 4.3. The Architect/Engineer and the Owner will not be responsible for the Prime Contractor's failure to carry out the Work in accordance with the Contract Documents. The Architect/Engineer and the Owner will not have control over or charge of and will not be responsible for acts or omissions of the Prime Contractor, Subcontractors, Sub-subcontractors, or their respective agents or employees, or of any other persons performing portions of the Work for which the Prime Contractor is responsible.
- (d) Except as otherwise provided in the Contract Documents or when direct communications have been specially authorized, the Owner and Prime Contractor shall endeavor to communicate through the Architect/Engineer. Communications by and with the Architect/Engineer's consultants shall be through the Architect/Engineer. Communications by and with Subcontractors and material suppliers shall be through the Prime Contractor. Communications by and with separate contractors will be through the Owner. The Prime Contractor shall provide written confirmation of communications made directly with the Owner and provide copies of such confirmation to the Architect/Engineer.
- (e) Based on the Architect/Engineer's observations and evaluations of the Prime Contractor's Applications for Payment, the Architect/Engineer will review and certify the amounts due the Prime Contractor and will issue Certificates for Payment in such amounts.
- (f) The Architect/Engineer and the Owner will each have authority to reject Work which does not conform to the Contract Documents. Whenever the Architect/Engineer considers it necessary or advisable for implementation of the intent of the Contract Documents, the

Architect/Engineer will have authority to require additional inspection or testing of the Work in accordance with Subparagraphs 3.17(b) and 3.17(c), whether or not such Work is fabricated, installed or completed. However, neither this authority of the Architect/Engineer nor a decision made in good faith either to exercise or not to exercise such authority shall give rise to any duty or responsibility of the Architect/Engineer to the Prime Contractor, Subcontractors, material and equipment suppliers, their agents or employees, or other persons performing portions of the Work.

- (g) The Architect/Engineer will review and approve or take other appropriate action upon the Prime Contractor's submittals such as Shop Drawings, Product Data, and Samples, but only for the limited purpose of checking for conformance with information given and the design concept expressed in the Contract Documents. The Architect/Engineer's action will be taken with such reasonable promptness as to not delay the Work or the activities of the Owner, Contractor, or separate contractors. Review of such submittals is not conducted for the purpose of determining the accuracy and completeness of other details such as dimensions and quantities, or for substantiating instructions for installation or performance of equipment or systems, all of which remain the responsibility of the Prime Contractor as required by the Contract Documents. The Architect/Engineer's review of the Prime Contractor's submittals shall not relieve the Prime Contractor of any obligations under Paragraphs 3.3, 3.5, and 3.12. The Architect/Engineer's review shall not constitute approval of safety precautions or, unless otherwise specifically stated in writing by the Architect/Engineer, of any construction means, methods, techniques, sequences, or procedures. The Architect/Engineer's approval of a specific item shall not indicate approval of an assembly of which the item is a component.
- (h) The Architect/Engineer will prepare Change Orders and may authorize minor changes in the Work as provided in Paragraph 7.3.
- (i) The Architect/Engineer will conduct inspections to determine the date or dates of Substantial Completion and the date of final completion, will receive and forward to the Owner for the Owner's review and records written warranties and related documents required by the Contract and assembled by the Prime Contractor, and will issue a final Certificate for Payment upon compliance with the requirements of the Contract Documents.
- (j) If the Owner and Architect/Engineer agree, the Architect/Engineer will provide one or more Project representatives to assist in carrying out the Architect/Engineer's responsibilities at the site. The duties, responsibilities, and limitations of authority of such Project representatives shall be as set forth in an exhibit to be incorporated into the Contract Documents.
- (k) The Architect/Engineer will interpret and make recommendations to the Owner concerning performance under and requirements of the Contract Documents upon written request of either the Owner or Contractor. The Architect/Engineer's response to such requests will be made with reasonable promptness and within any time limits agreed upon. The Architect/Engineer shall secure the Owner's written approval before issuing instructions,

interpretations, or judgments to the Prime Contractor which change the scope of the Work or which modify or change the terms and conditions of any of the Contract Documents.

- (l) Interpretations and decisions of the Architect/Engineer will be consistent with the intent of and reasonably inferable from the Contract Documents and will be in writing or in the form of Drawings. When making such interpretations and decisions, the Architect/Engineer will endeavor to secure faithful performance by the Prime Contractor.
- (m) The Architect/Engineer's decisions on matters relating to aesthetic effect will be final if consistent with the intent expressed in the Contract Documents; provided that the Architect/Engineer has the prior written approval of the Owner.

4.3 CLAIMS AND DISPUTES

- (a) Definition; General Notice of Claim Procedure. As used in these General Conditions, a "Claim" means a demand or assertion by one of the parties to the Contract seeking an adjustment of the terms of the Contract Documents, of the Contract Sum, of the Contract Time, or some other relief in respect to the terms of the Contract Documents. The term also includes all other disputes between the Owner and the Contractor arising out of or relating to the Project or the Contract Documents, including but not limited to claims that work was outside the scope of the Contract Documents. The responsibility to substantiate the Claim and the burden of demonstrating compliance with this provision shall rest with the party making the Claim. Except where otherwise provided in the Contract Documents, a Claim by the Prime Contractor, whether for additional compensation, additional time, or other relief, including but not limited to claims arising from concealed conditions, **WITHOUT EXCEPTION, MUST BE MADE BY WRITTEN NOTICE TO THE ARCHITECT/ENGINEER AND TO THE OWNER WITHIN FOURTEEN (14) DAYS IMMEDIATELY AFTER OCCURRENCE OF THE EVENT OR EVENTS GIVING RISE TO THE PARTICULAR CLAIM.** Every Claim of the Prime Contractor, whether for additional compensation, additional time, or other relief, including but not limited to claims arising from concealed conditions, shall be signed and sworn to by an authorized corporate officer (if not a corporation, then an official of the company authorized to bind the Prime Contractor by his signature) of the Prime Contractor, verifying the truth and accuracy of the Claim. **THE PRIME CONTRACTOR SHALL BE CONCLUSIVELY DEEMED TO HAVE WAIVED ANY CLAIM NOT MADE STRICTLY IN ACCORDANCE WITH THE PROCEDURES AND TIME LIMITS SET OUT IN THIS PARAGRAPH.**
- (b) Referral to the Architect/Engineer. Claims, disputes, and other matters in question between the Prime Contractor and the Owner relating to the progress or execution of the Work or the interpretation of the Contract Documents shall be referred to the Architect/Engineer for recommendation to the Owner, which recommendation the Architect/Engineer will furnish in writing within a reasonable time, provided proper and adequate substantiation has been received. Failure of the Prime Contractor to submit the Claim to the Architect/Engineer for rendering of a recommendation to the Owner shall constitute a waiver of the Claim.

- (c) Continuing Contract Performance. Pending final resolution of a claim the Prime Contractor shall proceed diligently with performance of the Work and the Owner shall continue to make payments in accordance with the Contract Documents.
- (d) Claims for Concealed or Unknown Conditions. No adjustment in the Contract Sum or Time associated with concealed or unknown conditions will normally be considered or allowed; provided, however, that the Contract Sum or Time may be adjusted by the Owner in such circumstances only if:
- (1) a concealed subsurface condition is encountered in the course of performance of the Work;
 - (2) a concealed or unknown condition in an existing structure is at variance with conditions indicated by the Contract Documents; or
 - (3) an unknown physical condition is encountered below the surface of the ground or in an existing structure which is of an unusual nature and materially different from those ordinarily encountered and generally recognized as inherent in the character of the Work; and
 - (4) a notice of claim with proper and adequate substantiation is presented pursuant to Subparagraph 4.3(a) of these General Conditions; and
 - (5) the Owner and the Architect/Engineer determine that:
 - (i) prior to submitting its bid for the Work, the Contractor used reasonable diligence to fully inspect the portion of the Project site where the condition was discovered; and
 - (ii) the work caused or required by the concealed or unknown condition at issue can be considered extra work to the extent that additional new Drawings must be prepared and issued and new construction beyond the scope of the Contract Documents is required.
- (e) Disclaimer of Warranties as to Reports, Drawings, and Specifications. PROJECT SITE INFORMATION AND REPORTS (INCLUDING BUT NOT LIMITED TO SOILS TESTING REPORTS, GEOTECHNICAL REPORTS, OR ENVIRONMENTAL SITE ASSESSMENTS) PROVIDED BY THE OWNER AND THE ARCHITECT/ENGINEER IN THE PROJECT MANUAL OR BY OTHER MEANS SHALL BE UTILIZED BY THE PRIME CONTRACTOR AT THE PRIME CONTRACTOR'S OWN RISK. THE OWNER AND THE ARCHITECT/ENGINEER DO NOT GUARANTEE OR WARRANT ANY INFORMATION SHOWN IN THE PROJECT SITE INFORMATION AND REPORTS.
- (f) Claims for Additional Cost. If the Prime Contractor wishes to make a claim for an increase in the Contract Sum, written notice as provided in this Paragraph 4.3 shall be given before proceeding to execute the Work. Prior notice is not required for claims relating to an emergency endangering life or property arising under Paragraph 10.3. In addition, the Prime Contractor's request for an increase in the Contract Sum for any reason (other than work performed under emergency conditions) shall be made far enough in advance of required work to allow the Owner and the Architect/Engineer a sufficient amount of time, without adversely affecting the construction schedule, to review the request, prepare and

distribute such additional documents as may be necessary to obtain suitable estimates or proposals and to negotiate, execute and distribute a Change Order for the required work if the Prime Contractor believes that additional cost is involved for reasons including but not limited to:

- (1) a written interpretation from the Architect/Engineer;
 - (2) a written order for a minor change in the Work issued by the Architect/Engineer;
 - (3) failure of payment by the Owner;
 - (4) termination of the Contract by the Owner;
 - (5) the Owner's temporary suspension of all or any portion of the Work where the Prime Contractor was not at fault; or
 - (6) other reasonable grounds.
- (g) Injury or Damage to Person or Property. If the Prime Contractor suffers injury or damages to person or property because of an act or omission of the Owner, or of any of the Owner's officers, employees or agents, written, sworn-to notice of any claim for damages or injury shall be given as provided in Subparagraph 4.3(a). The notice shall provide sufficient detail to enable the Architect/Engineer and the Owner to investigate the matter.
- (h) Subcontractor Pass-Through Claims. In the event that any Subcontractor of the Prime Contractor asserts a claim to the Prime Contractor, that the Prime Contractor seeks to pass through to the Owner under the Contract Documents, any entitlement of the Prime Contractor to submit and assert the claim against the Owner shall be subject to:
- (1) the requirements of Paragraph 4.3 of these General Conditions; and
 - (2) the following additional three requirements listed below, all three of which additional requirements shall be conditions precedent to the entitlement of the Prime Contractor to seek and assert such claim against the Owner:
 - (ii) The Prime Contractor shall either (A) have direct legal liability as a matter of contract, common law, or statutory law to the Subcontractor for the claim that the Subcontractor is asserting or (B) the Prime Contractor shall have entered into a written liquidating agreement with the Subcontractor, under which agreement the Prime Contractor has agreed to be legally responsible to the Subcontractor for pursuing the assertion of such claim against the Owner under the Contract and for paying to the Subcontractor any amount that may be recovered, less Prime Contractor's included markup (subject to the limits in the Contract Documents for any markup). The liability or responsibilities shall be identified in writing by the Prime Contractor to the Owner at the time such claim is submitted to Owner, and a copy of any liquidating agreement shall be included by the Prime Contractor in the claim submittal materials.

(ii) The Prime Contractor shall have reviewed the claim of the Subcontractor prior to its submittal to Owner and shall have independently evaluated such claim in good faith to determine the extent to which the claim is believed in good faith to be valid. The Prime Contractor shall also certify, in writing and under oath to the Owner, at the time of the submittal of such claim, that the Prime Contractor has made a review, evaluation, and determination that the claim is made in good faith and is believed by the Contractor to be valid.

(iii) The Subcontractor making the claim to the Prime Contractor shall certify in writing and under oath that it has compiled, reviewed and evaluated the merits of such claim and that the claim is believed in good faith by the Subcontractor to be valid. A copy of the certification by the Subcontractor shall be included by Prime Contractor in the claim submittal materials made by Contractor to the Owner..

(3) Any failure of the Prime Contractor to comply with any of the foregoing requirements and conditions precedent with regard to any such claim shall constitute a waiver of any entitlement to submit or pursue such claim against Owner.

(4) Receipt and review of a claim by the Owner under this Subparagraph shall not be construed as a waiver of any defenses to the claim available to the Owner under the Contract Documents or by applicable law.

(i) Owner's Right to Order Acceleration and to Deny Claimed and Appropriate Time Extensions, in Whole or in Part. The Prime Contractor acknowledges and agrees that Substantial Completion of the Work by or before the Scheduled Completion Date is of substantial importance to Owner. The following provisions, therefore, will apply:

(1) If the Prime Contractor falls behind the approved construction schedule for whatever reason, the Owner shall have the right, in the Owner's sole discretion, to order the Prime Contractor to develop a recovery schedule as described in Paragraph 3.10 or to accelerate its progress in such a manner as to achieve Substantial Completion on or before the Contract Time completion date or such other date as the Owner may reasonably direct and, upon receipt, the Prime Contractor shall take all action necessary to comply with the order. In such event, any possible right, if any, of the Prime Contractor to additional compensation for any acceleration shall be subject to the terms of this Subparagraph (i).

(2) In the event that the Prime Contractor is otherwise entitled to an extension of Contract Time and has properly initiated a Claim for a time extension in accordance with Subparagraph 4.3(a) above, the Owner shall have the right, in the Owner's sole discretion, to deny all, or any part, of the Claim for extension of Contract Time by giving written notice to the Prime Contractor provided within fourteen (14) days after receipt of the Prime Contractor's Claim. If the Owner denies the Prime Contractor's claim for an extension of Contract Time under this Clause (i)(2), either in whole or in part, the Prime Contractor shall proceed to prosecute the Work in

such a manner as to achieve Substantial Completion on or before the then existing Scheduled Completion Date.

- (3) If the Prime Contractor would have been entitled to a time extension for a reason specifically allowed under the Contract Documents, for an amount of time that would have justified approval by the Owner if not for the need and right to accelerate, the Prime Contractor may initiate a Claim for acceleration costs pursuant to Subparagraph 4.3(a). Any resulting Claim for acceleration costs properly initiated by the Prime Contractor under Subparagraph 4.3(a) above shall be limited to those reasonable and documented direct costs of labor, materials, equipment, and supervision solely and directly attributable to the actual acceleration activity necessary to bring the Work back within the then existing approved construction schedule. These direct costs include the premium portion of overtime pay, additional crew, shift, or equipment costs if requested in advance by the Contractor and approved in writing by the Owner. A percentage markup for the prorated cost of premium on the existing performance and payment bonds and required insurance; provided however, not to exceed five (5%) per cent, will be allowed on the claimed acceleration costs. **NO OTHER MARKUP FOR PROFIT, OVERHEAD (INCLUDING BUT NOT LIMITED TO HOME OFFICE OVERHEAD) OR ANY OTHER COSTS WILL BE ALLOWED ON ANY ACCELERATION CLAIM.** The Owner shall not be liable for any costs related to an acceleration claim other than those described in this Clause (i)(3).
- (i) Waiver of Claims; Final Payment. The making of final payment shall constitute a waiver of claims by the Owner except those arising from:
- (1) claims, security interests, purported liens, or other attempted encumbrances arising out of the Contract and remaining unsettled;
 - (2) defective or nonconforming Work appearing after Substantial Completion;
 - (3) latent defects, as defined in Subparagraph 12.2(d), appearing after Final Completion;
or
 - (4) the terms of general and special warranties required by the Contract Documents or allowed or implied by law.
- (k) **THE CONTRACTOR SHALL NOT BE ENTITLED TO RECOVER ATTORNEY'S FEES AS A PART OF ANY CLAIM MADE UNDER THE CONTRACT DOCUMENTS OR IN ANY SUBSEQUENT LAWSUIT OR ALTERNATIVE DISPUTE RESOLUTION PROCEEDING.**
- (l) **No Waiver of Governmental Immunity. NOTHING IN THE CONTRACT DOCUMENTS SHALL BE CONSTRUED TO WAIVE THE OWNER'S GOVERNMENTAL IMMUNITY FROM LAWSUIT, WHICH IMMUNITY IS EXPRESSLY RETAINED TO**

THE EXTENT IT IS NOT CLEARLY AND UNAMBIGUOUSLY WAIVED BY APPLICABLE STATE LAW.

ARTICLE 5 - SUBCONTRACTORS

5.1 DEFINITIONS OF SUBCONTRACTOR

- (a) A Subcontractor is person or entity who has a direct Contract with the Prime Contractor to perform a portion of the Work at the Project site or to supply materials or equipment to the Prime Contractor by purchase or lease for use in performance of or incorporation into the Work. The term "Subcontractor" is referred to throughout the Contract Documents as if singular in number and means a Subcontractor or an authorized representative of the Subcontractor. The term "Subcontractor" does not include a separate contractor or subcontractors of a separate contractor.
- (b) A Sub-subcontractor is a person or entity who has a direct or indirect Contract with a Subcontractor to perform a portion of the Work at the Project site or to supply materials or equipment to the Subcontractor or another Sub-subcontractor by purchase or lease for use in performance of or incorporation into the Work. The term "Sub-subcontractor" is referred to throughout the Contract Documents as if singular in number and means a Sub-subcontractor or an authorized representative of the Sub-subcontractor.

5.2 AWARD OF SUBCONTRACTS AND OTHER CONTRACTS FOR PORTIONS OF THE WORK

- (a) Immediately after the award of the Contract by the Owner, and before the Building Construction Services Agreement is signed by the Prime Contractor and the Owner, the Prime Contractor shall furnish to the Architect/Engineer in writing, for acceptance by the Owner and the Architect/Engineer, a list of the names, addresses, telephone numbers, M/WBE certification numbers (where applicable), and type of work of the Subcontractors (including those who are to furnish materials or equipment fabricated to a special design), proposed for the principal portions of the Work, including furnishings when made a part of the Contract. The Prime Contractor shall immediately notify the Owner in writing of any changes in the list as they occur. The Architect/Engineer will promptly reply to the Contractor in writing stating whether or not the Owner or the Architect/Engineer, after due investigation, has reasonable objection to any such proposed person or entity. Failure of the Owner or Architect/Engineer to reply promptly shall constitute notice of no reasonable objection.
- (b) The Prime Contractor shall not Contract with a proposed person or entity to whom the Owner or Architect/Engineer has made reasonable and timely objection.
- (c) Architect/Engineer's and Owner's approval of or objection to any Subcontractor or of a particular process or material will not relieve the Prime Contractor of his responsibility for performance of Work as called for under the Contract Documents, and shall not provide a basis for any claim for additional time or money on the part of the Prime Contractor. Approval shall not be construed to create any contractual relationship between the

Subcontractor and either the Owner or Architect/Engineer. In no event shall the Contract Sum be increased as a result of the rejection of any Subcontractor.

- (d) The Prime Contractor shall not change a Subcontractor previously selected if the Owner or Architect/Engineer makes reasonable objection to such change.

5.3 SUBCONTRACTUAL RELATIONS

- (a) By appropriate agreement, written where legally required for validity, the Prime Contractor shall require each Subcontractor, to the extent of the Work to be performed by the Subcontractor, to be bound to the Prime Contractor by the terms of the Contract Documents (including but not limited to these General Conditions), and to assume toward the Prime Contractor all the obligations and responsibilities which the Prime Contractor, by the Contract Documents, assumes toward the Owner and the Architect/Engineer. Each subcontract agreement shall preserve and protect the rights of the Owner and the Architect/Engineer under the Contract Documents (including but not limited to these General Conditions) with respect to the Work to be performed by the Subcontractor so that subcontracting will not prejudice the rights of the Owner and the Architect/Engineer. Where appropriate, the Prime Contractor shall require each Subcontractor to enter into similar agreements with Sub-subcontractors. The Prime Contractor shall make available to each proposed Subcontractor, prior to the execution of the subcontract agreement, copies of the Contract Documents to which the Subcontractor is to be bound. Subcontractors shall similarly make copies of applicable portions of such Documents available to their respective proposed Sub-subcontractors.
- (b) The Prime Contractor is solely responsible for making payments properly to the Prime Contractor's Subcontractors on the Project. During performance of the Work, the Prime Contractor shall comply with the following additional rules regarding Subcontractor payments:
 - (1) The Prime Contractor shall submit, beginning with the Second Application and Certificate for Payment, a Subcontractor Payment Report (the "Report") with each Application and Certificate for Payment. The Report shall show all payments made to date by the Prime Contractor (plus existing retainage) to each Subcontractor involved in the Project. The Report shall be made on a form approved and supplied by the Owner. As an alternative to the Report, the Prime Contractor may furnish Affidavits of Payment Received with the Application and Certificate for Payment, which affidavits shall be executed by each Subcontractor owed money and paid by Subcontractor during the previous progress payment period for work or materials furnished on the Project. RECEIPT BY THE OWNER OF THE REPORT OR AFFIDAVITS OF PAYMENT RECEIVED SHALL BE A CONDITION PRECEDENT TO PAYMENT ON ANY APPLICATION FOR PAYMENT .
 - (2) If, for any reason, the Prime Contractor is withholding payment to a Subcontractor due to a dispute or other problem with performance, the Prime Contractor shall note the amount withheld and further note that the payment is in dispute. The Owner may, in its

sole discretion, require the Prime Contractor to document and verify the dispute or other problem in question.

(3) The Owner reserves the right in its sole discretion, to withhold payment to the Prime Contractor pursuant to Paragraph 9.5(a) of the General Conditions, should it appear from the Report, statements of payment received or other information furnished to the Owner that:

(i) the Report has not been properly completed;

(ii) the Prime Contractor has knowingly provided false information regarding payment of any Subcontractor; or

(iii) the Prime Contractor has otherwise failed to make payments properly to any Subcontractor.

(4) THE PRIME CONTRACTOR SHALL NOT HAVE ANY RIGHT TO MAKE A CLAIM FOR ADDITIONAL TIME OR ADDITIONAL COMPENSATION AS A RESULT OF THE OWNER'S OR ARCHITECT/ENGINEER'S ENFORCEMENT OF THIS SUBPARAGRAPH 5.3(b). NO PROVISION OF THIS SUBPARAGRAPH OR ANY OF THE CONTRACT DOCUMENTS SHALL BE CONSTRUED TO CREATE A CONTRACTUAL RELATIONSHIP, EXPRESS OR IMPLIED, BETWEEN ANY SUBCONTRACTOR AND EITHER THE OWNER OR THE ARCHITECT/ENGINEER AND SHALL NOT BE CONSTRUED TO MAKE ANY SUBCONTRACTOR OR ANY OTHER PERSON OR ENTITY, A THIRD-PARTY BENEFICIARY OF THE CONTRACT BETWEEN THE OWNER AND THE PRIME CONTRACTOR.

5.4 CONTINGENT ASSIGNMENT OF SUBCONTRACTS

In the event of a termination of this Contract by the Owner under Article 14, the Prime Contractor shall, if requested in writing by the Owner, within fifteen (15) days after the date notice of termination is sent, deliver and assign to Owner, or any person or entity acting on the Owner's behalf, any or all subcontracts made by Prime Contractor in the performance of the Work, and deliver to the Owner true and correct originals and copies of the subcontract documents. In the event assignment is not requested by the Owner, Prime Contractor shall terminate all subcontracts to the extent that Owner has not directed assignment of same and to the extent that they relate to the performance of Work terminated by the notice of termination.

ARTICLE 6 - CONSTRUCTION BY THE OWNER/ SEPARATE CONTRACTORS

6.1 OWNER'S RIGHT TO PERFORM CONSTRUCTION AND TO AWARD SEPARATE

CONTRACTS

- (a) The Owner reserves the right to perform construction or operations related to the Project with the Owner's own forces, and to award separate contracts in connection with other portions of the Project or other construction or operations on the Project site under Conditions of the Contract identical or substantially similar to these General Conditions, including those portions related to insurance and waiver of subrogation. If the Prime Contractor claims that delay or additional cost is involved because of such action by the Owner, the Prime Contractor shall make a claim as provided elsewhere in, and in accordance with the Contract Documents.
- (b) When separate Contracts are awarded for different portions of the Project or other construction or operations on the Project site, the term "Contractor" in the Contract Documents in each case shall mean the Contractor who executes each separate Building Construction Services Agreement with the Owner.
- (c) The Owner shall provide for coordination of the activities of the Owner's own forces and of each separate contractor with the Work of the Prime Contractor, who shall cooperate with them. The Prime Contractor shall participate with other separate contractors and the Owner in reviewing their construction schedules when directed to do so. The Prime Contractor shall, with the approval of the Owner, make any revisions to the construction schedule deemed necessary after a joint review and mutual agreement. The construction schedules shall then constitute the schedules to be used by the Prime Contractor, separate contractors, and the Owner until subsequently revised by mutual agreement or by written Change Order. If the Prime Contractor believes it is entitled to an adjustment of the Contract Sum under the circumstances, the Prime Contractor shall submit a written proposal for a Change Order pursuant to Article 7 of the General Conditions. In the event the Prime Contractor's Change Order proposal is denied by the Owner, the Prime Contractor must submit any Claim pursuant to Paragraph 4.3 of the General Conditions.
- (d) Unless otherwise provided in the Contract Documents, when the Owner performs construction or operations related to the Project with the Owner's own forces, the Owner shall be deemed to be subject to the same obligations and to have the same rights which apply to the Prime Contractor under these General Conditions, including, without excluding others, those stated in Article 3, this Article 6, and Articles 10, 11 and 12.

6.2 MUTUAL RESPONSIBILITY

- (a) The Prime Contractor shall afford the Owner and separate contractors' reasonable opportunity for access to and storage of their materials and equipment and the performance of their activities and shall coordinate the Prime Contractor's construction and operations with the separate contractors as required by the Contract Documents.
- (b) If part of the Prime Contractor's Work depends for proper execution or results upon construction or operations by the Owner or a separate contractor, the Prime Contractor shall, prior to proceeding with that portion of the Work, promptly report to the

Architect/Engineer apparent discrepancies or defects in the other construction that would render it unsuitable for proper execution and results. Failure of the Prime Contractor to so report shall constitute an acknowledgment that the Owner's or separate contractors completed or partially completed construction is fit and proper to receive the Prime Contractor's Work, except as to defects not then reasonably discoverable.

- (c) The Owner shall not be liable to the prime Contractor for damages suffered by the Prime Contractor due to the fault or negligence of a separate contractor or through failure of a separate contractor to carry out the directions of the Owner or the Architect/Engineer. Should any interference occur between the Prime Contractor and a separate contractor, the Architect/Engineer or the Owner may furnish the Prime Contractor with written instructions designating priority of effort or change in methods, whereupon the Prime Contractor shall immediately comply with such direction. In such event, the Prime Contractor shall be entitled to an extension of the Contract Time only for unavoidable delays verified by the Architect/Engineer; no increase in the Contract Sum, however, shall be due to the Prime Contractor.
- (d) The Prime Contractor shall promptly remedy damage wrongfully caused by the Prime Contractor to completed or partially completed construction or to property of the Owner or separate contractors as provided in Subparagraph 10.2(e).
- (e) Should the Prime Contractor cause damage to the work or property of any separate contractor on the Project, the Prime Contractor shall, upon due notice, settle with the separate contractor by agreement, if the separate contractor will so settle. If the separate contractor sues the Owner or submits a claim on account of any damage alleged to have been so sustained, the Owner shall notify the Prime Contractor who shall defend such proceedings, at the Prime Contractor's sole expense, and if any judgment or award against the Owner arises from the separate contractor's claim, the Prime Contractor shall fully pay or satisfy it and shall reimburse the Owner for any and all attorney's fees and costs which the Owner has incurred.
- (f) The Owner and each separate contractor shall have the same responsibilities for cutting and patching as are described for the Prime Contractor in Paragraph 3.14.

6.3 OWNER'S RIGHT TO CLEAN UP

If a dispute arises among the Contractor, separate contractors and the Owner as to the responsibility under their respective contracts for maintaining the Project Site and surrounding area free from waste materials and rubbish as described in Paragraph 3.15, the Owner may clean up, but is not obligated to do so, and Owner shall allocate the cost among those parties responsible, as the Architect/Engineer recommends to be just.

ARTICLE 7 - AMENDMENTS

7.1 CHANGE ORDERS

- (a) A Change Order is a written order to the Contractor, signed by the Owner and the Architect/Engineer, issued after execution of the Contract, authorizing a change in the Work, an adjustment in the Contract Sum, or an adjustment to the Contract Time, consistent with other applicable provisions of this Contract. The Owner, without invalidating the Contract and without requiring notice of any kind to the sureties, may order changes to the scope of Work under the Contract by additions, deletions, or other revisions, the Contract Sum and Contract Time to be adjusted consistent with other applicable provisions of this Contract. All Change Orders shall be executed on a Change Order form approved by the Owner and the Owner's City Attorney.

- (b) In addition to the Owner and the Architect/Engineer, the Contractor shall sign all Change Orders to verify and confirm the terms and conditions established by Change Order; however, should the Contractor refuse to sign a Change Order, this shall not relieve him of his obligation to perform the change directed by the Owner and the Architect/Engineer to the best of his ability in accordance with the provisions of this Article 7. A Change Order signed by the Contractor indicates his agreement with all of the changes approved, including the adjustment in the Contract Sum or the Contract Time. EACH CHANGE ORDER SHALL BE SPECIFIC AND FINAL AS TO PRICES AND EXTENSIONS OF TIME, WITH NO RESERVATIONS OR OTHER PROVISIONS ALLOWING FOR FUTURE ADDITIONAL MONEY OR TIME AS A RESULT OF THE PARTICULAR CHANGES IDENTIFIED AND FULLY COMPENSATED IN THE CHANGE ORDER. The execution of a Change Order by the Contractor shall constitute conclusive evidence of the Contractor's agreement to the ordered changes in the Work. The Contractor forever releases any claim against the Owner for additional time or compensation for matters relating to or arising out of or resulting from the Work included within or affected by the executed Change Order. This release applies to claims related to the cumulative impact of all Change Orders and to any claim related to the effect of a change on other Work.

- (c) No extra work (except under emergency conditions) or changes shall be made nor shall any substitutions, changes or additions to or omissions or deviations from the requirements of the Drawings and Specifications be made unless pursuant to a written Change Order signed by the Owner and the Architect/Engineer, it being expressly understood that the Owner shall not be liable for the cost of extra work or any substitution, change, addition, omission or deviation from the requirements of the Drawings or Specifications unless the same shall have been authorized in writing by the Owner and the Architect/Engineer in a written change order or other Amendment. The provisions of this Paragraph 7.1 shall control in the event of any inconsistency between such provisions and the other provisions of this Article 7. See Subparagraph 10.3(a) of the General Conditions for Change Orders under emergency conditions.

- (d) The method of determining the cost or credit to the Owner for any change in the Work shall be one of the following:
 - (1) mutual acceptance of a not-to-exceed lump-sum amount properly itemized and supported by sufficient substantiating data to permit evaluation; or

- (2) unit prices stated in the Contract Documents or subsequently agreed upon; or
 - (3) cost to be determined in a manner agreed upon by the parties and a mutually acceptable fixed or percentage fee; or
 - (4) the force account method provided in Subparagraph 7.1(e)
- (e) If the parties cannot agree to one of the methods of calculating cost provided in Clauses (d) (1), (d) (2), or (d) (3), or if the parties agree to a method but cannot agree on a final dollar figure; or if the Contractor for whatever reason refuses to sign the Change Order in question; the Contractor, provided he receives a written order signed by the Owner, shall promptly proceed with the Work involved. The cost of the Work involved shall then be calculated on the basis of the reasonable jobsite expenditures and savings of those performing the Work attributable to the changes, including a reasonable allowance for overhead and profit, such allowance in any case never to exceed fifteen (15%) per cent. In such case, the Contractor shall keep an itemized accounting of the Work involved, on a daily basis, in such form and with the appropriate supporting data as the Architect/Engineer and Owner may prescribe. Sworn copies of the itemized accounting shall be delivered to the Architect/Engineer each day during the performance of force account work, with copies to the Owner.

FAILURE OF THE CONTRACTOR TO SUBMIT THE SWORN-TO ITEMIZED ACCOUNTING DAILY AS REQUIRED HEREIN SHALL CONSTITUTE A WAIVER BY THE CONTRACTOR OF ANY RIGHT TO DISPUTE THE OWNER'S DETERMINATION OF THE AMOUNT DUE THE CONTRACTOR FOR FORCE ACCOUNT WORK. Costs to be charged under this Subparagraph for force account work are limited to the following:

- (1) costs of labor, including social security, old age and unemployment insurance, fringe benefits required by agreement or custom, and worker's compensation insurance;
 - (2) costs of materials, supplies and equipment (but not to include off-site storage unless approved in writing by the Owner), whether incorporated or consumed;
 - (3) rental costs of machinery and equipment, exclusive of hand tools, whether rented from the Contractor or others;
 - (4) costs of premiums for all bonds and insurance related to the Work; and
 - (5) additional costs of supervision and field office personnel directly attributable to the changed Work. Pending final determination of cost to the Owner, payment of undisputed amounts on force account shall be included on the Architect/Engineer's Certificate of Payment as work is completed.
- (f) The amount of credit to be allowed to the Owner for any deletion of Work or any other change which results in a net decrease of the Contract Sum shall be the amount of actual

net cost confirmed by the Architect/Engineer plus the stated percentage for overhead and profit. When both additions and deletions or credits covering related Work or substitutions are involved in any one change, the allowance for overhead and profit shall be figured on the basis of the net increase or decrease with respect to that change.

7.2 SUPPLEMENTAL AGREEMENTS

A written Supplemental Agreement can also be used to implement changes in the Work instead of a Change Order form, including but not limited to situations involving partial occupancy of the Work under Paragraph 9.8, a change made to the Drawings or the Specifications without an increase in the Contract Sum, or special circumstances where it is necessary or more appropriate for the Owner to use a Supplemental Agreement. Written Supplemental Agreements shall have a status equal to that of Change Orders for purposes of priority of Contract Documents interpretation, except that to the extent of a conflict, later Supplemental Agreements in time control over earlier Supplemental Agreements, and the latest Change Order or Supplemental Agreement in time controls over earlier dated Change Orders and Supplemental Agreements. The rules of Subparagraphs 7.1(b) through (f) shall also apply to the negotiation and execution of Supplemental Agreements. **7.3 MINOR CHANGES IN THE WORK**

The Architect/Engineer, after notifying the Owner, shall be authorized to order minor changes in the Work not involving an adjustment in the Contract Sum or an extension of the Contract Time and not inconsistent with the intent of the Contract Documents. Minor changes shall be effected by written order, and shall be binding on the Owner and the Contractor. The Contractor shall carry out such written orders promptly. These written orders shall not be deemed to change or impact the Contract Sum or the Contract Time. Contractor shall have no Claim for any minor change ordered to the Work under this Paragraph 7.3 unless the Contractor submits its change proposal, prior to complying with the minor change ordered and in no event later than ten (10) working days from the date the minor change was ordered, to the Owner for approval.

7.4 TIME REQUIRED TO PROCESS AMENDMENTS

- (a) All of the Contractor's responses to proposal requests shall be accompanied by a complete, itemized breakdown of costs. Responses to proposal requests shall be submitted sufficiently in advance of the required work to allow the Owner and the Architect/Engineer a minimum of thirty (30) calendar days after receipt by the Architect/Engineer to review the itemized breakdown and to prepare or distribute additional documents as may be necessary. All of the Prime Contractor's responses to proposal requests shall include a statement that the cost described in the response represents the complete, total and final cost and additional Contract Time associated with the extra work, change, addition to, omission, deviation, substitution, or other grounds for seeking extra compensation under the Contract Documents, without reservation or further recourse.
- (b) All Amendments require approval by either the City Council or, where authorized by the State law and City ordinance, by the City Manager pursuant to Administrative Action. The

approval process requires a minimum of forty-five (45) calendar days after submission to the Owner in final form with all supporting data. Receipt of a submission by Owner does not constitute acceptance or approval of a proposal, nor does it constitute a warranty that the proposal will be authorized by City Council Resolution, Ordinance or Administrative Action. THE TIME REQUIRED FOR THE APPROVAL PROCESS SHALL NOT BE CONSIDERED A DELAY AND NO EXTENSIONS TO THE CONTRACT TIME OR INCREASE IN THE CONTRACT SUM WILL BE CONSIDERED OR GRANTED AS A RESULT OF THIS PROCESS. Pending the approval described above, the Contractor will proceed with the work under a pending Amendment only if directed in writing by the Owner.

ARTICLE 8 - CONTRACT TIME

8.1 DEFINITIONS

- (a) Unless otherwise provided, the Contract Time is the period of time, including authorized adjustments, allotted in the Contract Documents for Substantial Completion of the Work.
- (b) The date of commencement of the Work is the date established in the Notice to Proceed from the Owner. The date of commencement shall not be postponed by the failure of the Prime Contractor, or of persons or entities for whom the Prime Contractor is responsible to act promptly to commence the Work. If the Owner unreasonably delays the issuance of the notice to proceed, through no fault of the Prime Contractor, the Prime Contractor shall be entitled only to an equitable extension of the Contract Time; the Contract Sum shall remain unchanged.
- (c) The date of Substantial Completion is the date certified by the Architect/Engineer in accordance with Paragraph 9.7.
- (d) The term “day” as used in the Contract Documents shall mean a calendar day, beginning and ending at 12:00 midnight, unless otherwise specifically defined by special provision.

8.2 PROGRESS AND COMPLETION

- (a) **Time limits stated in the Contract Documents are of the essence of the Contract.** By executing the Building Construction Services Agreement, the Prime Contractor confirms that the Contract Time is a reasonable period for performing the Work.
- (b) The Prime Contractor shall not knowingly, except by agreement with or instruction of the Owner in writing, prematurely commence operations on the Project site or elsewhere prior to the effective date of insurance to be furnished by the Prime Contractor as required by Article 11. The date of commencement of the Work shall not be changed by the effective date of insurance required by Article 11.

8.3 DELAYS AND EXTENSIONS OF TIME

- (a) If the Prime Contractor is delayed at any time in the progress of the Work by an act or neglect of the Owner or Architect/Engineer, or of an employee of either, or of a separate contractor employed by the Owner, or by changes ordered in the Work, or by labor disputes, fire, unusual delay in deliveries, unavoidable casualties or other causes beyond the Prime Contractor's control, or by delay authorized by the Owner pending a claim, or by other causes which the Architect/Engineer determines may justify delay, then the Contract Time shall be extended by Change Order for such reasonable time as the Architect/Engineer and Owner may determine.
- (b) Claims relating to Contract Time and time extensions shall be made in accordance with the applicable provisions of Paragraph 4.3.
- (c) No Damages for Delay. NOTWITHSTANDING ANY OTHER PROVISIONS OF THE CONTRACT DOCUMENTS, INCLUDING THE GENERAL CONDITIONS, NO ADJUSTMENT SHALL BE MADE TO THE CONTRACT SUM AND THE PRIME CONTRACTOR SHALL NOT BE ENTITLED TO CLAIM OR RECEIVE ANY ADDITIONAL COMPENSATION AS A RESULT OF OR ARISING OUT OF ANY DELAY, HINDRANCE, DISRUPTION, FORCE MAJEURE, IMPACT, OR INTERFERENCE, INTENTIONAL OR UNINTENTIONAL, FORESEEN OR UNFORESEEN, WHICH INCREASES THE TIME TO COMPLETE THE WORK, INCLUDING BUT NOT LIMITED TO ANY DELAYS CAUSED IN WHOLE OR IN PART BY THE ACTS, OMISSIONS, FAILURES, NEGLIGENCE, OR FAULT OF THE OWNER, THE ARCHITECT/ENGINEER, OR THE OWNER'S REPRESENTATIVE, AN EXTENSION OF THE CONTRACT TIME UNDER SUBPARAGRAPH 8.3(a) BEING THE PRIME CONTRACTOR'S SOLE REMEDY.
- (d) The Owner shall have the right to occupy, without prejudice to the right of either party, any completed or largely completed portions of the structure or Work, notwithstanding the fact that the Contract Time for completing all or a portion of the Work may not have expired. Partial occupancy and use shall not be deemed as an acceptance of the Work taken or used.
- (e) The Prime Contractor shall promptly suspend the Work when either the Prime Contractor or the Owner is ordered to do so by a court order from a court having lawful jurisdiction, and the Prime Contractor will not be entitled to additional compensation by virtue of any delays resulting from the court order. The Prime Contractor will also not be liable to the Owner for a delay caused in fact by the Work being suspended by a court order.
- (f) The Architect/Engineer, with the consent of the Owner, shall have the authority to suspend the Work, in whole or in part, for such period or periods as the Architect/Engineer deems necessary due to unusual or severe weather conditions as are considered unfavorable for the suitable prosecution of the Work, or due to failure on the part of the Prime Contractor to correct conditions considered unsafe for workmen or the general public. If it should become necessary to stop the Work for an indefinite period, the Prime Contractor shall store all materials in such a manner that they will not obstruct or impede the public

unnecessarily or become damaged in any way, and shall take every precaution to prevent damage or deterioration of the Work performed. In cases of suspension of the Work under this Subparagraph, the Prime Contractor shall also provide suitable drainage about the Work and erect temporary structures where necessary. The Prime Contractor shall not suspend the Work in whole or in part without written authority from the Architect/Engineer or the Owner, and shall resume the Work promptly when notified by the Architect/Engineer or the Owner to resume operations.

- (g) In the event of a delay that is the responsibility of the Prime Contractor or any of the Subcontractors, for which the Prime Contractor is not entitled to a time extension under the provisions of this Contract, the Owner may direct that the Work be accelerated by means of overtime, additional crews or additional shifts, or resequencing. This acceleration shall be at no cost to the Owner and will continue until the Contract Time is restored. In the event of a delay for which the Prime Contractor is entitled to a time extension, as determined by the Architect/Engineer, Owner may similarly direct acceleration and the Prime Contractor agrees to perform same on the basis that the Prime Contractor will be reimbursed only to the extent described in Subparagraph 4.3(i). THE PRIME CONTRACTOR EXPRESSLY WAIVES ANY OTHER COMPENSATION RESULTING FROM ACCELERATION, SUCH AS LOSS OF LABOR PRODUCTIVITY OR EFFICIENCY.

ARTICLE 9 - PAYMENTS AND COMPLETION

9.1 CONTRACT SUM

The Contract Sum is stated in the Building Construction Services Agreement and, including authorized adjustments, is the total amount of compensation payable by the Owner to the Prime Contractor for the performance of the Work under the Contract Documents.

9.2 SCHEDULE OF VALUES

Before the first Application for Payment, the Prime Contractor shall submit to the Architect/Engineer a schedule of values allocated to various portions of the Work, prepared in such form and supported by such data to substantiate its accuracy as the Architect/Engineer may require. This schedule, when approved by the Architect/Engineer and the Owner, shall be used as a basis for the Prime Contractor's Application for Payment. The schedule of values shall follow the trade division of the Specifications. Prime Contractor's Application for Payment shall be filed on the current version of AIA Form G702 (Application and Certificate for Payment), as approved by the Owner.

9.3 APPLICATIONS FOR PAYMENT

- (a) At least ten (10) days before the date established for each progress payment, the Prime Contractor shall submit to the Architect/Engineer an itemized Application for Payment for Work completed in accordance with the schedule of values. The Application shall be

notarized, if required, and supported by data substantiating the Prime Contractor's right to payment as the Owner or Architect/Engineer may require, including but not limited to copies of requisitions from Subcontractors and material suppliers, and reflecting the applicable retainage as required in the Contract Documents. Prime Contractor's Application for Payment shall also provide other supporting documentation as the Owner or the other applicable provisions of the Contract Documents may require.

- (b) Applications for Payment may not include requests for payment of amounts the Prime Contractor does not intend to pay to a Subcontractor because of a good faith dispute, unless the Prime Contractor complies with Clause 5.3(b) (2) of these General Conditions and the Prime Contractor's Payment Bond Surety consents in writing to payment to the Prime Contractor of the funds deemed to be in dispute.
- (c) Unless otherwise provided in the Contract Documents, progress payments shall include payment for materials and equipment delivered and suitably stored at the Project site for subsequent incorporation into the Work within thirty (30) days after delivery to the Project site. If approved in advance by the Owner, payment may similarly be made for materials and equipment suitably stored away from the Project site at a location agreed upon in writing. Payment for costs incurred in storage of materials or equipment away from the Project site will NOT be made by Owner unless:
 - (1) the Owner has given prior approval of such off-site storage in writing;
 - (2) the materials or equipment are stored in a bonded warehouse located in Denton County and identified with the Project for which they are stored, as evidenced by warehouse receipts and appropriate documents of title; and
 - (3) the materials or equipment stored off-site will be incorporated into the Work within thirty (30) days after delivery. STORAGE IN FACILITIES OF THE MANUFACTURER OR THE PRIME CONTRACTOR WILL NOT BE PERMITTED OR PAID FOR, UNLESS THE OWNER HAS EXPRESSLY GIVEN PRIOR APPROVAL OF SUCH STORAGE IN WRITING.
- (d) The Prime Contractor warrants that title to all Work covered by an Application for Payment will pass to the Owner no later than the time of payment. The Prime Contractor further warrants that upon submittal of an Application for Payment all Work for which Certificates for Payment have been previously issued and payments received from the Owner shall be free and clear of liens, claims, security interests or encumbrances in favor of the Prime Contractor, Subcontractors, material suppliers, or other persons or entities making a claim by reason of having provided labor, materials, and equipment relating to the Work.
- (e) All materials or equipment delivered to the Project site earlier than thirty (30) days prior to an approved schedule for delivery to the Project site shall be classified as an "early delivery." All early delivery materials or equipment must have the express written permission of the Owner to be stored on the Project site. If any unauthorized early delivery occurs, Prime Contractor shall, at Prime Contractor's expense or at the expense of the responsible Subcontractor or Supplier, cause such early delivery to be removed from the Project site and stored off-site until required at the Project site. All costs of labor,

transportation and storage will be included as part of the expense. If the Prime Contractor fails or refuses to remove unauthorized early delivery materials, the Owner may cause such materials to be removed at the Prime Contractor's sole expense, and amounts may be withheld from the Prime Contractor's Application for Payment to reimburse the Owner for any costs incurred in removing unauthorized early delivery materials. OWNER WILL NOT BE RESPONSIBLE FOR THE PROTECTION OF OR RISK OF LOSS ON ANY EARLY DELIVERY MATERIALS OR EQUIPMENT, NOR WILL OWNER BE LIABLE FOR ANY PAYMENT FOR THE EARLY DELIVERY MATERIALS OR EQUIPMENT. Any materials or equipment classified as early delivery will not be approved for payment as stored materials prior to thirty (30) days before the incorporation of the materials or equipment into the Work, unless storage and payment at an earlier date is expressly approved in writing by the Owner.

- (f) If the Contract Sum is equal to or less than \$25,000, and if performance and payment bonds are not furnished by the Contractor, then no payment applied for will be payable under the Contract until the Work has been finally completed and accepted.

9.4 CERTIFICATES FOR PAYMENT

- (a) The Architect/Engineer will, within ten (10) days after receipt of the Prime Contractor's Application for Payment, either issue to the Owner a Certificate for Payment, with a copy to the Prime Contractor, for such amount as the Architect/Engineer determines is properly due, or notify the Prime Contractor and Owner in writing of the Architect/Engineer's reasons for withholding certification in whole or in part as provided in:
 - (a) City of Denton "General Conditions for Building Construction."
 - (b) Subparagraph 9.5(a). The Certificate for Payment shall be issued on the current version of AIA Form G702 (Application and Certificate for Payment) as approved by the Owner.
 - (c) The issuance of a Certificate for Payment will constitute a representation by the Architect/Engineer to the Owner, based on the Architect/Engineer's observations at the site and the data comprising the Application for Payment, that the Work has progressed to the point indicated and that, to the best of the Architect/Engineer's knowledge, information and belief, quality of the Work is in accordance with the Contract Documents. The foregoing representations are subject to an evaluation of the Work for conformance with the Contract Documents upon Substantial and Final Completion, to results of subsequent tests and inspections, to minor deviations from the Contract Documents correctable prior to Final Completion and to specific qualifications expressed by the Architect/Engineer. The issuance of a Certificate for Payment will further constitute a representation that the Prime Contractor is entitled to payment in the amount certified, subject to the Owner's approval. The issuance of a Certificate for Payment is not a representation that the Architect/Engineer has:
 - (1) made exhaustive or continuous on-site inspections to check the quality or quantity of the Work;
 - (2) reviewed construction means, methods, techniques, sequences or procedures;

- (3) reviewed copies of requisitions received from Subcontractors and material suppliers and other data requested by the Owner to substantiate the Prime Contractor's right to payment; or
 - (4) made examination to ascertain how or for what purpose the Prime Contractor has used money previously paid on account of the Contract Sum.
- (d) Whenever the Application for Payment for Work done since the last previous Application for Payment exceeds one hundred dollars (\$100.00) in amount, Owner will pay a percentage of the Application, less applicable retainage, to the Prime Contractor within thirty (30) days following Owner's receipt and approval of the Certificate for Payment certified by the Architect/Engineer. The Application may include acceptable nonperishable materials delivered to the Work or stored as provided for in Paragraph 9.3(c) and the payment will be allowed on the net invoice value, less taxes and applicable retainage.
- (e) The City is required to withhold retainage for public works contracts in which the total contract price estimate at the time of execution is more than \$400,000; however, this requirement is applied by the City for all public works contracts in excess of \$50,000. The retainage will be withheld by the Owner from each progress payment until final completion of the Work by the Contractor, approval of final completion by the Architect/Engineer, and final acceptance of the Work by the Owner. Unless otherwise required by state law, the retainage percentage as specified in Exhibit A is based upon the original Contract Sum, and will not be affected in the event the original Contract Sum is subsequently increased by Change Order.
- (f) No progress payments shall be made on contracts where performance and payment bonds are not required or furnished. In such instances, payment for the Work performed will be made upon final completion and acceptance by the Owner of all Work.

9.5 DECISIONS TO WITHHOLD CERTIFICATION

- (a) The Architect/Engineer or the Owner may decide not to certify payment and may withhold a Certificate for Payment in whole or in part, to the extent reasonably necessary to protect the Owner's interest, if in the Architect/Engineer's or Owner's opinion the representations to the Owner required by Subparagraph 9.4(b) cannot be made. If the Architect/Engineer or the Owner is unable to certify payment in the amount of the Application, the Architect/Engineer or the Owner will notify the Prime Contractor as provided in Subparagraph 9.4(a). If the Prime Contractor and Architect/Engineer or the Owner cannot agree on a revised amount, the Architect/Engineer will promptly issue a Certificate for Payment for the amount for which the Architect/Engineer is able to make the required representations to the Owner. The Architect/Engineer or the Owner may also decide not to certify payment or, because of subsequently discovered evidence or subsequent observations, may nullify the whole or a part of a Certificate for Payment previously issued to such extent as may be necessary, in the Architect/Engineer's or Owner's opinion, to protect the Owner from loss because of:

- (1) defective or nonconforming Work not remedied;
 - (2) third-party claims filed or reasonable evidence indicating probable filing of such claims;
 - (3) failure of the Prime Contractor to make payments properly to Subcontractors or for labor, materials, or equipment;
 - (4) reasonable evidence that the Work cannot be completed for the unpaid balance of the Contract Sum;
 - (5) damage to the Owner or another contractor;
 - (6) reasonable evidence that the Work will not be completed within the Contract Time, and that the unpaid balance would not be adequate to cover actual or damages for the anticipated delay;
 - (7) persistent failure to carry out the Work in accordance with the Contract Documents; or
 - (8) mathematical or other errors that are discovered in the Application for Payment.
- (b) When all of the above reasons that existed for withholding certification are removed or remedied, then, at that time, certification will be made for amounts previously withheld.
- (c) The Owner may, at its option, offset any progress payment or final payment under the Contract Documents against any debt (including taxes) lawfully due to the Owner from the Prime Contractor, regardless of whether the amount due arises pursuant to the terms of the Contract Documents or otherwise, and regardless of whether or not the debt due to the Owner has been reduced to judgment by a court.

9.6 PROGRESS PAYMENTS

- (a) After the Architect/Engineer has issued a Certificate for Payment, the Owner shall make payment in the manner and within the time provided in the Contract Documents, and shall so notify the Architect/Engineer. The Owner shall not be liable for interest on any late or delayed progress payment or final payment caused by any claim or dispute, any discrepancy in quantities, any failure to provide supporting documentation or other information required with the Application for Payment or as a precondition to payment under the Contract Documents, or due to any payment the Owner or the Architect/Engineer has a right to withhold or not certify under the Contract Documents. Notwithstanding the foregoing, the Owner may refuse to make payment on any Certificate for Payment (including, without limitation, the final Certificate for Payment) for any default under the Contract Documents, including but not limited to those defaults set forth in Subparagraph 9.5(a), Clauses (1) through (7). The Owner shall not be deemed in default by reason of withholding payment while any Prime Contractor default remains uncured.

- (b) The Prime Contractor shall promptly pay each Subcontractor, upon receipt of payment from the Owner, out of the amount paid to the Prime Contractor on account of each Subcontractor's portion of the Work, the amount to which said Subcontractor is entitled, reflecting percentages actually retained from payments to the Prime Contractor on account of such Subcontractors portion of the Work. The Prime Contractor shall, by appropriate agreement with each Subcontractor, require each Subcontractor to make payments to Sub-subcontractors in similar manner.
- (c) The Architect/Engineer will, on request, furnish to a Subcontractor, if practicable, information regarding percentages of completion or amounts applied for by the Prime Contractor and action taken thereon by the Architect/Engineer and the Owner on account of portions of the Work done by such Subcontractor.
- (d) Neither the Owner nor the Architect/Engineer shall have an obligation to pay or to see to the payment of money to a Subcontractor except as may otherwise be required by law. That obligation belongs to the Prime Contractor or, in the event of the Prime Contractor's failure to pay a Subcontractor, to the Surety on the Payment Bond as required under Paragraph 11.3.
- (e) Payment to material suppliers shall be treated in a manner similar to that provided in Subparagraphs 9.6(b), (c), and (d).
- (f) A Certificate for Payment, a progress payment, or partial or entire use or occupancy of the Project by the Owner shall not constitute acceptance of Work not performed in accordance with the Contract Documents.

9.7 SUBSTANTIAL COMPLETION

- (a) The Date of Substantial Completion of the Work, or designated portion of the Work, is the date certified by the Architect/Engineer when construction is sufficiently completed in accordance with the City Of Denton General Conditions For Building Construction.
 - (a) the Contract Documents such that the Owner may beneficially occupy and use the Work, or designated portions of the Work, for the purposes for which it is intended and only trivial and insignificant items remain which do not affect the Work as a whole.
 - (b) When the Prime Contractor considers that the Work, or the portion of the Work which the Owner agrees to accept separately, is Substantially Complete, the Prime Contractor shall prepare and submit to the Architect/Engineer a comprehensive list of remaining items to be completed or corrected. The Prime Contractor shall proceed promptly to complete and correct items on the list (hereinafter called the "punch list"). Failure to include an item on the punch list does not alter the responsibility of the Prime Contractor to complete all Work in accordance with the Contract Documents. Upon receipt of the punch list, the Architect/Engineer will make an inspection to determine whether the Work, or designated portion of the Work, is Substantially Complete. If the Architect/Engineer's inspection discloses any item, whether or not included on the punch list, which is not in accordance

with the requirements of the Contract Documents and which renders the Work inspected not Substantially Complete the Contractor shall, before issuance of the Certificate of Substantial Completion, complete or correct the item upon notification by the Architect/Engineer. The Prime Contractor shall then submit a request for another inspection by the Architect/Engineer to determine Substantial Completion. When the Work or designated portion of the Work is Substantially Complete, the Architect/Engineer will prepare a Certificate of Substantial Completion which shall establish the date of Substantial Completion, shall establish responsibilities of the Owner and the Prime Contractor for security, maintenance, heat, utilities, damage to the Work and insurance, and shall fix the time within which the Prime Contractor shall finish all items on the punch list accompanying the Certificate.

- (c) The Certificate of Substantial Completion shall be submitted to the Owner and the Prime Contractor for their written acceptance of responsibilities assigned to them in the Certificate.
- (d) Upon Substantial Completion of the Work or designated portion thereof and upon application by the Prime Contractor and certification by the Architect/Engineer, the Owner shall make payment, reflecting adjustment in retainage, if any, for the Work, or portion of the Work, as provided in the Contract Documents.

9.8 PARTIAL OCCUPANCY OR USE

- (a) The Owner may occupy or use any completed or partially completed portion of the Work at any stage when such portion is designated by separate Supplemental Agreement with the Prime Contractor, provided such occupancy or use is consented to by the insurer as required under Subparagraph 11.2(e) and authorized by public authorities having jurisdiction over the Work. Such partial occupancy or use may commence whether or not the portion is Substantially Complete, provided the Owner and Prime Contractor have accepted in writing the responsibilities assigned to each of them for payments, retainage if any, security, maintenance, heat, utilities, damage to the Work and insurance, and have agreed in writing concerning the period for correction of the Work and commencement of warranties required by the Contract Documents. When the Prime Contractor considers a portion Substantially Complete, the Prime Contractor shall prepare and submit a list to the Architect/Engineer as provided under Subparagraph 9.7(b). Consent of the Prime Contractor to partial occupancy or use shall not be unreasonably withheld. The stage of the progress of the Work shall be determined by written agreement between the Owner and Prime Contractor or, if no agreement is reached, by decision of the Architect/Engineer.
- (b) Immediately prior to such partial occupancy or use, the Owner, Prime Contractor, and Architect/Engineer shall jointly inspect the area to be occupied or portion of the Work to be used in order to determine and record the condition of the Work.
- (c) Unless otherwise agreed upon, partial occupancy or use of a portion or portions of the Work shall not constitute acceptance of Work not complying with the requirements of the Contract Documents.

9.9 FINAL COMPLETION AND FINAL PAYMENT

- (a) Upon receipt of written notice that the Work is ready for final inspection and acceptance and upon receipt of a final Application for Payment, the Architect/Engineer, accompanied by the Owner's representative, will promptly make final inspection and, when the Architect/Engineer finds the Work acceptable under the Contract Documents and the Contract Documents fully performed, the Architect/Engineer will promptly issue a final Certificate for Payment stating that to the best of the Architect/Engineer's knowledge, information and belief, and on the basis of the Architect/Engineer's observations and inspections, the Work has been completed in accordance with terms and conditions of the Contract Documents and that the entire balance found to be due the Prime Contractor and noted in said final Certificate is due and payable. The Architect/Engineer's final Certificate for Payment will constitute a further representation that conditions listed in Subparagraph 9.9(b) as a condition precedent to the Prime Contractor's being entitled to final payment have been fulfilled. Owner will normally make final payment within thirty (30) days after Owner's receipt and approval of the final Certificate for Payment. Warranties required by the Contract Documents shall commence on the date of Substantial Completion of the Work, unless otherwise provided by separate agreement between the Owner and the Prime Contractor.
- (b) Neither final payment nor any remaining retained percentage shall become due until the Prime Contractor submits to the Architect/Engineer:
- (1) an affidavit that payrolls, bills for materials and equipment, and other indebtedness connected with the Work for which the Owner or the Owner's property might be responsible or encumbered (less amounts withheld by Owner) have been paid or otherwise satisfied;
 - (2) a certificate evidencing that insurance required by the Contract Documents to remain in force after final payment is currently in effect and will not be cancelled or allowed to expire until at least thirty (30) days prior written notice has been given to the Owner;
 - (3) a written statement that the Prime Contractor knows of no substantial reason that the insurance will not be renewable to cover the period required by the Contract Documents;
 - (4) a consent of surety to final payment; and
 - (5) if required by the Owner, other data establishing payment or satisfaction of obligations, such as receipts, releases and waivers of liens, claims, security interests or encumbrances arising out of the Contract, to the extent and in such form as may be designated by the Owner.
- (c) As a precondition to final payment by the Owner under this Contract, the Prime Contractor's affidavit under Clause (b)(1) shall state that the Prime Contractor has paid each of his subcontractors, laborers or materialmen in full for all labor and materials provided to Contractor for the Work performed under this Contract. In the event the Prime

Contractor has not paid each of his subcontractors, laborers or materialmen in full, the Prime Contractor shall state in the affidavit the amount owed and the name of each subcontractor, laborer or materialmen to whom such payment is owed. IN ANY EVENT, THE PRIME CONTRACTOR SHALL BE REQUIRED TO EXECUTE THE OWNER'S STANDARD AFFIDAVIT OF FINAL PAYMENT AND RELEASE AS A PRECONDITION TO RECEIPT OF FINAL PAYMENT.

- (d) If, after Substantial Completion of the Work, final completion of the Work is materially delayed through no fault of the Prime Contractor or by issuance of Change Orders affecting final completion and the Architect/Engineer confirms the delay, the Owner shall, upon application by the Prime Contractor and certification by the Architect/Engineer, and without terminating the Contract, make payment of the balance due for that portion of the Work fully completed and accepted. If the remaining balance for Work not fully completed or corrected is less than retainage stipulated in the Contract Documents, and if bonds have been furnished, the written consent of surety to payment of the balance due for that portion of the Work fully completed and accepted shall be submitted by the Contractor to the Architect/Engineer prior to certification of payment. Payment shall be made under terms and conditions governing final payment, except that it shall not constitute a waiver of claims.
- (e) **The acceptance by the Prime Contractor of the final payment shall operate as and shall be a complete release of the Owner from all claims or liabilities under the Contract, for anything done or furnished or relating to the Work or the Project, or for any act or neglect of the Owner relating to or connected with the Work or the Project.**

ARTICLE 10 SAFETY, SECURITY AND UTILITY PROVISIONS; ENVIRONMENTAL COMPLIANCE

10.1 SAFETY PRECAUTIONS AND PROGRAMS

The Prime Contractor shall be responsible for initiating, maintaining and supervising all safety precautions and programs in connection with the performance of the Contract, and will comply with all applicable City, County, State and Federal health and safety regulations.

10.2 SAFETY OF PERSONS AND PROPERTY

- (a) The Prime Contractor shall take reasonable precautions for safety of, and shall provide reasonable protection to prevent damage, injury or loss to:
- (1) employees on the Work and other persons who may be affected thereby;
 - (2) the Work and materials and equipment to be incorporated therein, whether in storage on or off the site, under care, custody or control of the Prime Contractor or the Prime Contractor's Subcontractors or Sub-subcontractors; and

- (3) other property at the site or adjacent thereto, such as trees, shrubs, lawns, walks, pavements, roadways, structures and utilities not designated for removal, relocation or replacement in the course of construction.
- (b) The Prime Contractor shall give notices and comply with applicable laws, ordinances, rules, regulations and lawful orders of public authorities bearing on safety of persons or property or their protection from damage, injury or loss.
- (c) The Prime Contractor shall erect and maintain, as required by existing conditions and performance of the Contract, reasonable safeguards for safety and protection, including posting danger signs and other warnings against hazards, promulgating safety regulations and notifying owners and users of adjacent sites and utilities.
- (d) When use or storage of explosives or other hazardous materials or equipment or unusual methods are necessary for execution of the Work, the Prime Contractor shall exercise utmost care and carry on such activities under supervision of properly qualified personnel.
- (e) **USE OF EXPLOSIVES - CLAIMS AND TOTAL INDEMNIFICATION.** The Owner shall have the right to pre-approve the use of any explosives on the Project; the Prime Contractor shall not assume in its bid that permission to use explosives will be granted. The Owner shall NOT be liable for any claim for additional time or compensation as a result of the Owner's denial of permission to use explosives. Where use of explosives is permitted by the Owner, the Prime Contractor EXPRESSLY AGREES TO BE SOLELY RESPONSIBLE for the determination as to whether explosives shall actually be used, and for any result from the use, handling or storage of explosives, and shall INDEMNIFY, DEFEND AND HOLD COMPLETELY HARMLESS the Owner, its officers, agents and employees, and the Architect/Engineer against any and all claims, lawsuits, judgments, costs or expenses for personal injury (including death), property damage or other harm for which recovery of damages is sought, suffered by any person or persons, as the result of the use, handling or storage of the explosives by the Prime Contractor or any Subcontractor, REGARDLESS OF WHETHER SAID USE, HANDLING OR STORAGE WAS NEGLIGENT OR NOT, AND REGARDLESS OF WHETHER THE DAMAGE OR INJURY WAS CONTRIBUTED TO IN ANY WAY BY THE NEGLIGENCE OR FAULT OF THE OWNER, ITS OFFICERS, AGENTS, EMPLOYEES, OR REPRESENTATIVES, OR THE ARCHITECT/ENGINEER AND ITS OFFICERS, AGENTS, EMPLOYEES, OR REPRESENTATIVES. In the event of conflict with any other indemnity paragraph in this Contract, this paragraph controls. This indemnity paragraph is intended solely for the benefit of the parties to this Contract and is not intended to create or grant any rights, contractual or otherwise, to or for any other person or entity. The Prime Contractor shall furnish the Owner and the Architect/Engineer with evidence of insurance sufficient to cover possible damage or injury, which insurance shall either include the Owner and the Architect/Engineer as additional insureds or be sufficiently broad in coverage as to fully protect the Owner and the Architect/Engineer. All explosives shall be stored in a safe and secure manner, under the care of a competent watchman at all times, and all storage places shall be marked clearly and conspicuously: "DANGEROUS-EXPLOSIVES." The method of storing and handling explosives and highly flammable

materials shall conform to Federal and State laws, City of Denton ordinances, and the City of Denton Fire Department regulations. The Prime Contractor shall notify any telecommunications and public utility company and any private property owners having structures in the proximity of the Project Site of the Prime Contractor's intention to use explosives, and such notice shall be given sufficiently in advance to enable the telecommunications and public utility companies and private property owners to take such steps as they may deem necessary to protect their property from injury. The notice shall not relieve the Prime Contractor of any responsibility for damage resulting from any blasting operations.

- (f) The Prime Contractor shall promptly remedy damage and loss (other than damage or loss insured under property insurance required by the Contract Documents) to property referred to in Clauses 10.2(a)(2) and 10.2(a)(3) caused in whole or in part by the Prime Contractor, a Subcontractor, or anyone directly or indirectly employed by any of them, or by anyone for whose acts they may be liable and for which the Prime Contractor is responsible under Clauses 10.2(a)(2) and 10.2(a)(3), except damage or loss attributable to acts or omissions of the Owner or Architect/Engineer or anyone directly or indirectly employed by either of them, or by anyone for whose acts either of them may be liable, and not attributable to the fault or negligence of the Prime Contractor or any of its Subcontractors. The foregoing obligations of the Prime Contractor are in addition to the Prime Contractor's obligations under Paragraph 3.19. To the extent that any such damage or loss may be covered by property insurance or other insurance required by the Contract Documents, the Owner and the Prime Contractor shall exercise their best efforts to make a claim and obtain recovery from the insurers to provide for the cost, in whole or in part, of the repair work or to provide for reimbursement for such damage or loss.
- (g) The Prime Contractor shall designate a responsible member of the Prime Contractor's organization at the site whose duty shall be the prevention of accidents. This person shall be the Prime Contractor's superintendent unless otherwise designated by the Prime Contractor in writing to the Owner and Architect/Engineer.
- (h) The Prime Contractor shall not load or permit any part of the Work or the Project site to be loaded so as to endanger its safety.

10.3 EMERGENCIES

In an emergency affecting safety, health, or security of persons or property, the Prime Contractor shall act, at the Prime Contractor's discretion, to prevent threatened damage, injury, or loss. Additional compensation or extension of time claimed by the Prime Contractor on account of an emergency shall be determined as provided in Paragraph 4.3 and Article 7.

10.4 PUBLIC CONVENIENCE AND SAFETY

- (a) The Prime Contractor shall place materials stored about the Work and shall conduct the Work at all times in a manner that causes no greater obstruction to the public than is

considered necessary by the Owner. Sidewalks or streets shall not be obstructed, except by special permission of the Owner. The materials excavated and the construction materials or plant used in the performance of the Work shall be placed in a manner that does not endanger the Work or prevent free access to all fire hydrants, water mains and appurtenances, water valves, gas valves, manholes for the telephone, telegraph signal or electric conduits, wastewater mains and appurtenances, and fire alarm or police call boxes in the vicinity.

- (b) The Owner reserves the right to remedy any neglect on the part of the Prime Contractor in regard to public convenience and safety which may come to the Owner's attention, after twenty-four (24) hours notice in writing to the Prime Contractor. In case of an emergency, the Owner shall have the right to immediately remedy any neglect without notice. In either case, the cost of any work done by the Owner to remedy the Prime Contractor's neglect shall be deducted from the Contract Sum. The Prime Contractor shall notify the City Traffic Control Department when any street is to be closed or obstructed. The notice shall, in the case of major thoroughfares or street upon which transit lines operate, be forty-eight (48) hours in advance. The Owner reserves the right to postpone or prohibit any closure or obstruction of any streets or thoroughfares to the extent necessary for the safety and benefit of the traveling public. The Prime Contractor shall, when directed by the Architect/Engineer or the Owner, keep any street or streets in condition for unobstructed use by City departments. When the Prime Contractor is required to construct temporary bridges or make other arrangements for crossing over ditches or around structures, the Prime Contractor's responsibility for accidents shall include the roadway approaches as well as the crossing structures.

10.5 BARRICADES, LIGHTS AND WATCHMEN

If the Work is carried on or adjacent to any street, alley or public place, the Prime Contractor shall, at the Prime Contractor's own cost and expense, furnish, erect and maintain sufficient barricades, fences, lights and danger signals, shall provide sufficient watchmen, and shall take such other precautionary measures as are necessary for the protection of persons or property and of the Work. All barricades shall be painted in a color that will be visible at night, shall indicate in bold letters thereon the Prime Contractor's name and shall be illuminated by lights from sunset to sunrise. The term "lights," as used in this Paragraph, shall mean flares, flashers, or other illuminated devices. A sufficient number of barricades with adequate markings and directional devices shall also be erected to keep vehicles from being driven on or into any Work under construction. The Prime Contractor will be held responsible for all damage to the Work due to failure of barricades, signs, lights and watchmen to protect the Work. Whenever evidence is found of such damage, the Architect/Engineer may order the damaged portion immediately removed and replaced by the Prime Contractor at Prime Contractor's cost and expense. The Prime Contractor's responsibility for maintenance of barricades, signs, and lights, and for providing watchmen, shall not cease until the Project has been finally accepted by the Owner.

10.6 PUBLIC UTILITIES AND OTHER PROPERTIES TO BE CHANGED

In case it is necessary to change or move the property of the Owner or of any telecommunications or public utility, such property shall not be removed or interfered with until ordered to do so by the Architect/Engineer. The right is reserved to the owner of any public or private utilities to enter upon the Project site for the purpose of making such changes or repairs of their property that may become necessary during the performance of the Work. The Owner reserves the right of entry upon the Project site for any purpose, including repairing or relaying sewer and water lines and appurtenances, repairing structures, and for making other repairs, changes, or extensions to any of the Owner's property. The Owner's actions shall conform to the Prime Contractor's current and approved schedule for the performance of the Work, provided that proper notification of schedule requirements has been given to the Owner by the Prime Contractor.

10.7 TEMPORARY STORM SEWER AND DRAIN CONNECTIONS

When existing storm sewers or drains have to be taken up or removed, the Prime Contractor shall at his own expense provide and maintain temporary outlets and connections for all public and private storm sewers and drains. The Prime Contractor shall also take care of all storm sewage and drainage which will be received from these storm drains and sewers; for this purpose, the Prime Contractor shall provide and maintain, at the Prime Contractor's own expense, adequate pumping facilities and temporary outlets or diversions. The Prime Contractor shall, at the Prime Contractor's own expense, construct such troughs, pipes, or other structures necessary and shall be prepared at all times to dispose of storm drainage and sewage received from these temporary connections until such time as the permanent connections are built and in service. The existing storm sewers and connections shall be kept in service and maintained under the Contract, except where specified or ordered to be abandoned by the Architect/Engineer. All storm water and sewage shall be disposed of in a satisfactory manner so that no nuisance is created and that the Work under construction will be adequately protected.

10.8 ARRANGEMENT AND CHARGE FOR WATER FURNISHED BY THE OWNER; ELECTRICITY FOR THE PROJECT

- (a) When the Prime Contractor desires to use the Owner's water in connection with the Work, the Prime Contractor shall make complete and satisfactory arrangements with the Denton Water Utilities Department and shall be responsible for the cost of the water the Prime Contractor uses. Where meters are used, the charge will be at the regular established rate; where no meters are used, the charge will be as prescribed by City ordinance, or where no ordinance applies, payment shall be based on estimates made by the Denton Water Utilities Department.
- (b) The Prime Contractor shall make complete and satisfactory arrangements for electricity and metered electrical connections with the Owner or with Denton Municipal Electric in the event that separately metered electrical connections are required for the Project. The Prime Contractor shall pay for all electricity used in the performance of the Work through separate metered electrical connections obtained by the Prime Contractor through the City of Denton.

10.9 USE OF FIRE HYDRANTS

The Prime Contractor, Subcontractors, and any other person working on the Project shall not open, turn off, interfere with, attach any pipe or hose to, or connect anything with any fire hydrant, stop valve, or stop cock, or tap any water main belonging to the Owner, unless duly authorized to do so by the Denton Water Utilities Department in accordance with the Denton City Code.

10.10 ENVIRONMENTAL COMPLIANCE

- (a) The Prime Contractor and its Subcontractors are deemed to have made themselves familiar with and at all times shall comply with all applicable federal, state or local laws, rules, regulations, ordinances, and rules of common law now in effect (including any amendments now in effect), relating to the environment, Hazardous Substances or exposure to Hazardous Substances, including but not limited to the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C.A. §§ 9601, et seq.; the Hazardous Materials Transportation Act, 49 U.S.C.A. §§ 1801, et seq.; the Resource Conservation and Recovery Act of 1976, 42 U.S.C.A. §§ 6901, et seq.; the Federal Water Pollution Control Act, 33 U.S.C.A §§ 1201, et seq.; the Toxic Substances Control Act, 15 U.S.C.A. §§ 2601, et seq.; the Clean Air Act, 42 U.S.C.A. §§ 7401, et seq.; the Safe Drinking Water Act, 42 U.S.C.A. §§ 3808, et seq., and any current judicial or administrative interpretation of these laws, rules, regulations, ordinances, or rules of common law, including but not limited to any judicial or administrative order, consent decree, or judgment affecting the Project.
- (b) In the event the Prime Contractor encounters on the site materials reasonably believed to be a Hazardous Substance that have not been rendered harmless, and removal of such materials is not a part of the scope of Work required under the Contract Documents, the Prime Contractor shall immediately stop Work in the affected area and report in writing the facts of such encounter to the Architect/Engineer and the Owner. Work in the affected area shall not thereafter be resumed except by written order of the Owner unless and until the material is determined not to be a Hazardous Substance or the Hazardous Substance is remediated. The Owner may choose to remediate the Hazardous Substance with a separate contractor or through a Change Order with the Prime Contractor. If the Owner determines that the Hazardous Substance exists in the affected area due to the fault or negligence of the Prime Contractor or any of its Subcontractors, the Prime Contractor shall be responsible for remediating the condition at the sole expense of the Prime Contractor in accordance with the Prime Contractor's APPROVED Spill Remediation Plan. An extension of the Contract Time for any delay in the progress schedule caused as a result of the discovery and remediation of a Hazardous Substance may be granted by the Owner only if all remaining Work on the Project must be suspended and the delay cannot be made up elsewhere in the progress schedule. Any request for an extension of the Contract Time related to the discovery and remediation of a Hazardous Substance is subject to the provisions of Paragraph 4.3 and Article 8.

- (c) The Prime Contractor shall be responsible for identification, abatement, cleanup, control, removal, remediation, and disposal of any Hazardous Substance brought into or upon the site by the Prime Contractor or any Subcontractor or Supplier. The Prime Contractor shall obtain any and all permits necessary for the legal and proper handling, transportation, and disposal of the Hazardous Substance and shall, prior to undertaking any abatement, cleanup, control, removal, remediation, and disposal, notify the Owner and the Architect/Engineer so that they may observe the activities; provided, however, that it shall be the Prime Contractor's sole responsibility to comply with all applicable laws, rules, regulations, or ordinances governing the activities.

- (d) Spill Prevention Plan. At least seventy-two (72) hours prior to commencing performance of any of the Work at the Project site, the Prime Contractor shall submit to the Owner for review and approval a Spill Prevention and Response Plan (SPRP) meeting the requirements of federal and state law, rules, and regulations. The SPRP shall be specially designed for the Prime Contractor's planned work methods and procedures. The SPRP shall be designed to complement all applicable safety standards, fire prevention regulations, and pollution prevention policies and procedures. The SPRP shall include estimates of the quantity and rate of flow should equipment fail, and detail containment or diversionary structures to prevent spills from leaving the site or migrating into adjacent properties or navigable waters. The SPRP shall include methods of recovery of spilled materials and all applicable twenty-four (24) hour emergency phone numbers, including without limitation that of the Owner's Project Manager or other designated representative. The Prime Contractor shall not commence any field work prior to approval of such plan by the Owner. The following additional rules shall apply with respect to spills caused by the Prime Contractor or a Subcontractor:
 - (1) The Prime Contractor shall immediately report any spill or release at the Project site, whether or not it is associated with this Contract, to the Owner's Project Manager or other designated representative. Thereafter, within two (2) working days after the occurrence of such event, the Prime Contractor shall submit a written report describing such event in a degree of detail reasonably acceptable to the Owner.
 - (2) The Prime Contractor shall immediately respond in accordance with the SPRP in the event of a spill.
 - (3) The Prime Contractor shall dispose of spilled materials in accordance with EPA and Texas Commission on Environmental Quality (TCEQ) regulations and any other applicable federal, state, or local laws, rules, or regulations. In connection with such disposals, the Prime Contractor shall use only those transporters and disposal facilities that are approved in advance in writing by the Owner. A copy of all transport manifests for the spilled materials shall be obtained and retained in the Prime Contractor's records for reference purposes, to be provided upon request of the Architect/Engineer, the Owner, or any governmental regulatory agency with

jurisdiction over the matter. ALL COSTS OF COLLECTION, CONTAINMENT, AND DISPOSAL OF SPILLED MATERIALS SHALL BE THE SOLE RESPONSIBILITY OF THE PRIME CONTRACTOR.

- (4) For purposes of this Subparagraph (e), the term “spill” includes any kind of environmental discharge or release.
- (e) Clean Air Management Plan. The Prime Contractor shall comply with the Clean Air Management Plan submitted to and approved by the Owner during the contractor selection process. The Owner reserves the right, at the Prime Contractor’s sole expense, to require the removal or retrofitting of any equipment used in the course of construction that does not comply with the Plan submitted to and approved by the Owner.
- (f) The Prime Contractor shall deposit surplus or waste excavation or other materials removed as part of the Work at a legal disposal site in accordance with all applicable state, federal, and local laws, rules, regulations, and ordinances. The Prime Contractor shall submit to the Owner for review and approval all planned disposal sites or proposed uses for the surplus or waste excavation or other materials prior to removal of any excavation or other material from the Project site. A copy of all transport manifests for surplus or waste excavation or other materials shall be obtained and retained in the Prime Contractor’s records for reference purposes, to be provided upon request to the Architect/Engineer, the Owner, or any governmental regulatory agency with jurisdiction over the matter.
- (g) The Prime Contractor is responsible for obtaining all TXPDES Storm Water Permits from TCEQ for construction of the Project under regulations contained in 40 CFR Part 122, as amended, pursuant to the Clean Water Act, 33 U.S.C.A. §§1251 et seq. These regulations require the filing of a notice of intent to obtain and abide by the general storm water permit for construction activities promulgated by EPA, including but not limited to cleaning, grading, and excavation that disturb the applicable amount of total land area. In addition, the Prime Contractor shall comply with all regulations of the Owner relating to storm water and storm water runoff management at the Project site pursuant to Chapter 19, Article IX, Denton City Code, as amended.
- (h) The Prime Contractor shall not install any materials in the performance of the Work that contain asbestos or asbestos-related material such as hydrated mineral silicate, including chrysolite, amosite, crocidolite, tremolite, anthophyllite or actinolite, whether friable or non-friable.
- (i) The Owner reserves the right in its sole option to exercise the following remedies (without waiving the right to pursue the imposition of any civil or criminal fines or penalties that may be imposed under state, federal, or local laws or ordinances), at no additional cost to the Owner and without an extension of the Contract Time, in the event the Prime Contractor fails or refuses after seven (7) days advance written notice from the Owner to comply with the provisions of this Paragraph 10.10, the terms of the

SPRP, the terms of the Clean Air Management Plan, any storm water permit or other environmental permit issued in connection with the Work, or any applicable environmental law, rule, regulation, or ordinance:

- (1) suspend all or any portion of the Work until the noncompliance is corrected, or until a detailed plan to achieve compliance within a reasonably prompt period of time is prepared by the Prime Contractor and approved by the Owner;
- (2) if the Prime Contractor fails to properly address the noncompliance within the time stipulated by the Owner, perform the necessary remediation or correction work and backcharge the Prime Contractor for the cost of the remediation or correction; or
- (3) terminate the Contract for cause as provided in Article 13.

ARTICLE 11 INSURANCE AND BONDS

11.1 PRIME CONTRACTOR'S INSURANCE

Prime Contractors shall refer to the requirements listed within the solicitation document and resulting contract for all City of Denton insurance requirements. Should a conflict arise between the solicitation document and the resulting contract, the requirements set forth in the actual contract shall prevail.

11.2 PROPERTY INSURANCE

Prime Contractors shall refer to the requirements listed within the solicitation document and resulting contract for all City of Denton insurance requirements. Should a conflict arise between the solicitation document and the resulting contract, the requirements set forth in the actual contract shall prevail.

11.3 'UMBRELLA' LIABILITY INSURANCE

Prime Contractors shall refer to the requirements listed within the solicitation document and resulting contract for all City of Denton insurance requirements. Should a conflict arise between the solicitation document and the resulting contract, the requirements set forth in the actual contract shall prevail.

11.4 POLICY ENDORSEMENTS AND SPECIAL CONDITIONS

Prime Contractors shall refer to the requirements listed within the solicitation document and resulting contract for all City of Denton insurance requirements. Should a conflict arise between the solicitation document and the resulting contract, the requirements set forth in the actual contract shall prevail.

11.5 PERFORMANCE AND PAYMENT BONDS

(a) Subject to the provisions of Subparagraph 11.5(b), the Prime Contractor shall, with the execution and delivery of the Construction Services Agreement, furnish and file with the Owner in the amounts required in this Paragraph, the surety bonds described in Clauses (a)(1) and (a)(2) below, which surety bonds shall be in accordance with the Charter of the City of Denton and the provisions of Chapter 2253, Texas Government Code, as amended; each bond shall be signed by the Prime Contractor, as Principal, and by an established bonding company, as surety, meeting the requirements of Subparagraph 11.5(c) and approved by the Owner. The surety bonds shall be accompanied by an appropriate Power-of-Attorney clearly establishing the extent and limitations of the authority of each signer to so sign:

(1) Performance Bond. A good and sufficient bond in an amount equal to 100% of the total Contract Sum, guaranteeing the full and faithful execution of the Work and performance of the Contract in accordance with Plans, Specifications and all other Contract Documents, including any Amendments thereof, for the protection of the Owner. This bond shall also provide for the repair and maintenance of all defects due to faulty materials and workmanship that appear within a period of two (2) years from the date of final completion and acceptance of the improvements by the Owner or lesser or longer periods as may be otherwise designated in the Contract Documents.

(2) Payment Bond. A good and sufficient bond in an amount equal to 100% of the total Contract Sum, guaranteeing the full and prompt payment of all claimants supplying labor or materials in the prosecution of the Work provided for in the Contract Documents and any Amendments thereto, and for the use and protection of each claimant.

(b) If the Contract Sum, including Owner-accepted alternates and allowances, if any, is greater than \$50,000, Payment bonds in 100% of the Contract Sum are mandatory and shall be required to be provided by the Contractor. If the Contract Sum is greater than \$100,000, a Payment Bond and Performance Bond in 100% of the Contract amount is mandatory.

(c) No surety will be accepted by the Owner who is now in default or delinquent on any bonds or who is a party to any litigation against the Owner. All bonds shall be made and executed on the Owner's standard forms, shall be approved by the Owner, and shall be executed by not less than one corporate surety that is authorized and admitted to do business in the State of Texas, is licensed by the State of Texas to issue surety bonds, is listed in the most current United States Department of the Treasury List of Acceptable Sureties, and is otherwise acceptable to the Owner. Each bond shall be executed by the Prime Contractor and the surety, and shall specify that legal venue for enforcement of each bond shall lie exclusively in Denton County, Texas. Each surety shall designate an agent resident in Denton County, Texas to whom any requisite statutory notices may be delivered and on whom service of process may be had in matters arising out of the suretyship.

(d) Contractor will be required to furnish original performance and payment bonds for 100

percent of the total submission price before work is to commence. The Contractor shall assume all costs in increasing the bond limits if change orders are formally approved. Bonds shall be in accordance with the V.T.C.A Government Code Section 2253.021, as amended, from a surety licensed to do business in the State of Texas. The City, at its option, may waive the payment and performance bond requirements for projects of less than \$50,000.

Bond forms are attached and shall be returned upon notice of contract award by the City. Bonds should be forwarded to the City of Denton within fourteen (14) calendar days from contract award. This contract is not fully executed until payment and performance bonds are received and accepted by the City. Upon approval, a purchase order will be issued.

- (e) The failure of the Contractor to deliver the required statutory bonds and evidence of insurance within fourteen (14) calendar days after the Contract is awarded shall constitute a material breach of the Prime Contractor's bid proposal and the Owner may rescind the Contract award and collect or retain the proceeds of the bid security. By reason of the uncertainty of the market prices or materials and labor, and it being impracticable and difficult to determine accurately the amount of damages occurring to the Owner by reason of the Prime Contractor's failure to execute and furnish the statutory bonds within fourteen (14) calendar days, the filing of a bid proposal with the accompanying bid security will be considered as an acceptance of this Subparagraph 11.5(e). In the event the Owner should re-advertise for bids, the defaulting Prime Contractor shall not be eligible to bid, and the lowest responsible bid obtained in the re-advertisement shall be the bid referred to in this Paragraph.

ARTICLE 12 DEFECTIVE AND NONCONFORMING WORK

12.1 UNCOVERING OF WORK

- (a) If a portion of the Work is covered contrary to the Architect/Engineer's request or to requirements specifically expressed in the Contract Documents, the Work must, if required in writing by the Architect/Engineer, be uncovered for the Architect/Engineer's observation and be replaced at the Prime Contractor's expense without change in the Contract Time.
- (b) If a portion of the Work has been covered which the Architect/Engineer has not specifically requested to observe prior to it being covered, the Architect/Engineer may request to see such Work and it shall be uncovered by the Prime Contractor. If such Work is in accordance with the Contract Documents, costs of uncovering and replacement shall, by appropriate Change Order, be charged to the Owner. If any Work is not in accordance with the Contract Documents, the Prime Contractor shall pay the costs of uncovering, repair, replacement unless the condition was caused by the Owner or a separate contractor in which event the Owner shall be responsible for payment of such costs.

12.2 CORRECTION OF WORK

- (a) The Prime Contractor shall promptly correct Work rejected by the Architect/Engineer as failing to conform to the requirements of the Contract Documents, whether observed before or after Substantial Completion and whether or not fabricated, installed or completed. The Prime Contractor shall bear costs of correcting such rejected Work, including additional testing and inspections and compensation for the Architect/Engineer's services and expenses made necessary thereby.
- (b) If any of the Work is found to be defective or nonconforming with the requirements of the Contract Documents, the Prime Contractor shall correct it promptly after receipt of written notice from the Architect/Engineer or the Owner to do so unless the Owner has previously given the Prime Contractor a written acceptance or waiver of the defect or nonconformity. The Prime Contractor's obligation to correct defective or nonconforming Work remains in effect for:
 - (1) one year after the date of Substantial Completion of the Work or designated portion of the Work;
 - (2) one year after the date for commencement of warranties established by agreement in connection with partial occupancy under Subparagraph 9.8(a); or
 - (3) the stipulated duration of any applicable special warranty required by the Contract Documents.
- (c) The one-year period described in Clauses (b)(1) and (b)(2) shall be extended with respect to portions of the Work performed, repaired, or corrected after Substantial Completion by the period of time between Substantial Completion and the actual completion of the Work.
- (d) The obligations of the Prime Contractor under this Paragraph 12.2 shall survive final acceptance of the Work and termination of this Contract. The Owner shall give notice to the Prime Contractor promptly after discovery of a defective or nonconforming condition in the Work. The one-year period stated in Clauses (b)(1) and (b)(2) does not limit the ability of the Owner to require the Prime Contractor to correct latent defects or nonconformities in the Work, which defects or nonconformities could not have been discovered through reasonable diligence by the Owner or the Architect/Engineer at the time the Work was performed or at the time of inspection for certification of Substantial Completion or Final Completion. The one year period also does not relieve the Prime Contractor from liability for any defects or deficiencies in the Work that may be discovered after the expiration of the one year correction period.
- (e) The Prime Contractor shall remove from the Project site portions of the Work which are not in accordance with the requirements of the Contract Documents and are neither corrected by the Prime Contractor nor accepted by the Owner.

- (f) If the Prime Contractor fails to correct defective or nonconforming Work within a reasonable time after notice from the Owner or the Architect/Engineer, the Owner may correct it in accordance with Paragraph 2.4. If the Prime Contractor does not proceed with correction of defective or nonconforming Work within a reasonable time fixed by written notice from the Architect/Engineer, the Owner may remove or replace the defective or nonconforming Work and store the salvageable materials or equipment at the Prime Contractor's expense. If the Prime Contractor does not pay costs of removal and storage within ten days after written notice, the Owner may, upon ten (10) additional days written notice, sell the materials and equipment at auction or at private sale and shall account for the proceeds after deducting costs and damages that should have been borne by the Prime Contractor, including compensation for the Architect/Engineer's services and expenses made necessary as a result of the sale. If the proceeds of sale do not cover costs which the Prime Contractor should have borne, the Contract Sum shall be reduced by the deficiency. If payments due to the Prime Contractor then or thereafter are not sufficient to cover the deficiency, the Prime Contractor shall pay the difference to the Owner.
- (g) The Prime Contractor shall bear the cost of correcting destroyed or damaged construction of the Owner or separate contractors, whether the construction is completed or partially completed, that is caused by the Prime Contractor's correction or removal of Work which is not in accordance with the requirements of the Contract Documents.
- (h) Nothing contained in this Paragraph 12.2 shall be construed to establish a period of limitation with respect to other obligations which the Prime Contractor might have under the Contract Documents. Establishment of the one-year time period as described in Subparagraph 12.2(b) relates only to the specific obligation of the Prime Contractor to correct the Work, and has no relationship to the time within which the obligation to comply with the Contract Documents may be sought to be enforced, nor to the time within which proceedings may be commenced to establish the Prime Contractor's liability with respect to the Prime Contractor's obligations other than specifically to correct the Work.
- (i) Any Work repaired or replaced pursuant to this Article 12 shall be subject to the provisions of Article 12 to the same extent as Work originally performed or installed.

12.3 ACCEPTANCE OF NONCONFORMING WORK

The Owner may, in the Owner's sole discretion, accept Work which is not in accordance with the requirements of the Contract Documents instead of requiring its removal and correction, in which case the Contract Sum will be reduced as appropriate and equitable. The adjustment will be accomplished whether or not final payment has been made.

ARTICLE 13 COMPLETION OF THE CONTRACT; TERMINATION; TEMPORARY SUSPENSION

13.1 FINAL COMPLETION OF CONTRACT

The Contract will be considered completed, except as provided in any warranty or maintenance stipulations, bond, or by law, when all the Work has been finally completed, the final inspection is made by the Architect/Engineer, and final acceptance and final payment is made by the Owner.

13.2 WARRANTY FULFILLMENT

Prior to the expiration of the specified warranty period provided for in the Contract Documents, the Architect/Engineer will make a detailed inspection of the Work and will advise the Prime Contractor and the Prime Contractor's Surety of the items that require correction. The Architect/Engineer will make a subsequent inspection and if the corrections have been properly performed, the Architect/Engineer will issue a letter of release on the maintenance stipulations to the Prime Contractor and the Surety. If for any reason the Prime Contractor has not made the required corrections before the expiration of the warranty period, the warranty provisions as provided for in the Contract Documents shall remain in effect until the corrections have been properly performed and a letter of release issued.

13.3 TERMINATION BY THE OWNER FOR CAUSE

- (a) Notwithstanding any other provision of these General Conditions, the Work or any portion of the Work may be terminated immediately by the Owner for any good cause after giving seven (7) days advance written notice and opportunity to cure to the Prime Contractor, including but not limited to the following causes:
 - (1) Failure or refusal of the Prime Contractor to start the Work within ten (10) days after the date of written notice by the Owner to commence the Work.
 - (2) A reasonable belief that the progress of the Work being made by the Prime Contractor is insufficient to complete the Work within the specified time.
 - (3) Failure or refusal of the Prime Contractor to provide sufficient and proper equipment or construction forces to properly execute the Work in a timely manner.
 - (4) A reasonable belief that the Prime Contractor has abandoned the Work.
 - (5) A reasonable belief that the Contractor has become insolvent, bankrupt, or otherwise financially unable to carry on the Work.
 - (6) Failure or refusal on the part of the Contractor to observe any requirements of the Contract Documents or to comply with any written orders given by the Architect/Engineer or the Owner as provided for in the Contract Documents.

- (7) Failure or refusal of the Prime Contractor to promptly make good any defects in materials or workmanship, or any defects of any nature, the correction of which has been directed in writing by the Architect/Engineer.
 - (8) A reasonable belief by the Owner that collusion exists or has occurred for the purpose of illegally procuring the Contract or a Subcontractor, or that a fraud is being perpetrated on the Owner in connection with the construction of Work under the Contract.
 - (9) Repeated and flagrant violation of safe working procedures.
 - (10) The filing by the Prime Contractor of litigation against the Owner prior to completion of the Work.
- (b) When the Work or any portion of the Work is terminated for any of the causes itemized above or for any other cause except termination for convenience pursuant to Subparagraph 13.3(e), the Prime Contractor shall, as of the date specified by the Owner, discontinue the Work or portion of the Work as the Owner shall designate, whereupon the surety shall, within fifteen (15) days after the written notice of termination for cause has been served upon the Prime Contractor and the surety or its authorized agents, assume the obligations of the Prime Contractor for the Work or that portion of the Work which the Owner has ordered the Prime Contractor to discontinue and may:
- (1) perform the Work with forces employed by the surety;
 - (2) with the written consent of the Owner, tender a replacement contractor to take over and perform the Work, in which event the surety shall be responsible for and pay the amount of any costs required to be incurred for the completion of the Work that are in excess of the amount of funds remaining under the Contract as of the time of the termination; or
 - (3) with the written consent of the Owner, tender and pay to the Owner in settlement the amount of money necessary to finish the balance of uncompleted Work under the Contract, correct existing defective or nonconforming Work, and compensate the Owner for any other loss sustained as a result of Prime Contractor's default.

In the event of termination for cause involving Clause (b)(1) or (b)(2), the Surety shall assume the Prime Contractor's place in all respects, and the amount of funds remaining unpaid under the Contract shall be paid by the Owner for all Work performed by the surety or the replacement contractor in accordance with the terms of the Contract Documents, subject to any rights of the Owner to deduct any costs, damages, or actual damages that the Owner may have incurred, including but not limited to additional fees and expenses of the Architect/Engineer and attorneys fees, as a result of such termination.

- (c) The balance of the Contract Sum remaining at the time of the Prime Contractor's default and of the termination shall become due and payable to the surety as the Work progresses, subject to all of the terms, covenants, and conditions of the Contract Documents. If the surety does not, within the time specified in Subparagraph 13.3(b), exercise its obligation to assume the obligations of the Contract, or that portion of the Contract which the Owner has ordered the Prime Contractor to discontinue, then the Owner shall have the power to complete the Work by contract or otherwise, as it may deem necessary. The Prime Contractor agrees that the Owner shall have the right to take possession of or use any or all of the materials, plant, tools, equipment, supplies, and property of every kind provided by the Prime Contractor for the purpose of the Work, and to procure other tools, equipment, labor, and materials for the completion of the Work, and to charge to the account of the Prime Contractor the expenses of completion and labor, materials, tools, equipment, and incidental expenses. The expenses incurred by the Owner to complete the Work shall be deducted by the Owner out of the balance of the Contract Sum remaining unpaid to or unearned by the Contractor. The Prime Contractor and the surety shall be liable to the Owner for any costs incurred in excess of the balance of the Contract Sum for the completion and correction of the Work, and for any other costs, damages, expenses (including but not limited to additional fees of the Architect/Engineer and attorney's fees), and damages incurred as a result of the termination.
- (d) The Owner shall not be required to obtain the lowest bid for the Work of completing the Contract as described in Subparagraph 13.3(c), but the expenses to be deducted from the Contract Sum shall be the actual cost of such Work. In case the Owner's expense is less than the sum which would have been payable under the Contract, if the same had been completed by the Prime Contractor, then the Owner may pay to the Prime Contractor (or the Surety, in the event of a complete termination for cause) the difference in the cost, provided that the Prime Contractor (or the Surety) shall not be entitled to any claim for damages or for loss of anticipated profits. In case such expenses for completion shall exceed the amount which would have been payable under the Contract if the same had been completed by the Prime Contractor, then the Prime Contractor and his Sureties shall pay the amount of the excess to the Owner on notice from the Owner for excess due. When only a particular part of the Work is being carried on by the Owner by contract or otherwise under the provisions of this Subparagraph, the Prime Contractor shall continue the remainder of the Work in conformity with the terms of the Contract, and in such manner as not to hinder or interfere with the performance of workmen employed and provided by the Owner.
- (e) The unconditional right to terminate this Contract for the convenience of the Owner (including but not limited to non-appropriation of funding) is expressly retained by the Owner. In the event of termination for convenience, the Owner shall deliver at least ten (10) days advance written notice of termination for convenience to the Prime Contractor. Upon the Prime Contractor's receipt of such written notice, the Prime Contractor shall cease the performance of the Work and shall take reasonable and appropriate action to secure and protect the Work in place. The Prime Contractor shall then be reimbursed by the Owner in accordance with the terms and provisions of the Contract Documents, not

to exceed actual labor costs incurred, materials stored at the Project site or away from the Project site as approved by the Owner but not yet paid for, plus actual, reasonable, and documented termination charges, if any, paid by the Prime Contractor in connection with the Work in place which is completed and in conformance with the Contract Documents to the date of termination for convenience. No amount shall ever be due to the Prime Contractor for lost or anticipated profits.

13.4 TEMPORARY SUSPENSION OF THE WORK

- (a) The Work or any portion of the Work may be temporarily suspended by the Owner immediately upon written notice to the Prime Contractor for any reason, including but not limited to:
 - (1) the causes described in Clauses 13.1(a)(1) through (a)(10) above;
 - (2) where other provisions in the Contract Documents require or permit temporary suspension of the Work;
 - (3) situations where the Work is threatened by, contributes to, or causes an immediate threat to public health, safety, or security; or
 - (4) other unforeseen conditions or circumstances.

- (b) The Prime Contractor shall immediately resume the temporarily suspended Work when ordered in writing by the Owner to do so. The Owner shall not under any circumstances be liable for any claim of the Prime Contractor arising from a temporary suspension due to a cause described in Clause (a)(1) above; provided, however, that in the case of a temporary suspension for any of the reasons described under Clauses (a)(2) through (a)(4), where the Prime Contractor is not a contributing cause of the suspension under one of those Clauses or where the provision of the Contract Documents in question specifically provides that the suspension is at no cost to the Owner, the Owner will make an equitable adjustment for the following items, provided that a claim is properly made by the Prime Contractor under Subparagraph 4.3 of these General Conditions:
 - (1) an equitable extension of the Contract Time, not to exceed the actual delay caused by the temporary suspension as determined by the Architect/Engineer and the Owner;
 - (2) an equitable adjustment to the Contract Sum for the actual, necessary, and reasonable costs of properly protecting any Work that is finished or partially finished during the period of the temporary suspension (no profit and overhead shall be allowed on top of these costs); and

- (3) if it becomes necessary to move equipment from the Project site and then return it to the Project site when the Work is ordered to be resumed, an equitable adjustment to the Contract Sum for the actual, necessary, and reasonable cost of these moves; provided, however, that no adjustment shall be due if the equipment is moved to another Project site of the Owner.

ARTICLE 14 MISCELLANEOUS PROVISIONS

14.1 GOVERNING LAW; COMPLIANCE WITH LAWS AND REGULATIONS

- (a) This Contract shall be in all things governed by the laws of the State of Texas without regard to conflict of laws principles.
- (b) The Contractor shall, during the performance of the Work, comply with all applicable City codes and ordinances, as amended, and all applicable State and Federal laws, rules and regulations, as amended.

14.2 SUCCESSORS AND ASSIGNS

The Owner and the Prime Contractor respectively bind themselves, their partners, successors, assigns, and legal representatives to the promises, covenants, terms, conditions, and obligations contained in the Contract Documents. The Prime Contractor shall not assign, transfer, or convey its interest or rights in the Contract, in part or as a whole, without written consent of the Owner. If the Prime Contractor attempts to make an assignment, transfer, or conveyance without the Owner's written consent, the Contractor shall nevertheless remain legally responsible for all obligations under the Contract Documents. The Owner shall not assign any portion of the Contract Sum due or to become due under this Contract without the written consent of the Prime Contractor, except where assignment is compelled or allowed by court order, the terms of the Contract Documents, or other operation of law.

14.3 WRITTEN NOTICE

Except as otherwise provided in Article 16, any notice, payment, statement, or demand required or permitted to be given under this Contract by either party to the other may be effected by personal delivery in writing or by mail, postage prepaid to the Project Manager or Superintendent of either party, or to an officer, partner, or other designated representative of either party. Mailed notices shall be addressed to the parties at an address designated by each party, but each party may change its address by written notice in accordance with this section. Mailed notices shall be deemed communicated as of three (3) days after mailing.

14.4 RIGHTS AND REMEDIES; NO WAIVER OF RIGHTS BY OWNER

- (a) The duties and obligations imposed on the Prime Contractor by the Contract Documents and the rights and remedies available to the Owner under the Contract Documents shall be in addition to, and not a limitation of, any duties, obligations, rights, and remedies otherwise imposed or made available by law.

(b) No action or failure to act by the Owner shall constitute a waiver of a right afforded the Owner under the Contract Documents, nor shall any action or failure to act by the Owner constitute approval of or acquiescence in a breach of the Contract by Prime Contractor, except as may be specifically agreed in writing by Change Order or Supplemental Agreement.

14.5 INTEREST

The Owner shall not be liable for interest on any progress or final payment to be made under the Contract Documents, except as may be provided by the applicable provisions of the Prompt Payment Act, Chapter 2251, Texas Government Code, as amended, subject to Paragraph 9.6(a) of these General Conditions.

14.6 OFFICERS OR EMPLOYEES OF THE OWNER NOT TO HAVE FINANCIAL INTEREST IN ANY CONTRACT OF THE OWNER

No officer or employee of the Owner shall have a financial interest, direct or indirect, in any Contract with the Owner, or be financially interested, directly or indirectly, in the sale to the Owner of any land, materials, supplies or services, except on behalf of the Owner as an officer or employee as defined in the City's Ethic Ordinance 18-757 and in the City Charter chapter 2 article XI(Ethics). Any violation of this article shall constitute malfeasance in office, and any officer or employee of Owner guilty thereof shall thereby forfeit his office or position. Any violation of this section, with the knowledge, express or implied, of the person, persons, partnership, company, firm, association or corporation contracting with the Owner shall render the Contract involved voidable by the Owner's City Manager or City Council.

14.7 VENUE

This Contract is deemed to be performed in Denton County, Texas, and if legal action is necessary to enforce this Contract, exclusive venue shall lie in Denton County, Texas.

14.8 INDEPENDENT CONTRACTOR

In performing the Work under this Contract, the relationship between the Owner and the Prime Contractor is that of an independent contractor. The Prime Contractor shall exercise independent judgment in performing the Work and is solely responsible for setting working hours, scheduling or prioritizing the Work flow and determining the means and methods of performing the Work, subject only to the requirements of the Contract Documents. No term or provision of this Contract shall be construed as making the Prime Contractor an agent, servant, or employee of the Owner, or making the Prime Contractor or any of the Prime Contractor's employees, agents, or servants eligible for the fringe benefits, such as retirement, insurance and worker's compensation, which the Owner provides to its employees.

14.9 NONDISCRIMINATION

As a condition of this Contract, the Prime Contractor covenants that he will take all necessary

actions to insure that, in connection with any work under this Contract, the Prime Contractor and its Subcontractors will not discriminate in the treatment or employment of any individual or groups of individuals on the grounds of race, color, religion, national origin, age, sex, sexual orientation, or handicap unrelated to job performance, either directly, indirectly or through contractual or other arrangements. The Prime Contractor shall also comply with all applicable requirements of the Americans with Disabilities Act, 42 U.S.C.A. §§12101-12213, as amended. In this regard, the Prime Contractor shall keep, retain and safeguard all records relating to his Contract or Work performed thereunder for a minimum period of three (3) years from final Contract completion, with full access allowed to authorized representatives of the Owner, upon request, for purposes of evaluating compliance with this and other provisions of the Contract.

14.10 GIFTS TO PUBLIC SERVANTS

- (a) The Owner may terminate this Contract immediately if the Prime Contractor has offered, conferred, or agreed to confer any benefit on a City of Denton employee or official that the City of Denton employee or official is prohibited by law from accepting.
- (b) For purposes of this Article, "benefit" means anything reasonably regarded as pecuniary gain or pecuniary advantage, including benefit to any other person in whose welfare the beneficiary has a direct or substantial interest, but does not include a contribution or expenditure made and reported in accordance with law.
- (c) Notwithstanding any other legal remedies, the Owner may require the Prime Contractor to remove any employee of the Prime Contractor from the Project who has violated the restrictions of this Article or any similar State or Federal law, and obtain reimbursement for any expenditures made to the Prime Contractor as a result of the improper offer, agreement to confer, or conferring of a benefit to a City of Denton employee or official.

ARTICLE 15 RIGHT TO AUDIT CONTRACTOR'S RECORDS

By execution of the Building Construction Services Agreement, the Prime Contractor grants the Owner the right to audit, at the Owner's election, all of the Prime Contractor's records and billings relating to the performance of the Work under the Contract Documents. The Prime Contractor agrees to retain its Project records for a minimum of five (5) years following completion of the Work. The Owner agrees that it will exercise the right to audit only at reasonable hours. City may review any and all of the services performed by Prime Contractor under this Contract. Any payment, settlement, satisfaction, or release made or provided during the course of performance of this Contract shall be subject to City's rights as may be disclosed by an audit under this section.

ARTICLE 16 NOTICE OF CONTRACT CLAIM

This Contract is subject to the provisions of the Denton City Code, as amended, relating to requirements for filing a notice of a breach of contract claim against City. Prime Contractor shall comply with the requirements of this ordinance as a precondition of any litigation relating to this

Contract, in addition to all other requirements in this Contract related to claims and notice of claims.

Should a conflict arise between any of the contract documents, it shall be resolved with the following order of precedence (if applicable). In any event, the final negotiated contract shall take precedence over any and all contract documents to the extent of such conflict.

- 1. Final negotiated contract**
- 2. RFP/Bid documents**
- 3. City's standard terms and conditions**
- 4. Purchase order**
- 5. Contractor terms and conditions**

EXHIBIT D
PAYMENT AND PERFORMANCE BOND REQUIREMENTS

Contractor will be required to furnish original performance and payment bonds for one hundred (100%) percent of the total submission price before work is to commence. The Contractor shall assume all costs in increasing the bond limits if change orders are formally approved. Bonds shall be in accordance with the V.T.C.A Government Code Section 2253.021, as amended, from a surety licensed to do business in the State of Texas. The City, at its option, may waive the payment and performance bond requirements for projects of less than \$50,000.

Bond forms are attached and shall be returned upon notice of contract award by the City. Bonds should be forwarded to the City of Denton within fourteen (14) calendar days from contract award. This contract is not fully executed until payment and performance bonds are received and accepted by the City. Upon approval, a purchase order will be issued.

Exhibit E
Certificate of Interested Parties Electronic Filing

In 2015, the Texas Legislature adopted House Bill 1295, which added section 2252.908 of the Government Code. The law states that the City may not enter into this contract unless the Contractor submits a disclosure of interested parties (Form 1295) to the City at the time the Contractor submits the signed contract. The Texas Ethics Commission has adopted rules requiring the business entity to file Form 1295 electronically with the Commission.

Contractor will be required to furnish a Certificate of Interest Parties before the contract is awarded, in accordance with Government Code 2252.908.

The contractor shall:

1. Log onto the State Ethics Commission Website at :
<https://www.ethics.state.tx.us/filinginfo/1295/>
2. Register utilizing the tutorial provided by the State
3. Print a copy of the completed Form 1295
4. Enter the Certificate Number on page 2 of this contract.
5. Complete and sign the Form 1295
6. Email the form to purchasing@cityofdenton.com with the contract number in the subject line.
(EX: Contract 1234 – Form 1295)

The City must acknowledge the receipt of the filed Form 1295 not later than the 30th day after Council award. Once a Form 1295 is acknowledged, it will be posted to the Texas Ethics Commission's website within seven business days.

Exhibit F

INSURANCE REQUIREMENTS

Respondent's attention is directed to the insurance requirements below. It is highly recommended that respondents confer with their respective insurance carriers or brokers to determine in advance of Proposal/Bid submission the availability of insurance certificates and endorsements as prescribed and provided herein. If an apparent low respondent fails to comply strictly with the insurance requirements, that respondent may be disqualified from award of the contract. Upon contract award, all insurance requirements shall become contractual obligations, which the successful contractor shall have a duty to maintain throughout the course of this contract.

STANDARD PROVISIONS:

Without limiting any of the other obligations or liabilities of the Contractor, the Contractor shall provide and maintain until the contracted work has been completed and accepted by the City of Denton, Owner, the minimum insurance coverage as indicated hereinafter.

As soon as practicable after notification of contract award, Contractor shall file with the Purchasing Department satisfactory certificates of insurance including any applicable addendum or endorsements, containing the contract number and title of the project. Contractor may, upon written request to the Purchasing Department, ask for clarification of any insurance requirements at any time; however, Contractors are strongly advised to make such requests prior to proposal/bid opening, since the insurance requirements may not be modified or waived after proposal/bid opening unless a written exception has been submitted with the proposal/bid. Contractor shall not commence any work or deliver any material until he or she receives notification that the contract has been accepted, approved, and signed by the City of Denton.

All insurance policies proposed or obtained in satisfaction of these requirements shall comply with the following general specifications, and shall be maintained in compliance with these general specifications throughout the duration of the Contract, or longer, if so noted:

- Each policy shall be issued by a company authorized to do business in the State of Texas with an A.M. Best Company rating of at least **A- or better**.
- Any deductibles or self-insured retentions shall be declared in the proposal. If requested by the City, the insurer shall reduce or eliminate such deductibles or self-insured retentions with respect to the City, its officials, agents, employees and volunteers; or, the contractor shall procure a bond guaranteeing payment of losses and related investigations, claim administration and defense expenses.
- Liability policies shall be endorsed to provide the following:

- Name as Additional Insured the City of Denton, its Officials, Agents, Employees and volunteers.
- That such insurance is primary to any other insurance available to the Additional Insured with respect to claims covered under the policy and that this insurance applies separately to each insured against whom claim is made or suit is brought. The inclusion of more than one insured shall not operate to increase the insurer's limit of liability.
- Provide a Waiver of Subrogation in favor of the City of Denton, its officials, agents, employees, and volunteers.
- ***Cancellation: City requires 30 day written notice should any of the policies described on the certificate be cancelled or materially changed before the expiration date.***
- Should any of the required insurance be provided under a claims made form, Contractor shall maintain such coverage continuously throughout the term of this contract and, without lapse, for a period of three years beyond the contract expiration, such that occurrences arising during the contract term which give rise to claims made after expiration of the contract shall be covered.
- Should any of the required insurance be provided under a form of coverage that includes a general annual aggregate limit providing for claims investigation or legal defense costs to be included in the general annual aggregate limit, the Contractor shall either double the occurrence limits or obtain Owners and Contractors Protective Liability Insurance.
- Should any required insurance lapse during the contract term, requests for payments originating after such lapse shall not be processed until the City receives satisfactory evidence of reinstated coverage as required by this contract, effective as of the lapse date. If insurance is not reinstated, City may, at its sole option, terminate this agreement effective on the date of the lapse.

SPECIFIC ADDITIONAL INSURANCE REQUIREMENTS:

All insurance policies proposed or obtained in satisfaction of this Contract shall additionally comply with the following specifications, and shall be maintained in compliance with these additional specifications throughout the duration of the Contract, or longer, if so noted:

A. COMMERCIAL GENERAL LIABILITY INSURANCE

Commercial General Liability Insurance including, but not limited to, Premises/Operations, Personal & Advertising Injury, Products/Completed

Operations, Independent Contractors, and Contractual Liability with minimum combined bodily injury (including death) and property damage limits of \$1,000,000.00 per occurrence and \$2,000,000.00 general aggregate.

B. WORKERS' COMPENSATION and EMPLOYERS LIABILITY INSURANCE

Workers' Compensation within the regulations of the Texas Workers' Compensation Act. The minimum policy limits for **Employers Liability** are:

Bodily Injury by Accident: \$100,000.00 Each Accident

Bodily Injury by Disease: \$100,000.00 Each Employee

Bodily Injury by Disease: \$500,000.00 Policy Limit

NOTES:

- a. If CONTRACTOR will not be providing services under the contract at a City facility, has no employees and/or is operating as a sole owner and single operator, CONTRACTOR shall provide a signed letter, with the current date, on official letterhead stating such to meet the requirement.
- b. If CONTRACTOR is a non-subscriber or is self-insured CONTRACTOR shall provide a copy of its Certificate of Authority to Self-Insure from the Texas Department of Insurance, Division of Workers' Compensation Self Insurance Regulation Program, evidence of alternative coverage and internal safety and injury coverage policies and procedures.

C. BUSINESS AUTOMOBILE LIABILITY INSURANCE

Business Automobile Liability Insurance covering owned, hired, and non-owned vehicles, with a minimum combined single limit for bodily injury (including death) and property damage limit of \$500,000.00 per occurrence.

NOTE:

- a. If CONTRACTOR does not have owned, hired and non-owned autos or vehicles and/or no autos or vehicles will not be used in the performance of services under the contract, CONTRACTOR shall provide a signed letter, with the current date, on official letterhead stating such to meet the requirement for owned autos.

D. ENVIRONMENTAL IMPAIRMENT/POLLUTION INSURANCE

Environmental Impairment/Pollution Insurance to include coverage for the handling, receiving, dispensing, removal, storage, testing, transportation, disposal, discharge, dispersal release or escape of any hazardous material into or upon land, or any structure on land, the atmosphere or any watercourse or body of water, including ground water, with a minimum combined bodily injury

(including death) and property damage limit of \$1, 000, 000 per occurrence.

SUBCONTRACTING LIABILITY

(1) Without limiting any of the other obligations or liabilities of the CONTRACTOR, the CONTRACTOR shall require each Subcontractor performing work under the contract, at the Subcontractor's own expense, to maintain during the engagement with the CITY, types and limits of insurance that are appropriate for the services/work being performed, comply with all applicable laws and are consistent with industry standards. The Subcontractor's liability insurance shall name CONTRACTOR as an additional insured.

(2) CONTRACTOR shall obtain and monitor the certificates of insurance from each Subcontractor. CONTRACTOR must retain the certificates of insurance for the duration of the contract and shall have the responsibility of enforcing insurance requirements among its subcontractors. The CITY shall be entitled, upon request and without expense, to receive copies of these certificates.



Kraftsman
COMMERCIAL PLAYGROUNDS & WATER PARKS
 19535 Haude Road
 Spring, TX 77388
 Phone: (281) 353-9599
 jeffg@kraftsmanplay.com

EXHIBIT G

QUOTE #Q87816

Date: 03/12/2026

Project: 28167

Created By: Jeff Goodman

Quote Name: Splashpark, Shade Plaza and Seating

BILL TO

McAdams ☎ 469-312-0391
 Ron Stewart
 Briercliff Park SplashPark
 4400 State Hwy 121
 Suite 800
 Lewisville, TX 75056

Terms:
 Percentage Completed Draws Monthly

SHIP TO

Denton, City of, Parks and Recreation ☎ 940-349-9880
 Monica Martin
 Briercliff Park SplashPark
 3200 State School Rd
 Denton, TX 76210

QTY	Code	Description	Size	Color	Unit Price	Ext. Price
Drawing KPS-28167-7 Dated December 2025						
1	DISCBB	Proposal includes Discount on BuyBoard Purchase, BuyBoard Contract #781-25				\$0.00
Site Work						
1	SITEPREP	Preparation of Site per geotech report provided. by Kraftsman Site Prep Scope of work per page 5 of the geotech report: Excavate existing soils, haul off from site, provide and install select fill as described in 8" loose lifts to obtain a 2.5 ft select fill base below SplashDeck and surrounding concrete. If a new soil borings report has different recommendations, a change order will be prepared for any difference in requirements or scope of work.			\$92,000.00	\$92,000.00
Splash Features						
1	C017	ColorCast™ Half Splash by Water Odyssey	20		\$20,000.00	\$20,000.00
1	C022	ColorCast™ Triple Bit by Water Odyssey	18		\$25,000.00	\$25,000.00
1	W238	Water Ring, set of four rings, by Water Odyssey	40		\$46,556.00	\$46,556.00
1	W080C	Roll-A-Rail™, Water Conserving. By: Water Odyssey.	8		\$31,818.00	\$31,818.00
1	MS14-2A	Massive Splash™ with One Bucket by Water Odyssey	25		\$127,000.00	\$127,000.00
1	W326-2	Mission Hill Shower by Water Odyssey	50		\$15,000.00	\$15,000.00
2	W326-3	Mission Hill Spill by Water Odyssey	40/80		\$15,000.00	\$30,000.00
1	W058C-3	Water Fence™, Water Conserving, 3'0" Section. By: Water Odyssey.	6	n/a	\$6,000.00	\$6,000.00
1	W097C-4	Over N' Under™, Water Conserving (four nozzles). By: Water Odyssey.	24	N/A	\$7,166.00	\$7,166.00
1	W012C	Water Cage™, Water Conserving. By: Water Odyssey.	18	N/A	\$15,800.00	\$15,800.00
2	W085	Splash-O-Lator™. By: Water Odyssey	7/14		\$3,066.00	\$6,132.00
1	W093	Water Weave™. By: Water Odyssey.	14		\$6,000.00	\$6,000.00
5	W280	Popp Dropp™ By: Water Odyssey.	3/15		\$2,800.00	\$14,000.00
1	W036C	Baby Long Legs™, Water Conserving. By: Water Odyssey.	3		\$2,800.00	\$2,800.00
1	W218	Bug Buggle water feature, by Water Odyssey	16		\$2,800.00	\$2,800.00
3	W011	Jet Way™. By: Water Odyssey.	9/27		\$2,800.00	\$8,400.00
5	W086C	Directional Eyeball Jet, water conserving by Water Odyssey	3/15	N/A	\$1,134.00	\$5,670.00
1	W009	Touch & Go™ Vibration Bollard, Wired, Hockey Puck Style with handprint by Water Odyssey			\$6,900.00	\$6,900.00
Max Total Flow Rate: 393 GPM Est Operating Flow Rate: 275 GPM 32 features and 100 user est. capacity						
Splashdeck, Plaza & Seating						



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Date: 03/12/2026

Project: 28167

Created By: Jeff Goodman

Quote Name: Splashpark, Shade Plaza and Seating

2500	SPLASHDECK	Spray Play Pad, By: Kraftsman - 5" thick concrete pad - Slope to drains - Integrated into feature foundations where required - Rebar reinforcement, #4 @ 12" O.C. - Light broom finished to help prevent the possibility of slippage (no coloring or top coat unless listed on separate line-item)	SF		\$18.70	\$46,750.00
2500	KRAFTKOAT W/ DESIGN	KraftKoat Spray Play Deck coating, 1000 SF minimum, modified cementitious top coating concrete overlay, Provides slip resistance, cool deck surface (when used with light colored sealers) & architectural appearance. Multi color design with choice of colors based on Sherwin Williams color numbers (Kraftsman to approve design, subject to price increase depending on intricacy of layout).	sf	choose up to 4	\$20.24	\$50,600.00
2	SPLASHDRAIN	SplashPark Large capacity deck drain 24" square, 8" side outlet, with Fiberglass grate. By Kraftsman	350 GPM		\$2,600.00	\$5,200.00
4500	CONC5RB	Concrete Pad, 5" thick concrete pad with, rebar reinforced, broom finish, minimum 500 sq. ft.			\$17.86	\$80,370.00
37	BOULDERS	Limestone blocks - per detail L4.00, Delivered and Installed. By: Kraftsman	each		\$800.00	\$29,600.00
Mechanical Room						
1	AKWFS400	Aquakraft Water Filtration System with PIWF sign - 400 GPM			\$89,700.00	\$89,700.00
1	UV-SPLASH-2	Medium Pressure UV system (1x2A) for secondary treatment of water in SplashParks. 6" flanged connections for flow rates 243-405 GPM, by Kraftsman			\$40,878.00	\$40,878.00
1	WRHT4	Water Reservoir Holding Tank, 4000 Gallon, Concrete with epoxy coated interior, with access lid and hatch; 1½" Automatic fill valve with wall penetration; overflow and all penetrations as required by project design, delivered by AquaKraft	4000 Gallon		\$31,605.00	\$31,605.00
1	SPK-8-16	Custom SplashPark Kontroller with 8 hard-wired inputs and 16 outputs mounted in a NEMA4XX housing includes 5 years remote cellular access by Kraftsman			\$29,500.00	\$29,500.00
1	WMF-16P	(DM-4000-16-PL-FM) Water distribution Manifold, Flanged 4" Stainless Steel Manifold with pressure gauge, drain valve, water hammer arrestor, (2) Full Flanged 4"S inlet connections; (16) discharge assemblies each w/(1) true union ball valve and (1) 24VAC glass filled plastic solenoid valve. NOTE: Water pressure to the manifold must not exceed 50 psi. The installer must ensure this requirement is met. By Water Odysseyf			\$26,633.34	\$26,633.34
1	PIER CUTS	Concrete cutting for piers, through existing 4" concrete slab. Includes capping/repairing removed cut out section of concrete, By: Kraftsman <u>Kraftsman will coordinate with the GC and CorWorth with regard to the select fill and foundation establishment for the restroom and us establishing access to the splash park plumbing inside the CorWorth Restroom building.</u>			\$920.00	\$920.00
Shade						
1	KSHCANTILEVER	Custom Four-Dome Dugout Cantilever Shade Canopy, 52' x 15' x 10' eave height with glide elbows, SS cable, and SS hardware, five 10.5' columns mounted on base plates 6" below surface, by Superior Shade			\$27,700.94	\$27,700.94
5	PIERS36X84	Concrete piers pavilion & canopy columns, with anchor bolts set, and with steel rebar reinforcement, By: Kraftsman	36"x84"		\$4,037.65	\$20,188.25
1	KSHCANTILEVER	Custom Three-Dome Dugout Cantilever Shade Canopy, 42' x 15' x 10' eave height with glide elbows, SS cable, and SS hardware, four 10.5' columns mounted on base plates 6" below surface, by Superior Shade			\$23,665.56	\$23,665.56
4	PIERS36X84	Concrete piers pavilion & canopy columns, with anchor bolts set, and with steel rebar reinforcement, By: Kraftsman	36"x84"		\$4,037.65	\$16,150.60
1	KSHCANTILEVER	Custom Two-Dome Dugout Cantilever Shade Canopy, 30' x 15' x 10' eave height with glide elbows, SS cable, and SS hardware, three 10.5' columns mounted on base plates 6" below surface, by Superior Shade			\$17,768.76	\$17,768.76



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EXHIBIT G

QUOTE #Q87816

Date: 03/12/2026

Project: 28167

Created By: Jeff Goodman

Quote Name: Splashpark, Shade Plaza and Seating

3	PIERS36X120	Concrete piers pavilion & canopy columns, with anchor bolts set, and with steel rebar reinforcement, By: Kraftsman	36"x120"	\$5,005.95	\$15,017.85
3	ENG622	Engineer Sealed Drawings of Shade Canopy and Foundations to include both drilled and spread footers by Superior Shade		\$1,700.00	\$5,100.00
General Services					
1	TRAIN 2	Two days of technical support personnel on site to assist testing of WQMS equipment, system start up, with balancing features, and 4 hours of operational staff training. By: Kraftsman		\$1.00	\$1.00
1	CONSTDOCS	Construction documentation, plans & submittals by Kraftsman		\$1.00	\$1.00
1	BOND1	Performance & Payment Surety Bond, and processing of the bond documentation.		\$38,202.00	\$38,202.00
1	INSURANCE-AI	Name customer as additional insured on General Liability Policy and processing of coverage.		\$1.00	\$1.00
1	PERMIT 2	Obtain Necessary Building Permit for SplashPark and General Park Construction. BUILDING PERMIT FEE TO BE PAID BY CUSTOMER OR CHANGE ORDER TO KRAFTSMAN.		\$1.00	\$1.00

Item Subtotal:	\$1,064,596.30
Shipping & Handling:	\$12,473.95
Discount:	-\$156,822.81
Equipment Subtotal:	\$920,247.44
Tax:	\$0.00
Install:	\$353,126.34
Total:	\$1,273,373.78



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Project: 28167

Created By: Jeff Goodman

Quote Name: Splashpark, Shade Plaza and Seating

Special Terms and Conditions

Site Work:

- Site preparation, grading, and fill materials are included per GeoTech recommendation. SEE NOTE ON QUOTE
- SplashPark systems are designed based on a PVR of 1" or less.
- Proper/Positive drainage of the area is to be included prior to start of construction by Kraftsman.
- Preparation and submittal of SWPPP (Storm Water Pollution Prevention Plan) is not included.

Installation of Filtered:

A. Installation for splashpark equipment quoted includes:

1. Installation of SplashPark feature foundations.
2. Setting/erection/installation of features, enclosures, drains, manifolds, controllers, filtration, and tanks as listed on this proposal
3. Schedule 80 PVC water supply piping to features from manifold (manifold is to be located within 50' of SplashDeck)
4. Low voltage connections between activators and controller.
5. Drain lines from drain boxes to edge of pad (drain lines/piping supplied by others within 5' of splash pad unless separately listed in line-items of proposal)
6. All above per standard Kraftsman construction techniques.

B. Installation price does not include SplashDeck (concrete pad) or KraftKoat or other surfacing/coatings (unless separately listed in line-items of proposal)

Start Up & System Training:

Service includes one day of technical support personnel on site to assist with balancing of features, system start up, and 4 hours of staff operations training.

Project Completion Filtration:

Allow 4 to 8 weeks for preparation of plans, drawings, and submittals after acceptance of proposal. Shipping date of equipment from factory will be approximately 10 to 14 weeks after approval of submittal documentation, provided that the following has been completed and approved by the customer:

Project product submittals reviewed, approved and returned.

- Completed Color selection sheet (signed and dated)
- Physical project address
- All contact names and phone numbers
- Exemption certificate
- Deposit per contract

Allow adequate time for processing and procuring construction permits if required.

Allow approximately 10 to 16 weeks for project completion upon equipment delivery from manufacturer (see Lead Time Note for ship times from manufactures), issuance of building permits if required, weather permitting.

Filtration Spec: High Rate Sand Filtration

Pumping, Filtration, and Water Treatment System:

- A. Self-priming pump with integral large capacity clear top strainer
- B. High rate sand filters with manual backwash valve
- C. Connected to distribution manifolds
- D. Pressure relief "dump" valve connected to holding tank
- E. Prominent DCM3-CLORP True PPM Controller package
 1. Liquid Muriatic Acid pH treatment system
 2. Liquid chlorine treatment system.
- F. SPK connected to feature valves, motor starter, UV system, and chemical controller.
- G. UV water treatment (if listed separately in line items of proposal (required by Texas State Health Code))



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Date: 03/12/2026

Project: 28167

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Quote Name: Splashpark, Shade Plaza and Seating

Lead Times:

Lead Times are after approval of all Initial submittals/colors (see Project Completion Note for additional information on submittal times), and begin once the order is placed with the manufacturer.

Water Odyssey - the lead time for the embed portion to ship is 3-4 weeks and 8-10 weeks for the rest of features. Custom features are 18-20 weeks

Shade Canopies - lead time to ship is 6-8 weeks for custom shade canopies, 8-12 weeks for highly custom shade canopies

Shade Sealed Drawings - lead time is 4-6 weeks for engineer sealed drawings

Filters - the lead time for filters to ship is 10 to 14 weeks.

UVs - the lead time for UVs to ship is 10 to 14 weeks.

Holding Tank - the lead time for holding tanks to ship is 4 to 6 weeks.

Utilities Filtered 201-400 GPM:

or filtration systems with a flow rate of 201-400 GPM

A. Customer is to plan, permit, and provide installation and connection of utilities as follows (Kraftsman has not included costs for required improvements to utilities to support the SplashPark unless separately listed in line items of quote or specifically called out below by Kraftsman):

1. Electrical
 - a. Service is to be 230V, 3 Phase, 100 amp, for pumps and control systems,
 - b. Service panel
 - c. Connection of electrical service to
 - Filtration pump motor starters
 - UV system
 - d. (2) 120V 20amp GFCI outlet plug in outdoor rated enclosures for:
 - Splash Park Controller (SPK).
 - Chemical controller and pumps
 - e. Additional items if required or desired by customer
 - Utility plugs
 - Lighting
 - Ventilation fans
 - f. Electrical Bonding of all features, reinforcing steel, and filtration equipment per code requirements.
 - g. Kraftsman will complete all low voltage connections between splash park control systems and valve manifolds.
2. Water
 - a. City water meter
 - b. RPZ Backflow preventer
 - c. Water line connection to equipment area.
 - d. Minimum water line size to be provided is to be
 - 1.5" water line is to be provided
 - 75 GPM, with a minimum of 35 PSI
 - e. Kraftsman will supply automated water fill control system.
3. Drain
 - a. Proper drain line to within 5' of edge of filtration equipment area
 - b. For backwash discharge from filters and overflow from holding tank.
 - c. Minimum flow capacity of 536 GPM.

B. Utility leads and required facility improvements are to be completed and ready for connection of new improvements prior to Kraftsman coming on site for construction of the SplashPark improvements.



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Quote Name: Splashpark, Shade Plaza and Seating

Installation of Canopies:

Installation of canopies if quoted includes:

- A. Receiving and unloading of equipment
- B. If piers are listed separately in line items of proposal
 - 1. Haul off of soil and concrete spoils from project site
 - 2. Or distribution and leveling of any excess soils from excavation, if there is an area approved by customer for filling low areas on the facility.
 - 3. Rebar reinforcement for piers
 - 4. Concrete for piers
 - 5. Anchor bolts for connection of frame to piers if required
- C. Assembly of all frame work
- D. Installation of fabric and cable system
- E. All labor, tools, man lifts, ladders, cranes, and other equipment as necessary for installation.

Pier Sizes Quoted:

Pier sizes and prices quoted are subject to final engineering review and may change upon soils reports and engineering being completed. Any additional charges will be presented for approval prior to starting construction.

Care, Maintenance, and Warranties of Canopies:

Fabric Shade Canopies are designed to withstand normal wind loads and weather conditions, and will provide years of sun, heat, hail & UV protection with minimal maintenance. Warranties shall be void if damage to or failure to the shade structure is caused by contact with chemical, misuse, vandalism, fireworks or acts of God, including but not limited to, ice, snow or wind in excess of the applicable building code parameters. All fabric tops are warranted for sustained winds up to 76 mph and for gusts of up to 3 seconds duration up to 90 mph with no snow or ice accumulation. Damage caused by flying debris is not covered. Fabric is not warranted where it is installed on a structure that is not engineered or built by the manufacturer.

Acts of Nature:

Fabric Shade Canopy warranties do not cover natural disasters, such as earthquakes, shifts in terrain or tornados. If the structure is installed in an area exposed to hurricanes, removal of the shade fabric is required when a hurricane warning is issued. Structures are warranted for winds up to 145 mph, only if the shade canopy fabric has been removed as per requirements by the manufacturer. Care must be taken during removal of canopies so as not to damage the fabric or connection points and hardware. Contact Kraftsman or the manufacturer of the canopy if there are questions in regards to proper removal and reinstallation processes and procedures.

Project Completion Canopies:

Allow 2 to 4 weeks for preparation of plans, drawings, and submittals after acceptance of proposal provided that the following has been completed and approved by the customer:

- Project product submittals reviewed, approved and returned.
- Completed Color selection sheet (signed and dated)
- Physical project address
- All contact names and phone numbers
- Exemption certificate
- Deposit per contract
- If sail shades are being quoted an additional 6-8 weeks will be needed to receive the sail fabrics after installation of the columns are completed required for the manufacturing of the sails.



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Lead Times Canopies:

Lead Times are after approval of all Initial submittals/colors (see Project Completion Note for additional information on submittal times), and begin once the order is placed with the manufacturer.

Shade Canopies - lead time to ship is 4-6 weeks for standard shade canopies, 6-8 weeks for custom shade canopies, 8-12 weeks for highly custom shade canopies, 4-6 weeks for replacement shade fabric for superior frame, 8-10 weeks for replacement shade fabric for non superior frame

Shade Sealed Drawings - lead time is 4-6 weeks for engineer sealed drawings

Shade Sails - the lead time for the shade columns to ship is 6-8 weeks, and 4-7 weeks to manufacture sail fabrics once posts are installed and measurements sent to the factory.

Quick Ship Shade - Ships within 10 business days of order placed with manufacturer excluding holidays (depending on stock at time of order)



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Date: 03/12/2026

Project: 28167

Created By: Jeff Goodman

Quote Name: Splashpark, Shade Plaza and Seating

Respectfully Submitted

Jeff Goodman

Bill To: McAdams

Ship To: Denton, City of, Parks and Recreation

Terms: Percentage Completed Draws Monthly

Acceptance of Proposal

The Customer accepts the pricing, specifications, and the attached Terms and Conditions. The Customer authorizes Kraftsman to proceed with the work, provide the products, and perform the services described in the proposal. The undersigned confirms they are authorized to approve this order on behalf of the Customer and that payment will be made in accordance with the proposal.

Authorized Signature _____

PO# _____

Printed Name & Title _____

Acceptance Date _____

Authorized Signature _____

Printed Name & Title _____

WE STRONGLY RECOMMEND A RESILIENT FALL SURFACE BE INSTALLED UNDER ALL PLAY & FITNESS EQUIPMENT

Thank You! We Appreciate Your Business!

CONFLICT OF INTEREST QUESTIONNAIRE -

FORM CIQ

For vendor or other person doing business with local governmental entity

This questionnaire reflects changes made to the law by H.B. 23, 84th Leg., Regular Session.

This questionnaire is being filed in accordance with Chapter 176, Local Government Code, by a vendor who has a business relationship as defined by Section 176.001(1-a) with a local governmental entity and the vendor meets requirements under Section 176.006(a) and by City of Denton Ethics Code, Ordinance 18-757.

By law this questionnaire must be filed with the records administrator of the local government entity not later than the 7th business day after the date the vendor becomes aware of facts that require the statement to be filed. See Section 176.006(a-1), Local Government Code.

A vendor commits an offense if the vendor knowingly violates Section 176.006, Local Government Code. An offense under this section is a misdemeanor.

1 Name of vendor who has a business relationship with local governmental entity.

Kraftsman, LLC dba Kraftsman Commerical Playgrounds & water Parks

2 Check this box if you are filing an update to a previously filed questionnaire.

(The law requires that you file an updated completed questionnaire with the appropriate filing authority not later than the 7th business day after the date on which you became aware that the originally filed questionnaire was incomplete or inaccurate.)

3 Name of local government officer about whom the information in this section is being disclosed.

Name of Officer

Describe each employment or other business relationship with the local government officer, or a family member of the officer, as described by Section 176.003(a)(2)(A). Also describe any family relations hip with the local government officer. This section, (item 3 including subparts A, B, C & D), must be completed for each officer with whom the vendor has an employment or other business relationship as defined by Section 176.001(1-a), Local Government Code. Attach additional pages to this Form CIQ as necessary.

- A. Is the local government officer named in this section receiving or likely to receive taxable income, other than investment income, from the vendor?
 Yes No
- B. Is the vendor receiving or likely to receive taxable income, other than investment income, from or at the direction of the local government officer named in this section AND the taxable income is not received from the local governmental entity?
 Yes No
- C. Is the filer of this questionnaire employed by a corporation or other business entity with respect to which the local government officer serves as an officer or director, or holds an ownership of one percent or more?
 Yes No
- D. Describe each employment or business and family relationship with the local government officer named in this section.

4 I have no Conflict of Interest to disclose.

5 DocuSigned by:
Korey Soderberg

6/18/2026

Signature of Vendor doing business with the governmental entity

Date

16142A37E878484

CONFLICT OF INTEREST QUESTIONNAIRE

For vendor doing business with local governmental entity

A complete copy of Chapter 176 of the Local Government Code may be found at <http://www.statutes.legis.state.tx.us/ Docs/LG/htm/LG.176.htm>. For easy reference, below are some of the sections cited on this form.

Local Government Code § 176.001(1-a): "Business relationship" means a connection between two or more parties based on commercial activity of one of the parties. The term does not include a connection based on:

- (A) a transaction that is subject to rate or fee regulation by a federal, state, or local governmental entity or an agency of a federal, state, or local governmental entity;
- (B) a transaction conducted at a price and subject to terms available to the public; or
- (C) a purchase or lease of goods or services from a person that is chartered by a state or federal agency and that is subject to regular examination by, and reporting to, that agency.

Local Government Code § 176.003(a)(2)(A) and (B):

- (A) A local government officer shall file a conflicts disclosure statement with respect to a vendor if:
 - (2) the vendor:
 - (A) has an employment or other business relationship with the local government officer or a family member of the officer that results in the officer or family member receiving taxable income, other than investment income, that exceeds \$2,500 during the 12-month period preceding the date that the officer becomes aware that
 - (i) a contract between the local governmental entity and vendor has been executed; or
 - (ii) the local governmental entity is considering entering into a contract with the vendor;
 - (B) has given to the local government officer or a family member of the officer one or more gifts that have an aggregate value of more than \$100 in the 12-month period preceding the date the officer becomes aware that:
 - (i) a contract between the local governmental entity and vendor has been executed; or
 - (ii) the local governmental entity is considering entering into a contract with the vendor.

Local Government Code § 176.006(a) and (a-1)

- (a) A vendor shall file a completed conflict of interest questionnaire if the vendor has a business relationship with a local governmental entity and:
 - (1) has an employment or other business relationship with a local government officer of that local governmental entity, or a family member of the officer, described by Section 176.003(a)(2)(A);
 - (2) has given a local government officer of that local governmental entity, or a family member of the officer, one or more gifts with the aggregate value specified by Section 176.003(a)(2)(B), excluding any gift described by Section 176.003(a-1); or
 - (3) has a family relationship with a local government officer of that local governmental entity.
- (a-1) The completed conflict of interest questionnaire must be filed with the appropriate records administrator not later than the seventh business day after the later of:
 - (1) the date that the vendor:
 - (A) begins discussions or negotiations to enter into a contract with the local governmental entity; or
 - (B) submits to the local governmental entity an application, response to a request for proposals or bids, correspondence, or another writing related to a potential contract with the local governmental entity; or
 - (2) the date the vendor becomes aware:
 - (A) of an employment or other business relationship with a local government officer, or a family member of the officer, described by Subsection (a);
 - (B) that the vendor has given one or more gifts described by Subsection (a); or
 - (C) of a family relationship with a local government officer.

City of Denton Ethics Code Ordinance Number 18-757

Definitions:

Relative: a family member related to a City Official within the third 3rd degree of affinity (marriage) or consanguinity (blood or adoption)

City Official: for purpose of this article, the term consists of the Council Members, Department Heads, or member of the Board of Ethics, Planning and zoning Commission Members, Board of Adjustment, Historic Landmark Commission, or Public Utilities Board

Vendor: a person who provides or seeks to provide goods, services, and/or real property to the City in exchange for compensation. This definition does not include those property owners from whom the City acquires public right-of-way or other real property interests for public use.

Per the City of Denton Ethics Code, Section 2-273. – Prohibitions

- (3) It shall be a violation of this Article for a Vendor to offer or give a Gift to City Official exceeding fifty dollars (\$50.00) per gift, or multiple gifts cumulatively valued at more than two hundred dollars (\$200.00) per a single fiscal year.

Per the City of Denton Ethics Code, Section 2-282. – Disposition (b), (5) Ineligibility

If the Board of Ethics finds that a Vendor has violated this Article, the Board may recommend to the City Manager that the Vendor be deemed ineligible to enter into a City contract or other arrangement for goods, services, or real property, for a period of one (1) year.

Certificate Of Completion

Envelope Id: CC226BEC-A675-8804-822B-6BE9E0662570
Subject: Please DocuSign: City Council Contract 9021 Briercliff Park Sprayground
Source Envelope:
Document Pages: 91
Certificate Pages: 6
AutoNav: Enabled
Envelopeld Stamping: Enabled
Time Zone: (UTC-06:00) Central Time (US & Canada)

Status: Sent

Envelope Originator:
Erica Garcia
901B Texas Street
Denton, TX 76209
erica.garcia@cityofdenton.com
IP Address: 198.49.140.10

Record Tracking

Status: Original
6/15/2026 10:30:20 AM

Holder: Erica Garcia
erica.garcia@cityofdenton.com

Location: DocuSign

Signer Events

Erica Garcia
erica.garcia@cityofdenton.com
Senior Buyer
City of Denton
Security Level: Email, Account Authentication
(None)

Signature

Completed


Using IP Address: 198.49.140.10

Timestamp

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Viewed: 6/15/2026 10:33:30 AM
Signed: 6/15/2026 10:34:46 AM

Electronic Record and Signature Disclosure:
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Lori Hewell
lori.hewell@cityofdenton.com
Purchasing Manager
City of Denton
Security Level: Email, Account Authentication
(None)




Signature Adoption: Pre-selected Style
Using IP Address: 198.49.140.104

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Viewed: 6/15/2026 10:45:25 AM
Signed: 6/15/2026 10:48:38 AM

Electronic Record and Signature Disclosure:
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Leah Bush
leah.bush@cityofdenton.com
Assistant City Attorney
Security Level: Email, Account Authentication
(None)

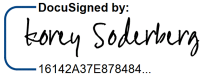


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Signed: 6/15/2026 1:38:13 PM

Electronic Record and Signature Disclosure:
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Korey Soderberg
KoreyS@kraftsmanplay.com
COO
Kraftsman
Security Level: Email, Account Authentication
(None)




Signature Adoption: Pre-selected Style
Using IP Address: 73.166.63.40

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Resent: 6/17/2026 4:06:53 PM
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Signed: 6/18/2026 6:42:48 PM

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ID: 1389a1f0-a194-4e21-b23a-f73b100e26c1

Signer Events	Signature	Timestamp
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Allison Wing
 Allison.Wing@cityofdenton.com
 Interim Director
 Parks and Recreation
 Security Level: Email, Account Authentication (None)

Signed by:

 75387A6F0F1B4F3...
 Signature Adoption: Pre-selected Style
 Using IP Address: 47.186.195.150
 Signed using mobile

Sent: 6/18/2026 6:42:51 PM
 Viewed: 6/19/2026 6:32:16 AM
 Signed: 6/19/2026 6:34:01 AM

Electronic Record and Signature Disclosure:
 Accepted: 6/19/2026 6:32:16 AM
 ID: d43459ef-0d7c-4498-b67c-8d9041fe2ea2

Cheyenne Defee
 cheyenne.defee@cityofdenton.com
 Procurement Administration Supervisor
 City of Denton
 Security Level: Email, Account Authentication (None)

Sent: 6/19/2026 6:34:03 AM

Electronic Record and Signature Disclosure:
 Not Offered via DocuSign

Cassey Ogden
 Cassey.Ogden@cityofdenton.com
 Security Level: Email, Account Authentication (None)

Electronic Record and Signature Disclosure:
 Not Offered via DocuSign

Kristi Fogle
 kristi.fogle@cityofdenton.com
 Security Level: Email, Account Authentication (None)

Electronic Record and Signature Disclosure:
 Accepted: 6/18/2026 6:15:28 PM
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In Person Signer Events	Signature	Timestamp
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Editor Delivery Events	Status	Timestamp
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Agent Delivery Events	Status	Timestamp
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Intermediary Delivery Events	Status	Timestamp
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Certified Delivery Events	Status	Timestamp
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Carbon Copy Events	Status	Timestamp
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Cheyenne Defee
 cheyenne.defee@cityofdenton.com
 Procurement Administration Supervisor
 City of Denton
 Security Level: Email, Account Authentication (None)

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Carbon Copy Events	Status	Timestamp
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Gretna Jones
gretna.jones@cityofdenton.com
Legal Secretary
City of Denton
Security Level: Email, Account Authentication (None)
Electronic Record and Signature Disclosure:
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Viewed: 6/23/2026 1:00:59 PM

City Secretary Office
citysecretary@cityofdenton.com
Security Level: Email, Account Authentication (None)
Electronic Record and Signature Disclosure:
Not Offered via DocuSign

Monica Martin
monica.martin@cityofdenton.com
Security Level: Email, Account Authentication (None)
Electronic Record and Signature Disclosure:
Accepted: 6/16/2026 11:14:22 AM
ID: 0ea69759-5170-4f96-bc3a-361f3c871739

Witness Events	Signature	Timestamp
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Notary Events	Signature	Timestamp
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Envelope Summary Events	Status	Timestamps
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Payment Events	Status	Timestamps
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Electronic Record and Signature Disclosure
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If you elect to receive required notices and disclosures only in paper format, it will slow the speed at which we can complete certain steps in transactions with you and delivering services to you because we will need first to send the required notices or disclosures to you in paper format, and then wait until we receive back from you your acknowledgment of your receipt of such paper notices or disclosures. To indicate to us that you are changing your mind, you must withdraw your consent using the DocuSign 'Withdraw Consent' form on the signing page of your DocuSign account. This will indicate to us that you have withdrawn your consent to receive required notices and disclosures electronically from us and you will no longer be able to use your DocuSign Express user account to receive required notices and consents electronically from us or to sign electronically documents from us.

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Unless you tell us otherwise in accordance with the procedures described herein, we will provide electronically to you through your DocuSign user account all required notices, disclosures, authorizations, acknowledgements, and other documents that are required to be provided or made available to you during the course of our relationship with you. To reduce the chance of you inadvertently not receiving any notice or disclosure, we prefer to provide all of the required notices and disclosures to you by the same method and to the same address that you have given us. Thus, you can receive all the disclosures and notices electronically or in paper format through the paper mail delivery system. If you do not agree with this process, please let us know as described below. Please also see the paragraph immediately above that describes the consequences of your electing not to receive delivery of the notices and disclosures electronically from us.

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You may contact us to let us know of your changes as to how we may contact you electronically, to request paper copies of certain information from us, and to withdraw your prior consent to receive notices and disclosures electronically as follows:

To contact us by email send messages to: purchasing@cityofdenton.com

To advise City of Denton of your new e-mail address

To let us know of a change in your e-mail address where we should send notices and disclosures electronically to you, you must send an email message to us at melissa.kraft@cityofdenton.com and in the body of such request you must state: your previous e-mail address, your new e-mail address. We do not require any other information from you to change your email address..

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To inform us that you no longer want to receive future notices and disclosures in electronic format you may:

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- ii. send us an e-mail to purchasing@cityofdenton.com and in the body of such request you must state your e-mail, full name, IS Postal Address, telephone number, and account number. We do not need any other information from you to withdraw consent.. The consequences of your withdrawing consent for online documents will be that transactions may take a longer time to process..

Required hardware and software

Operating Systems:	Windows2000? or WindowsXP?
Browsers (for SENDERS):	Internet Explorer 6.0? or above
Browsers (for SIGNERS):	Internet Explorer 6.0?, Mozilla FireFox 1.0, NetScape 7.2 (or above)
Email:	Access to a valid email account
Screen Resolution:	800 x 600 minimum
Enabled Security Settings:	<ul style="list-style-type: none"> •Allow per session cookies •Users accessing the internet behind a Proxy Server must enable HTTP 1.1 settings via proxy connection

** These minimum requirements are subject to change. If these requirements change, we will provide you with an email message at the email address we have on file for you at that time providing you with the revised hardware and software requirements, at which time you will have the right to withdraw your consent.

Acknowledging your access and consent to receive materials electronically

To confirm to us that you can access this information electronically, which will be similar to other electronic notices and disclosures that we will provide to you, please verify that you were able to read this electronic disclosure and that you also were able to print on paper or electronically save this page for your future reference and access or that you were able to e-mail this disclosure and consent to an address where you will be able to print on paper or save it for your future reference and access. Further, if you consent to receiving notices and disclosures exclusively in electronic format on the terms and conditions described above, please let us know by clicking the 'I agree' button below.

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- Until or unless I notify City of Denton as described above, I consent to receive from exclusively through electronic means all notices, disclosures, authorizations, acknowledgements, and other documents that are required to be provided or made available to me by City of Denton during the course of my relationship with you.



City of Denton

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

AGENDA INFORMATION SHEET

DEPARTMENT: Procurement
ACM: Christine Taylor
DATE: July 14, 2026

SUBJECT

Consider adoption of an ordinance of the City of Denton, a Texas home-rule municipal corporation, authorizing the City Manager to execute a contract with Titan Utility Services, LLC, for electric utility specific training for Denton Municipal Electric; providing for the expenditure of funds therefor; and providing an effective date (RFP 9000 – awarded to Titan Utility Services, LLC, for one (1) year, with the option for four (4) additional one (1) year extensions, in the total five (5) year not-to-exceed amount of \$1,500,000.00). [The Public Utilities Board recommends approval \(5 - 0\).](#)

STRATEGIC ALIGNMENT

This action supports Key Focus Area: Pursue Organizational Excellence and Collaborative and Respectful Leadership.

INFORMATION/BACKGROUND

Denton Municipal Electric (DME) issued a Request for Proposal (RFP) to identify a vendor for electric utility-specific training. The contract includes 29 courses, with an option for additional classes. The classes are based on the Occupational Safety and Health Administration (OSHA) Code of Federal Regulations 1910 and 1926, National Fire Protection Association (NFPA) 70E, American Public Power Association (APPA) Safety Manual, National Electrical Code (NEC), National Electrical Safety Code (NESC), Public Utility Commission of Texas (PUCT), North American Electric Reliability Corporation (NERC), and Electric Reliability Council of Texas (ERCOT). The regulatory requirements for training and implementation of additional courses by DME ensure the safety of DME's field operations employees. With this contract in place, DME will be able to evaluate its employees' proficiency to determine whether they are qualified and have the knowledge to facilitate repairs and maintenance on the electric grid.

Below is a chart outlining the annual classes offered and the associated cost per course.

Annual Classes	Cost Over Course of Contract
HB4150	\$102,500.00
3 Part communication	153,750.00
2 of one of the Utility Electrical System classes	225,000.00
OSHA 10 hour	11,250.00
OSHA 30 hour	11,250.00
Electrical Theory	22,500.00
Basic Pole Climbing	100,000.00

Compliance Classes Planned	360,000.00
Total	\$986,250.00
Classes Year 1, 3 & 5	
NFPA 70E Arc Flash	\$67,500.00
First Aid/CPR/AED Recurrent	144,000.00
Total	\$211,500.00
Classes Year 1 & 3	
Forklift	\$39,130.00
Digger Derek	31,500.00
Aerial Lift	31,500.00
Total	\$102,130.00
Future Regulatory Required, Make Up, Refresher	\$127,500.00
Contingency 5%	72,620.00
Total	\$1,500,000.00

Request for Proposals was sent to 1,550 prospective suppliers of this item, including 45 Denton firms. In addition, specifications were placed on the Procurement website for prospective suppliers to download and were advertised in the local newspaper. Three (3) proposals were received and evaluated based upon published criteria, including ability to schedule training, compliance with specifications, probable performance, and price. Best and Final Offers (BAFO) were requested from the top firm. Based upon this evaluation, Titan Utility Services, LLC was ranked the highest and determined to be the best value for the City.

NIGP Code Used for Solicitation:	280, 285, 287, 691, 936, 941, 958, 969, 992
Notifications sent for Solicitation sent in IonWave:	1,550
Number of Suppliers that viewed Solicitation in IonWave:	41
HUB-Historically Underutilized Business Invitations sent out:	226
SBE-Small Business Enterprise Invitations sent out:	550
Responses from Solicitation:	3

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On June 22, 2026, the Public Utilities Board (PUB) recommended this item to the City Council for consideration.

RECOMMENDATION

Award a contract with Titan Utility Services, LLC, for electric utility-specific training for Denton Municipal Electric, in a one (1) year term, with the option for four (4) additional one (1) year extensions, for a total of five (5) years, not to exceed \$1,500,000.

PRINCIPAL PLACE OF BUSINESS

Titan Utility Services, LLC
Tickfaw, LA

ESTIMATED SCHEDULE OF PROJECT

This is an initial one (1) year contract with options to extend for four (4) additional one (1) year periods, with all terms and conditions remaining the same.

FISCAL INFORMATION

These services will be funded from the Electric Safety & Training account 600110.7820. Requisitions will be entered on an as-needed basis. The budgeted amount for this item is \$1,500,000.

EXHIBITS

Exhibit 1: Agenda Information Sheet

Exhibit 2: Pricing Evaluation

Exhibit 3: Ordinance and Contract

Respectfully submitted:
Lori Hewell, 940-349-7100
Purchasing Manager

For information concerning this acquisition, contact: Jeff Brown, 940-349-7189.

Legal point of contact: Leah Bush at 940-349-8333.

Exhibit 2
RFP 9000 - Pricing Evaluation for Electric Utility Specific Training

		Respondent's Business Name: Titan Utility Services, LLC		LND Technical Services	Texas Electric Cooperatives
		Principal Place of Business (City and State): Tickfaw, LA		Houston, TX	Georgetown, TX
Line #	Description	UOM	Bid	Bid	Bid
Training Classes					
2	HB4150 Hazard Assessment – Clearances and Slack Span,Electric Hazard Assessment Training per TX State HB4150	Per Session	\$2,050.00	no bid-\$19,500	\$19,500.00
3	Operating Instructions COM-002-4 (3-part communication),NERC/APPA utility communication for verification of lock out tag out.	Per Session	\$2,050.00	no bid-\$19,500	\$19,500.00
4	NERC Standards,NERC required training for System Operators, Linemen, Substations Techs, and Meter Techs	Per Session	no bid-\$19,500	\$10,300.00	\$19,500.00
5	APPA Safety Manual,Summary training of the APPA Safety Manual for Linemen, Substations Techs, and Meter Techs	Per Session	\$2,050.00	no bid-\$19,500	\$19,500.00
6	Electric Utility Distribution Systems (Theory and Equipment)	Per Session	\$2,250.00	\$10,300.00	\$19,500.00
7	Electric Utility Transmission Systems (Theory and Equipment)	Per Session	\$2,250.00	\$10,300.00	\$19,500.00
8	Areal Rescue Pole Top/Bucket Training,Training and testing the annual practical evaluation of Bucket/Pole Top rescue for Electric utilities.	Per Session	\$2,250.00	no bid-\$19,500	\$19,500.00
9	Areal Rescue Pole Top/Bucket Train-the-Trainer,Train trainers to conduct the training and testing of the annual practical evaluation of Bucket/Pole Top rescue for Electric utilities.	Per Session	\$6,000.00	no bid-\$19,500	\$19,500.00
10	Aerial Lift Device Operator Training	Per Session	\$2,250.00	no bid-\$19,500	\$19,500.00
11	Basic Pole Climbing	Per Session	\$10,000.00	no bid-\$19,500	\$19,500.00
12	Apprentice Lineman or Lineman refresher- simulated energized training	Per Session	\$10,000.00	no bid-\$19,500	\$19,500.00
13	AWARE Driver Training- Classroom and/or Classroom and Driving	Per Session	\$3,000.00	no bid-\$19,500	\$19,500.00
14	Capacitors and Step Voltage Regulators	Per Session	\$2,250.00	\$10,300.00	\$19,500.00
15	CPR – First Aid – AED Certification	Per Session	\$2,400.00	\$4,000.00	\$19,500.00
16	Digger Derrick Training	Per Session	\$2,250.00	no bid-\$19,500	\$19,500.00
17	Effective Cover-up,Electric Utility line cover up training.	Per Session	\$2,250.00	no bid-\$19,500	\$19,500.00
18	Electrical Theory	Per Session	\$2,250.00	\$10,300.00	\$19,500.00
19	Rubber Gloves/Sleeves and Cover Up inspection and use	Per Session	\$2,050.00	no bid-\$19,500	\$19,500.00
20	Follow the Leader- How good leaders create a positive workplace	Per Session	\$7,000.00	\$10,300.00	\$19,500.00
21	Forklift Certification	Per Session	\$2,795.00	no bid-\$19,500	\$19,500.00
22	Metering- Self-contained and Instrument Rated	Per Session	\$2,250.00	\$10,300.00	\$19,500.00
23	Protective Devices- Arresters, Cutouts, Fusing, Sectionalizes, and Reclosers	Per Session	\$2,250.00	\$10,300.00	\$19,500.00
24	ATO/Vista Gears,Basic function, safety practices, and industry best practice of equipment	Per Session	\$2,250.00	\$10,300.00	\$19,500.00
25	Single Phase Transformers	Per Session	\$2,250.00	\$10,300.00	\$19,500.00
26	Substation Entry and Basic Operation	Per Session	\$2,250.00	\$10,300.00	\$19,500.00

Exhibit 2
RFP 9000 - Pricing Evaluation for Electric Utility Specific Training

			Titan Utility Services, LLC	LND Technical Services	Texas Electric Cooperatives
			Tickfaw, LA	Houston, TX	Georgetown, TX
Line #	Description	UOM	Bid	Bid	Bid
27	Three Phase Transformers (Advanced)	Per Session	\$2,250.00	\$10,300.00	\$19,500.00
28	Transformer Refresher and Connections	Per Session	\$2,250.00	\$10,300.00	\$19,500.00
29	NFPA 70E – Arc Flash	Per Session	\$2,250.00	\$10,300.00	\$19,500.00
30	OSHA 10 Hour Training	Per Session	<i>no bid-\$19,500</i>	<i>no bid-\$19,500</i>	\$19,500.00
31	OSHA 30 Hour Training	Per Session	<i>no bid-\$19,500</i>	<i>no bid-\$19,500</i>	\$19,500.00
		Total	\$143,895.00	\$440,700.00	\$585,000.00

Evaluation				
Item #	Scoring Criteria	Titan Utility Services, LLC	LND Technical Services	Texas Electric Cooperatives
1	Ability to Schedule Training - 20%	16.00	9.33	6.67
2	Compliance with Specifications - 30%	22.00	12.00	16.00
3	Probable Performance - 20%	17.33	9.33	10.67
4	Price, Total Cost of Ownership - 30%	30.00	9.80	7.38
	Total Score:	85.33	40.46	40.72

ORDINANCE NO. _____

AN ORDINANCE OF THE CITY OF DENTON, A TEXAS HOME-RULE MUNICIPAL CORPORATION, AUTHORIZING THE CITY MANAGER TO EXECUTE A CONTRACT WITH TITAN UTILITY SERVICES, LLC, FOR ELECTRIC UTILITY SPECIFIC TRAINING FOR DENTON MUNICIPAL ELECTRIC; PROVIDING FOR THE EXPENDITURE OF FUNDS THEREFOR; AND PROVIDING AN EFFECTIVE DATE (RFP 9000 – AWARDED TO TITAN UTILITY SERVICES, LLC, FOR ONE (1) YEAR, WITH THE OPTION FOR FOUR (4) ADDITIONAL ONE (1) YEAR EXTENSIONS, IN THE TOTAL FIVE (5) YEAR NOT-TO-EXCEED AMOUNT OF \$1,500,000.00).

WHEREAS, the City has solicited, received, and evaluated competitive proposals for electric utility specific training for Denton Municipal Electric; and

WHEREAS, the City Manager, or a designated employee, has received, reviewed, and recommended that the herein described proposals are the most advantageous to the City considering the relative importance of price and the other evaluation factors included in the request for proposals; and

WHEREAS, this procurement was undertaken as part of the City’s governmental function; and

WHEREAS, the City Council has provided in the City Budget for the appropriation of funds to be used for the purchase of the materials, equipment, supplies, or services approved and accepted herein; NOW, THEREFORE,

THE COUNCIL OF THE CITY OF DENTON HEREBY ORDAINS:

SECTION 1. The items in the following numbered request for proposal for materials, equipment, supplies, or services shown in the “Request Proposals” on file in the office of the Purchasing Agent, are hereby accepted and approved as being the most advantageous to the City considering the relative importance of price and the other evaluation factors included in the request for proposals.

<u>RFP</u> <u>NUMBER</u>	<u>CONTRACTOR</u>	<u>AMOUNT</u>
9000	Titan Utility Services, LLC	\$1,500,000.00

SECTION 2. That by the acceptance and approval of the above numbered items of the submitted proposals, the City accepts the offer of the persons submitting the proposals for such items and agrees to purchase the materials, equipment, supplies, or services in accordance with the terms, specifications, standards, quantities, and for the specified sums contained in the Proposal Invitations, Proposals, and related documents.

SECTION 3. That should the City and person submitting approved and accepted items wish to enter into a formal written agreement as a result of the acceptance, approval, and awarding of the proposals, the City Manager, or their designated representative, is hereby authorized to execute the written contract which shall be attached hereto; provided that the written contract is in accordance with the terms, conditions, specifications, standards, quantities, and specified sums contained in the Proposal and related documents herein approved and accepted.

SECTION 4. The City Council of the City of Denton hereby expressly delegates the authority to take any actions that may be required or permitted to be performed by the City of Denton under this ordinance to the City Manager of the City of Denton, or their designee.

SECTION 5. By the acceptance and approval of the above enumerated bids, the City Council hereby authorizes the expenditure of funds therefor in the amount and in accordance with the approved bids.

SECTION 6. This ordinance shall become effective immediately upon its passage and approval.

The motion to approve this ordinance was made by _____ and seconded by _____. This ordinance was passed and approved by the following vote [___ - ___]:

	Aye	Nay	Abstain	Absent
Mayor Chris Watts:	_____	_____	_____	_____
Jordan Villarreal, District 1:	_____	_____	_____	_____
Nick Stevens, District 2:	_____	_____	_____	_____
Suzi Rumohr, District 3:	_____	_____	_____	_____
Joe Holland, District 4:	_____	_____	_____	_____
George Ferrie, At Large Place 5:	_____	_____	_____	_____
Jill Jester, At Large Place 6:	_____	_____	_____	_____

PASSED AND APPROVED this the _____ day of _____, 2026.

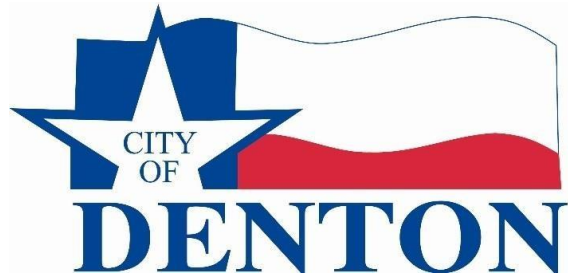
CHRIS WATTS, MAYOR

ATTEST:
KRISTI FOGLE, INTERIM CITY SECRETARY

BY: _____

APPROVED AS TO LEGAL FORM:
MACK REINWAND, CITY ATTORNEY

BY: Leah Bush



DocuSign City Council Transmittal Coversheet

RFP	9000
File Name	ELECTRIC UTILITY SPECIFIC TRAINING
Purchasing Contact	Crystal westbrook
City Council Target Date	
Piggy Back Option	Yes
Contract Expiration	
Ordinance	

**CONTRACT BY AND BETWEEN
CITY OF DENTON, TEXAS AND TITAN UTILITY SERVICES, LLC
(Contract # 9000)**

THIS CONTRACT is made and entered into this date _____, by and between Titan Utility Services, LLC a Louisiana Limited Liability Company, whose address 14146 HWY 1064, Tickfaw, LA 70466, hereinafter referred to as “Contractor,” and the **CITY OF DENTON, TEXAS**, a home rule municipal corporation, hereinafter referred to as “City,” to be effective upon approval of the Denton City Council and subsequent execution of this Contract by the Denton City Manager or their duly authorized designee.

For and in consideration of the covenants and agreements contained herein, and for the mutual benefits to be obtained hereby, the parties agree as follows:

SCOPE OF SERVICES

Contractor shall provide services in accordance with the City’s RFP #9000 Electric Utility Specific Training, a copy of which is on file at the office of Purchasing Agent and incorporated herein for all purposes. The Contract consists of this written agreement and the following items which are attached hereto, or on file, and incorporated herein by reference:

- (a) Special Terms and Conditions (**Exhibit “A”**);
- (b) City of Denton’s RFP 9000 (the “Solicitation”) (**Exhibit “B” on file at the office of the Purchasing Agent**);
- (c) City of Denton Standard Terms and Conditions (**Exhibit “C”**);
- (d) Certificate of Interested Parties Electronic Filing (**Exhibit “D”**);
- (e) Insurance Requirements (**Exhibit “E”**);
- (f) Contractor’s Proposal (“Contractor’s Offer”) (**Exhibit “F”**);
- (g) Form CIQ – Conflict of Interest Questionnaire (**Exhibit “G”**)

These documents make up the Contract documents and what is called for by one shall be as binding as if called for by all. In the event of an inconsistency or conflict in any of the provisions of the Contract documents, the inconsistency or conflict shall be resolved by giving precedence first to the written agreement then to the contract documents in the order in which they are listed above. These documents shall be referred to collectively as “Contract Documents.”

Prohibition on Contracts with Companies Boycotting Israel

Contractor acknowledges that in accordance with Chapter 2271 of the Texas Government Code, City is prohibited from entering into a contract with a company for goods or services unless the contract contains a written verification from the company that it: (1) does not boycott Israel; and (2) will not boycott Israel during the term of the contract. The terms “boycott Israel” and “company” shall have the meanings ascribed to those terms in Section 808.001 of the Texas Government Code. *By signing this Contract, Contractor certifies that Contractor’s signature provides written verification to the City that Contractor: (1) does not boycott Israel; and (2) will not boycott Israel during the term of the Contract.* Failure to meet or maintain the requirements under this provision will be considered a material breach.

Prohibition on Contracts with Companies Boycotting Certain Energy Companies

Contractor acknowledges that in accordance with Chapter 2276 of the Texas Government Code, City is prohibited from entering into a contract with a company for goods or services unless the contract contains

written verification from the company that it (1) does not boycott energy companies; and (2) will not boycott energy companies during the term of the contract. The terms “boycott energy company” and “company” shall have the meanings ascribed to those terms in Section 809.001 of the Texas Government Code. ***By signing this agreement, Contractor certifies that Contractor’s signature provides written verification to the City that Contractor: (1) does not boycott energy companies; and (2) will not boycott energy companies during the term of the Contract.*** Failure to meet or maintain the requirements under this provision will be considered a material breach.

Prohibition on Contracts with Companies Boycotting Certain Firearm Entities and Firearm Trade Associations

Contractor acknowledges that in accordance with Chapter 2274 of the Texas Government Code, City is prohibited from entering into a contract with a company for goods or services unless the contract contains written verification from the company that it (1) does not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association; and (2) will not discriminate during the term of the contract against a firearm entity or firearm trade association. The terms “discriminate against a firearm entity or firearm trade association,” “firearm entity” and “firearm trade association” shall have the meanings ascribed to those terms in Chapter 2274 of the Texas Government Code. ***By signing this Contract, Contractor certifies that Contractor’s signature provides written verification to the City that Contractor: (1) does not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association; and (2) will not discriminate during the term of this Contract against a firearm entity or firearm trade association.*** Failure to meet or maintain the requirements under this provision will be considered a material breach.

Prohibition On Contracts with Companies Doing Business with Iran, Sudan, or a Foreign Terrorist Organization

Section 2252 of the Texas Government Code restricts City from contracting with companies that do business with Iran, Sudan, or a foreign terrorist organization. ***By signing this Contract, Contractor certifies that Contractor’s signature provides written verification to the City that Contractor, pursuant to Chapter 2252, is not ineligible to enter into this Contract and will not become ineligible to receive payments under this Contract by doing business with Iran, Sudan, or a foreign terrorist organization.*** Failure to meet or maintain the requirements under this provision will be considered a material breach.

Termination Right for Contracts with Companies Doing Business with Certain Foreign-Owned Companies

The City of Denton may terminate this Contract immediately without any further liability if the City of Denton determines, in its sole judgment, that this Contract meets the requirements under Chapter 2275, and Contractor is, or will be in the future, (i) owned by or the majority of stock or other ownership interest of the company is held or controlled by individuals who are citizens of China, Iran, North Korea, Russia, or other designated country (ii) directly controlled by the Government of China, Iran, North Korea, Russia, or other designated country, or (iii) is headquartered in China, Iran, North Korea, Russia, or other designated country.

The parties agree to transact business electronically. Any statutory requirements that certain terms be in writing will be satisfied using electronic documents and signing. Electronic signing of this document will be deemed an original for all legal purposes.

IN WITNESS WHEREOF, the parties of these presents have executed this Contract in the year and day first above written.

BY:
CONTRACTOR
TITAN UTILITY SERVICES, LLC

DocuSigned by:
Cody Trout

Authorized Signature

Printed Name: Cody Trout

Title: COO

Email Address: codytrout@titanutility.net

2026- 1464635

TEXAS ETHICS COMMISSION CERTIFICATE NUMBER

BY:
CITY OF DENTON, TEXAS

Cassey Ogden, Interim City Manager

ATTEST:
INGRID REX, CITY SECRETARY

BY: _____

APPROVED AS TO LEGAL FORM:
MACK REINWAND, CITY ATTORNEY

Signed by:
BY: *Leah Bush*

3A6254145BDA469...

THIS AGREEMENT HAS BEEN BOTH REVIEWED AND APPROVED
as to financial and operational obligations and business terms.

Signed by:
Antonio Puente, Jr.

SIGNATURE

DME General Manager

TITLE

Electric

DEPARTMENT

Contract 9000

Exhibit A **Special Terms and Conditions**

1. Total Contract Amount

The contract total for services shall not exceed \$1,500,000. Pricing shall be per Exhibit F attached.

2. The Quantities

The quantities indicated on Exhibit F are estimates based upon the best available information. The City reserves the right to increase or decrease the quantities to meet its actual needs without any adjustments in the bid price. Individual purchase orders will be issued on an as needed basis.

3. Contract Terms

The contract term will be one (1) year, effective from date of award. The City and the Supplier shall have the option to renew this contract for an additional four (4) one-year periods.

The Contract shall commence upon the issuance of a Notice of Award by the City of Denton and shall automatically renew each year, from the date of award by City Council. The Supplier's request to not renew the contract must be submitted in writing to the Purchasing Manager at least 60 days prior to the contract renewal date for each year. At the sole option of the City of Denton, the Contract may be further extended as needed, not to exceed a total of six (6) months.

4. Price Escalation and De-escalation

On Supplier's request in the form stated herein, the City will implement an escalation/de-escalation price adjustment annually based on these special terms. Any request for price adjustment must be based on the, U.S Department of Labor, Bureau of Labor Statistics, Producer Price Index (PPI) or the manufacturer published pricing list. The maximum escalation will not exceed +/- 8% for any individual year. The escalation will be determined annually at the renewal date. The price will be increased or decreased based upon the annual percentage change in the PPI or the percentage change in the manufacturer's price list. Should the PPI or manufacturer price list change exceed a minimum threshold value of +/-1%, then the stated eligible bid prices shall be adjusted in accordance with the percent change not to exceed the 8% limit per year. The supplier should provide documentation as percentage of each cost associated with the unit prices quoted for consideration.

Request must be submitted in writing with supporting evidence for need of such increase to the Purchasing Manager at least 60 days prior to contract expiration of each year. Respondent must also provide supporting documentation as justification for the request. If no request is made, then it will be assumed that the current contract price will be in effect.

Upon receipt of such request, the City of Denton reserves the right to either: accept the escalation as competitive with the general market price at the time, and become effective upon the renewal date of the contract award or reject the increases within 30 calendar days after receipt of a properly submitted request. If a properly submitted increase is rejected, the Contractor may request cancellation of such items from the Contract by giving the City of Denton written notice. Cancellation will not go into effect for 15 calendar days after a determination has been issued. Pre-price increase prices must be honored on orders dated up to the official date of the City of Denton approval and/or cancellation.

The request can be sent by e-mail to: purchasing@cityofdenton.com noting the solicitation number.

The City of Denton reserves the right to accept, reject, or negotiate the proposed price changes.

5. Performance Liquidated Damages

The Contractor shall incur contractual payment losses, as initiated by the City for performance that falls short of specified performance standards as outlined below:

- Delivery beyond contracted lead times
- Performance below contracted levels (services only)

The Contractor shall be assessed a one (1%) percent fee each month when any one of the performance standards outlined above are not met in full. The Contractor shall be assessed a two (2%) percent profit fee each month when any two (2) or more performance standards outlined above are not met in full. At the end of each month, the City will review the monthly reports and determine the percentage of penalty to be assessed to the Contractor's monthly profit margin.

6. Cooperative Purchasing

It is the intent of the City that any contract resulting from this solicitation be made available for use by other governmental entities, to the maximum extent permitted under applicable federal, state, and local laws, including, but not limited to, the *Texas Government Code Chapter 791*. The Contractor agrees to make the same pricing, terms, and conditions available to any eligible public agency, political subdivision, or governmental entity that elects to purchase under this Contract, provided that such entity issues its own purchase order or agreement referencing the City's contract. Each such participating entity shall be responsible solely for its own obligations, including issuance of purchase orders, receipt of goods or services, and payment of invoices. The City shall not be responsible for the performance or payment of any obligations incurred by such participating entities.

Exhibit B
City of Denton's RFP #9000 File

On File at the Office of the Purchasing Agent

Exhibit C
City of Denton
Standard Purchase Terms and Conditions

These standard Terms and Conditions and the Terms and Conditions, Specifications, Drawings and other requirements included in the City of Denton's contract are applicable to contracts/purchase orders issued by the City of Denton hereinafter referred to as the City or Buyer and the Seller or respondent herein after referred to as Contractor. Any deviations must be in writing and signed by a representative of the City's Procurement Department and the Contractor. No Terms and Conditions contained in the seller's proposal response, invoice, or statement shall serve to modify the terms set forth herein. If there is a conflict between the provisions on the face of the contract/purchase order these written provisions will take precedence.

The Contractor agrees that the Contract shall be governed by the following terms and conditions, unless exceptions are duly noted and fully negotiated. Unless otherwise specified in the Contract, Sections 3, 4, 5, 6, 7, 8, 20, and 21 shall apply only to a solicitation to purchase goods, and sections 9, 10, 11, and 22 shall apply only to a solicitation to purchase services to be performed principally at the City's premises or on public rights-of-way.

1. **CONTRACTOR'S OBLIGATIONS.** The Contractor shall fully and timely provide all deliverables described in the Solicitation and in the Contractor's Offer in strict accordance with the terms, covenants, and conditions of the Contract and all applicable federal, State, and local laws, rules, and regulations.

2. **EFFECTIVE DATE/TERM.** Unless otherwise specified in the Solicitation or Exhibit A, this Contract shall be effective as of the date this Contract is signed by the City and shall continue in effect until all obligations are performed in accordance with the Contract.

3. **CONTRACTOR TO PACKAGE DELIVERABLES:** The Contractor will package deliverables in accordance with good commercial practice and shall include a packing list showing the description of each item, the quantity and unit price unless otherwise provided in the Solicitation or Contractor's Offer, each shipping container shall be clearly and permanently marked as follows: (a) The Contractor's name and address, (b) the City's name, address, purchase order or purchase release number, and the price agreement number, if applicable, (c) container number and total number of containers, e.g. box 1 of 4 boxes, and (d) the number of the container bearing the packing list. The Contractor shall bear cost of packaging. Deliverables shall be suitably packed to secure lowest transportation costs and to conform to all the requirements of common carriers and any applicable specification. The City's count or weight shall be final and conclusive on shipments not accompanied by packing lists.

4. **SHIPMENT UNDER RESERVATION PROHIBITED:** The Contractor is not authorized to ship the deliverables under reservation and no tender of a bill of lading will operate as a tender of deliverables.

5. **TITLE & RISK OF LOSS:** Title to and risk of loss of the deliverables shall pass to the City only when the City actually receives and accepts the deliverables.

6. DELIVERY TERMS AND TRANSPORTATION CHARGES: Deliverables shall be shipped F.O.B. point of delivery unless otherwise specified in the Solicitation or Contractor's Offer. Unless otherwise stated in the Contractor's Offer, the Contractor's price shall be deemed to include all delivery and transportation charges. The City shall have the right to designate what method of transportation shall be used to ship the deliverables. The place of delivery shall be that set forth in the purchase order.

7. RIGHT OF INSPECTION AND REJECTION: The City expressly reserves all rights under law, including, but not limited to the Uniform Commercial Code, to inspect the deliverables at delivery before accepting them, and to reject defective or non-conforming deliverables. If the City has the right to inspect the Contractor's, or the Contractor's Subcontractor's, facilities, or the deliverables at the Contractor's, or the Contractor's Subcontractor's, premises, the Contractor shall furnish, or cause to be furnished, without additional charge, all reasonable facilities and assistance to the City to facilitate such inspection.

8. NO REPLACEMENT OF DEFECTIVE TENDER: Every tender or delivery of deliverables must fully comply with all provisions of the Contract as to time of delivery, quality, and quantity. Any non-complying tender shall constitute a breach and the Contractor shall not have the right to substitute a conforming tender; provided, where the time for performance has not yet expired, the Contractor may notify the City of the intention to cure and may then make a conforming tender within the time allotted in the contract to perform but not afterward. If, instead of requiring immediate correction or removal and replacement of defective or non-conforming deliverables, the City prefers to accept it, the City may do so. The Contractor shall pay all claims, costs, losses and damages attributable to the City's evaluation of and determination to accept such defective or non-conforming deliverables. If any such acceptance occurs prior to final payment, the City may deduct such amounts as are necessary to compensate the City for the diminished value of the defective or non-conforming deliverables. If the acceptance occurs after final payment, such amount will be refunded to the City by the Contractor.

9. PLACE AND CONDITION OF WORK: This paragraph only applies to the purchase of services to be primarily performed at the City's premises or on City property/right-of-way. The City shall provide the Contractor access to the sites where the Contractor is to perform the services as required in order for the Contractor to perform the services in a timely and efficient manner, in accordance with and subject to the applicable security laws, rules, and regulations. The Contractor acknowledges that it has satisfied itself as to the nature of the City's service requirements and specifications, the location and essential characteristics of the work sites, the quality and quantity of materials, equipment, labor and facilities necessary to perform the services, and any other condition or state of fact which could in any way affect performance of the Contractor's obligations under the Contract. The Contractor hereby releases and holds the City harmless from and against any liability or claim for damages of any kind or nature if the actual site or service conditions differ from expected conditions.

The Contractor shall, at all times, exercise reasonable precautions for the safety of their employees, City Staff, participants and others on or near the City's facilities.

10. WORKFORCE This paragraph only applies to the purchase of services to be primarily performed at the City's premises or on City property/right-of-way.

A. The Contractor shall employ only orderly and competent workers, skilled in the performance of the services which they will perform under the Contract.

B. The Contractor, its employees, Subcontractors, and Subcontractor's employees may not (1) while engaged in, participating, or responding to a solicitation; or (2) while in the course and scope of delivering goods or services under a City of Denton contract; or (3) on the City's property.

i. use or possess a firearm, including a concealed handgun that is licensed under State law, except as required by the terms of the contract; or

ii. use or possess alcoholic or other intoxicating beverages, illegal drugs, or controlled substances, nor may such workers be intoxicated, or under the influence of alcohol or drugs.

C. If the City or the City's representative notifies the Contractor that any worker is incompetent, disorderly or disobedient, has knowingly or repeatedly violated safety regulations, has possessed any firearms, or has possessed or was under the influence of alcohol or drugs, the Contractor shall immediately remove such worker from Contract services, and may not employ such worker again on Contract services without the City's prior written consent.

IMMIGRATION: THE CONTRACTOR REPRESENTS AND WARRANTS THAT IT SHALL COMPLY WITH THE REQUIREMENTS OF THE IMMIGRATION REFORM AND CONTROL ACT OF 1986 AND 1990 REGARDING EMPLOYMENT VERIFICATION AND RETENTION OF VERIFICATION FORMS FOR ANY INDIVIDUALS HIRED ON OR AFTER NOVEMBER 6, 1986, WHO WILL PERFORM ANY LABOR OR SERVICES UNDER THE CONTRACT AND THE ILLEGAL IMMIGRATION REFORM AND IMMIGRANT RESPONSIBILITY ACT OF 1996 ("IIRIRA) ENACTED ON SEPTEMBER 30, 1996, AND SHALL INDEMNIFY AND HOLD THE CITY HARMLESS FROM ANY ACTION ARISING RELATED THERETO.

11. COMPLIANCE WITH HEALTH, SAFETY, AND ENVIRONMENTAL REGULATIONS: This paragraph only applies to the purchase of services to be primarily performed at the City's premises or on City property/right-of-way. The Contractor, its Subcontractors, and their respective employees, shall comply fully with all applicable federal, state, and local health, safety, and environmental laws, ordinances, rules, and regulations in the performance of the services, including but not limited to those promulgated by the City and by the Occupational Safety and Health Administration (OSHA). In case of conflict, the most stringent safety requirement shall govern. **THE CONTRACTOR SHALL INDEMNIFY AND HOLD THE CITY HARMLESS FROM AND AGAINST ALL CLAIMS, DEMANDS, SUITS, ACTIONS, JUDGMENTS, FINES, PENALTIES AND LIABILITY OF EVERY KIND ARISING FROM THE BREACH OF THE CONTRACTOR'S OBLIGATIONS UNDER THIS PARAGRAPH.**

Environmental Protection: The Contractor shall be in compliance with all applicable standards, orders, or regulations issued pursuant to the mandates of the Clean Air Act (42 U.S.C. §7401 *et seq.*) and the Federal Water Pollution Control Act, as amended, (33 U.S.C. §1251 *et seq.*).

12. INVOICES:

A. The Contractor shall submit separate invoices on each purchase order or purchase release after each delivery. If partial shipments or deliveries are authorized by the City, a separate invoice must be sent for each shipment or delivery made.

B. Proper Invoices must include a unique invoice number, invoice date, the purchase order number, and the master agreement number if applicable, the Department's Name, and the name of the point of contact for the Department. Invoices shall be itemized and transportation charges, if any, shall be listed separately. A copy of the bill of lading and the freight waybill, when applicable, shall be attached to the invoice. The Contractor's name, remittance address and, if
Contract 9000

applicable, the tax identification number on the invoice must exactly match the information in the Vendor's registration with the City. Unless otherwise instructed in writing, the City may rely on the remittance address specified on the Contractor's invoice.

C. Invoices for labor shall include a copy of all time-sheets with trade labor rate and deliverables order number clearly identified. Invoices shall also include a tabulation of work-hours at the appropriate rates and grouped by work order number. Time billed for labor shall be limited to hours actually worked at the work site.

D. Unless otherwise expressly authorized in the Contract, the Contractor shall pass through all Subcontract and other authorized expenses at actual cost without markup.

E. Federal excise taxes, State taxes, or City sales taxes must not be included in the invoiced amount. The City will furnish a tax exemption certificate upon request.

F. Contractor must submit invoices no later than thirty (30) calendar days after termination or expiration of the Contract. Any invoices sent after that date will be considered noncompliant and will not be approved for payment.

13. PAYMENT:

A. All proper invoices need to be sent to Accounts Payable – accountspayable@cityofdenton.com. Approved invoices will be paid within thirty (30) calendar days of the invoice being received in Accounts Payable.

B. If payment is not timely made, (per paragraph A); interest shall accrue on the unpaid balance at the lesser of the rate specified in Texas Government Code Section 2251.025 or the maximum lawful rate; except, if payment is not timely made for a reason for which the City may withhold payment hereunder, including, but not limited to, those in Paragraph D , below, interest shall not accrue until ten (10) calendar days after the grounds for withholding payment have been resolved.

C. If partial shipments or deliveries are authorized by the City, the Contractor will be paid for the partial shipment or delivery, as stated above, provided that the invoice matches such shipment or delivery.

D. The City may withhold or set off the entire payment or part of any payment otherwise due to the Contractor to such extent as may be necessary on account of:

- i. delivery of defective or non-conforming deliverables by the Contractor;
- ii. third party claims, which are not covered by the insurance which the Contractor is required to provide, are filed or reasonable evidence indicating probable filing of such claims;
- iii. failure of the Contractor to pay Subcontractors, or for labor, materials, or equipment;
- iv. damage to the property of the City or the City's agents, employees, or contractors, which is not covered by insurance required to be provided by the Contractor;
- v. reasonable evidence that the Contractor's obligations will not be completed within the time specified in the Contract, and that the unpaid balance would not be adequate to cover actual or liquidated damages for the anticipated delay;
- vi. failure of the Contractor to submit proper invoices with purchase order number, all required attachments, and supporting documentation; or
- vii. failure of the Contractor to comply with any material provision of the Contract Documents.

E. Notice is hereby given to any awarded firm who is in arrears to the City for delinquent taxes of any kind or otherwise indebted to the City that the City shall be entitled to counterclaim and/or offset against any such debt, claim, demand, or account owed to the City through payment withholding until the debt is paid in full, and no assignment of such debt, claim, demand, or

account after the said taxes or debt are due shall affect the right of the City to offset the said taxes or debt against same.

F. Payment will be made by check unless the parties mutually agree to payment by credit card or electronic transfer of funds. The Contractor agrees that there shall be no additional charges, surcharges, or penalties to the City for payments made by credit card or electronic funds transfer.

G. The Contractor acknowledges and agrees that the awarding or continuation of this Contract is dependent upon the availability of funding. The City's payment obligations are payable only and solely from funds appropriated and available for this Contract. The absence of appropriated or other lawfully available funds shall render the Contract null and void to the extent funds are not appropriated or available and any deliverables delivered but unpaid shall be returned to the Contractor. The City will not incur a debt or obligation to pay Contractor any amounts the City does not have the current funds available to pay. The City shall provide the Contractor written notice of the failure of the City to make an adequate appropriation for any fiscal year to pay the amounts due under the Contract, or the reduction of any appropriation to an amount insufficient to permit the City to pay its obligations under the Contract. In the event of none or inadequate appropriation of funds, there will be no penalty or liability to the City, nor removal fees, cancellation fees, or the like charged to the City.

14. TRAVEL EXPENSES: All travel, lodging, and per diem expenses in connection with the Contract shall be paid by the Contractor, unless otherwise stated in the Contract Documents. During the term of this Contract, the Contractor shall bill and the City shall reimburse Contractor for all reasonable and approved out of pocket expenses which are incurred in the connection with the performance of duties hereunder. Notwithstanding the foregoing, expenses for the time spent by the Contractor in traveling to and from City facilities shall not be reimbursed, unless otherwise negotiated.

15. FINAL PAYMENT AND CLOSE-OUT:

A. If a DBE/MBE/WBE Program Plan is agreed to and the Contractor has identified Subcontractors, the Contractor is required to submit a Contract Close-Out MBE/WBE Compliance Report to the Purchasing Manager no later than the fifteenth (15th) calendar day after completion of all work under the contract. Final payment, retainage, or both may be withheld if the Contractor is not in compliance with the requirements as accepted by the City.

B. The making and acceptance of final payment will constitute:

i. a waiver of all claims by the City against the Contractor, except claims (1) which have been previously asserted in writing and not yet settled, (2) arising from defective work appearing after final inspection, (3) arising from failure of the Contractor to comply with the Contract or the terms of any warranty specified herein, (4) arising from the Contractor's continuing obligations under the Contract, including but not limited to indemnity and warranty obligations, or (5) arising under the City's right to audit; and

ii. a waiver of all claims by the Contractor against the City other than those previously asserted in writing and not yet settled.

16. SPECIAL TOOLS & TEST EQUIPMENT: If the price stated on the Contractor's Offer includes the cost of any special tooling or special test equipment fabricated or required by the Contractor for the purpose of filling this order, such special tooling equipment and any process sheets related thereto shall become the property of the City and shall be identified by the Contractor as such.

17. RIGHT TO AUDIT:

A. The Contractor agrees that the City shall, until the expiration of five (5) years after final payment under this Contract unless required to be retained for longer under applicable law, have electronic access to and the right to examine all books, records, and computations pertaining to this Contract. If necessary, the City shall have the right to audit and make copies of the books, records, and computations pertaining to the Contract. The Contractor shall retain such books, records, documents, and other evidence pertaining to the Contract period and five (5) years thereafter, except if an audit is in progress or audit findings are yet unresolved, in which case records shall be kept until all audit tasks are completed and resolved. These books, records, documents, and other evidence shall be available, within ten (10) business days of written request. All books and records will be made available within a fifty (50) mile radius of the City of Denton if the vendor is not able to provide electronic access. The cost of the audit will be borne by the City unless the audit reveals an overpayment of 1% or greater. If an overpayment of 1% or greater occurs, the reasonable cost of the audit, including any travel costs, must be borne by the Contractor which must be payable within five (5) business days of receipt of an invoice.

B. The Contractor further agrees to include in all its subcontracts hereunder a provision to the effect that the Subcontractor, material supplier, or other payee agrees that the City shall, until the expiration of five (5) years after final payment under the subcontract unless required to be retained for longer under applicable law, have electronic access to and the right to examine all books, records, documents, and other evidence of the Subcontractor, material supplier, or other payee involving transactions relating to the subcontract. If necessary, the City maintains the right to photocopy any physical books, documents, papers, and records of the subconsultant involving transactions relating to the subcontract. All books and records will be made available within a fifty (50) mile radius of the City of Denton. The cost of the audit will be borne by the City unless the audit reveals an overpayment of 1% or greater. If an overpayment of 1% or greater occurs, the reasonable cost of the audit, including any travel costs, must be borne by the Contractor which must be payable within five (5) business days of receipt of an invoice.

C. Failure to comply with the provisions of this section shall be a material breach of the Contract and shall constitute, in the City's sole discretion, grounds for termination thereof. Each of the terms "books", "records", "documents", and "other evidence", as used above, shall be construed to include drafts and electronic files, even if such drafts or electronic files are subsequently used to generate or prepare a final printed document.

18. SUBCONTRACTORS:

A. If the Contractor-identified subcontractors ("Subcontractor") in a DBE/MBE/WBE agreed-to plan (the "Plan"), the Contractor shall comply with all requirements approved by the City. The Contractor shall not initially employ any subcontractor except as provided in the Contractor's Plan. The Contractor shall not substitute any Subcontractor identified in the Plan, unless the substitute has been accepted by the City in writing. No acceptance by the City of any subcontractor shall constitute a waiver of any rights or remedies of the City with respect to defective deliverables provided by a Subcontractor. If a Plan has been approved, the Contractor is additionally required to submit a monthly Subcontract Awards and Expenditures Report to the Procurement Manager, no later than the tenth calendar day of each month.

B. Work performed for the Contractor by a Subcontractor shall be pursuant to a written contract between the Contractor and Subcontractor. The terms of the subcontract may not conflict with the terms of the Contract Documents, and shall contain provisions that:

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- i. require that all deliverables to be provided by the Subcontractor be provided in strict accordance with the provisions, specifications and terms of the Contract;
- ii. prohibit the Subcontractor from further subcontracting any portion of the Contract without the prior written consent of the City and the Contractor. The City may require, as a condition to such further subcontracting, that the Subcontractor post a payment bond in form, substance and amount acceptable to the City;
- iii. require Subcontractors to submit all invoices and applications for payments, including any claims for additional payments, damages or otherwise, to the Contractor in sufficient time to enable the Contractor to include same with its invoice or application for payment to the City in accordance with the terms of the Contract;
- iv. require that all Subcontractors obtain and maintain, throughout the term of their contract, insurance in the type and amounts specified for the Contractor, with the City being a named insured as its interest shall appear; and

V. REQUIRE THAT THE SUBCONTRACTOR INDEMNIFY AND HOLD THE CITY HARMLESS TO THE SAME EXTENT AS THE CONTRACTOR IS REQUIRED TO INDEMNIFY THE CITY.

C. The Contractor shall be fully responsible to the City for all acts and omissions of the Subcontractors just as the Contractor is responsible for the Contractor's own acts and omissions. Nothing in the Contract shall create for the benefit of any such Subcontractor any contractual relationship between the City and any such Subcontractor, nor shall it create any obligation on the part of the City to pay or to see to the payment of any moneys due any such Subcontractor except as may otherwise be required by law.

D. The Contractor shall pay each Subcontractor its appropriate share of payments made to the Contractor not later than ten (10) calendar days after receipt of payment from the City.

19. WARRANTY-PRICE:

A. The Contractor warrants the prices quoted in the Contractor's Offer are no higher than the Contractor's current prices on orders by others for like deliverables under similar terms of purchase.

B. The Contractor certifies that the prices in the Contractor's Offer have been arrived at independently without consultation, communication, or agreement for the purpose of restricting competition, as to any matter relating to such fees with any other firm or with any competitor.

C. In the event Contractor breaches this warranty, in addition to any other remedy available, the City may deduct from any amounts owed to the Contractor, or otherwise recover, any amounts paid for items in excess of the Contractor's current prices on orders by others for like deliverables under similar terms of purchase, or in the alternative, the City may cancel this Contract without liability to Contractor for breach.

20. WARRANTY – TITLE: THE CONTRACTOR WARRANTS THAT IT HAS GOOD AND INDEFEASIBLE TITLE TO ALL DELIVERABLES FURNISHED UNDER THE CONTRACT, AND THAT THE DELIVERABLES ARE FREE AND CLEAR OF ALL LIENS, CLAIMS, SECURITY INTERESTS, AND ENCUMBRANCES. THE CONTRACTOR SHALL INDEMNIFY AND HOLD THE CITY HARMLESS FROM AND AGAINST ALL ADVERSE TITLE CLAIMS TO THE DELIVERABLES.

21. WARRANTY – DELIVERABLES: The Contractor warrants and represents that all deliverables sold the City under the Contract shall be free from defects in design, workmanship, or manufacture, and conform in all material respects to the specifications, drawings, and descriptions in the Contract Documents, to any samples furnished by the Contractor, to the terms, covenants, and conditions of the Contract, and to all applicable State, federal, or local laws, rules,

and regulations, and industry codes and standards. Unless otherwise stated in the Solicitation, the deliverables shall be new or recycled merchandise, and not used or reconditioned. In addition, Contractor warrants that the goods sold to City shall conform to the standards promulgated by the U.S. Department of Labor under the Occupational Safety and Health Act (OSHA). In the event the product does not conform to OSHA standards, City may return the product for correction or replacement at the Contractor's expense. In the event Contractor fails to make the appropriate correction within a reasonable time, correction made by City will be at Contractor's expense.

A. Recycled deliverables shall be clearly identified as such.

B. The Contractor may not limit, exclude, or disclaim the foregoing warranty or any warranty implied by law; and any attempt to do so shall be without force or effect.

C. Unless otherwise specified in the Contract or required by the Solicitation, the warranty period shall be at least one (1) year from the date of acceptance of the deliverables or from the date of acceptance of any replacement deliverables. If during the warranty period, one or more of the above warranties are breached, the Contractor shall promptly upon receipt of demand either repair the non-conforming deliverables, or replace the non-conforming deliverables with fully conforming deliverables, at the City's option and at no additional cost to the City. All costs incidental to such repair or replacement, including but not limited to, any packaging and shipping costs shall be borne exclusively by the Contractor. The City shall endeavor to give the Contractor written notice of the breach of warranty within thirty (30) calendar days of discovery of the breach of warranty, but failure to give timely notice shall not impair the City's rights under this section.

D. If the Contractor is unable or unwilling to repair or replace defective or non-conforming deliverables as required by the City, then in addition to any other available remedy, the City may reduce the quantity of deliverables it may be required to purchase under the Contract from the Contractor, and purchase conforming deliverables from other sources. In such event, the Contractor shall pay to the City upon demand the increased cost, if any, incurred by the City to procure such deliverables from another source.

E. If the Contractor is not the manufacturer, and the deliverables are covered by a separate manufacturer's warranty, the Contractor shall transfer and assign such manufacturer's warranty to the City. If for any reason the manufacturer's warranty cannot be fully transferred to the City, the Contractor shall assist and cooperate with the City to the fullest extent to enforce such manufacturer's warranty for the benefit of the City.

F. Contractor shall not limit, exclude, or disclaim any implied warranties, and any attempt to do so shall be without force or effect, or alternatively, at the City's option, render this Contract voidable.

22. WARRANTY – SERVICES: The Contractor warrants and represents that all services to be provided to the City under the Contract will be fully and timely performed in a good and workmanlike manner in accordance with generally accepted industry standards and practices, the terms, conditions, and covenants of the Contract, and all applicable federal, State, and local laws, rules or regulations.

A. The Contractor may not limit, exclude, or disclaim the foregoing warranty or any warranty implied by law, and any attempt to do so shall be without force or effect, or alternatively, at the City's option, render this Contract voidable.

B. Unless otherwise specified in the Contract, the warranty period shall be at least one (1) year from the date of acceptance of the work. If during the warranty period, one or more of the above warranties are breached, the Contractor shall promptly upon receipt of demand perform the services again in accordance with above standard at no additional cost to the City. All costs incidental to such additional performance shall be borne by the Contractor. The City shall endeavor

to give the Contractor written notice of the breach of warranty within thirty (30) calendar days of discovery of the breach warranty, but failure to give timely notice shall not impair the City's rights under this section.

C. If the Contractor is unable or unwilling to perform its services in accordance with the above standard as required by the City, then in addition to any other available remedy, the City may reduce the amount of services it may be required to purchase under the Contract from the Contractor, and purchase conforming services from other sources. In such event, the Contractor shall pay to the City upon demand the increased cost, if any, incurred by the City to procure such services from another source.

23. ACCEPTANCE OF INCOMPLETE OR NON-CONFORMING DELIVERABLES: If, instead of requiring immediate correction or removal and replacement of defective or non-conforming deliverables, the City prefers to accept it, the City may do so. The Contractor shall pay all claims, costs, losses, and damages attributable to the City's evaluation of and determination to accept such defective or non-conforming deliverables. If any such acceptance occurs prior to final payment, the City may deduct such amounts as are necessary to compensate the City for the diminished value of the defective or non-conforming deliverables. If the acceptance occurs after final payment, such amount will be refunded to the City by the Contractor.

24. RIGHT TO ASSURANCE: Whenever one party to the Contract in good faith has reason to question the other party's intent to perform, demand may be made to the other party for written assurance of the intent to perform. In the event that no assurance is given within the time specified (being a minimum of 5 days) after demand is made, the demanding party may treat this failure as an anticipatory repudiation of the Contract.

25. STOP WORK NOTICE: The City may issue an immediate Stop Work Notice in the event the Contractor is observed performing in a manner that is in violation of federal, State, or local guidelines, or in a manner that is determined by the City to be unsafe to either life or property. Upon notification, the Contractor will cease all work until notified by the City that the violation or unsafe condition has been corrected. The Contractor shall be liable for all costs incurred by the City as a result of the issuance of such Stop Work Notice.

26. DEFAULT:

A. The Contractor shall be in default under the Contract if the Contractor (a) fails to fully, timely, and faithfully perform any of its material obligations under the Contract, (b) fails to provide adequate assurance of performance under Paragraph 25, (c) becomes insolvent or seeks relief under the bankruptcy laws of the United States or (d) makes a material misrepresentation in Contractor's Offer, or in any report or deliverable required to be submitted by the Contractor to the City.

B. In the event the City terminates the awarded contract for default or any other reason, the Contractor shall not be relieved of liability to the City for damages sustained by the City by reason of any default of the contract by the Contractor or otherwise, and the City may withhold any payments to the Contractor for the purpose of an offset until such time as the amount of damages due the City from the Contractor can be determined.

27. TERMINATION FOR CAUSE: In the event of a default by the Contractor, the City shall have the right to terminate the Contract for cause, by written notice effective ten (10) calendar days, unless otherwise specified, after the date of such notice, unless the Contractor, within such

ten (10) day period, cures such default, or provides evidence sufficient to prove to the City's reasonable satisfaction that such default does not, in fact, exist. In addition to any other remedy available under law or in equity, the City shall be entitled to recover all actual damages, costs, losses and expenses, incurred by the City as a result of the Contractor's default, including, without limitation, cost of cover, reasonable attorneys' fees, court costs, and prejudgment and post-judgment interest at the maximum lawful rate. Additionally, in the event of a default by the Contractor, the City may remove the Contractor from the City's vendor list for three (3) years and/or any offer submitted by the Contractor may be disqualified for up to three (3) years. All rights and remedies under the Contract are cumulative and are not exclusive of any other right or remedy provided by law. The requirements of Subchapter J, Chapter 552 of the Texas Government Code, may apply to this Contract and the Contractor agrees that the Contract can be terminated if the Contractor knowingly or intentionally fails to comply with a requirement of that subchapter.

28. TERMINATION WITHOUT CAUSE: The City shall have the right to terminate the Contract, in whole or in part, without cause and/or for convenience any time upon thirty (30) calendar days' prior written notice. Upon receipt of a notice of termination, the Contractor shall promptly cease all further work pursuant to the Contract, with such exceptions, if any, specified in the notice of termination. The City shall pay the Contractor, to the extent of funds appropriated or otherwise legally available for such purposes, for all goods delivered and services performed and obligations incurred prior to the date of termination in accordance with the terms hereof, provided such payment amount is not disputed by City. The City reserves all rights, causes of action, and remedies available under law or in equity with respect to any dispute under this Contract and a termination under this provision does not waive such rights, causes of action, and remedies.

29. FRAUD: Fraudulent statements by the Contractor in any offer, Contract Document, or in any report or deliverable required to be submitted by the Contractor to the City shall be grounds for the termination of the Contract for cause by the City and may result in legal action.

30. DELAYS:

A. The City may delay scheduled delivery or other due dates by written notice to the Contractor if the City deems it is in its best interest. If such delay causes an increase in the cost of the work under the Contract, the City and the Contractor shall negotiate an equitable adjustment for costs incurred by the Contractor in the Contract price and execute an amendment to the Contract. The Contractor must assert its right to an adjustment within thirty (30) calendar days from the date of receipt of the notice of delay. Failure to agree on any adjusted price shall be handled under the Dispute Resolution process specified in Paragraph 53. However, nothing in this provision shall excuse the Contractor from delaying the delivery as notified.

B. Neither party shall be liable for any default or delay in the performance of its obligations under this Contract if, while and to the extent such default or delay is caused by acts of God, fire, riots, civil commotion, labor disruptions, sabotage, sovereign conduct, or any other cause beyond the reasonable control of such party. In the event of default or delay in Contract performance due to any of the foregoing causes, then the time for completion of the services will be extended; provided, however, in such an event, a conference will be held within three (3) business days to establish a mutually agreeable period of time reasonably necessary to overcome the effect of such failure to perform.

31. TIME OF COMPLETION AND LIQUIDATED DAMAGES: Contractor agrees and acknowledges that completing the services and/or delivering the goods described in this Contract
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in a timely manner is very important to the City. Contractor agrees to perform all obligations within the timeframes required. As it is impracticable and extremely difficult to fix the actual damages, if any, that may proximately result from a failure by Contractor to provide the goods or perform the service, should Contractor fail to timely perform its obligations, Contractor agrees to pay to City, or have withheld and offset from monies due it, the amount stated in the Contract Documents as liquidated damages for each calendar day of delay or nonperformance. Any sums due and payable hereunder by the Contractor shall be payable, not as a penalty, but as liquidated damages representing an estimate of delay damages likely to be sustained by the City, estimated at the time of executing this Contract. Execution of the Contract shall constitute agreement by the City and Contractor that said amount is the minimum value of the costs and actual damage caused by the Contractor's failure to timely perform. Adjustments to the contract times can only be made as provided in the Contract Documents and any conditions or specifications referenced therein.

32. INDEMNITY:

A. Definitions:

i. "Indemnified Claims" shall include any and all claims, demands, suits, causes of action, judgments, and liability of every character, type, or description, including all reasonable costs and expenses of litigation, mediation, or other alternate dispute resolution mechanism, including attorney and other professional fees for: (1) damage to or loss of the property of any person (including, but not limited to the City, the Contractor, their respective agents, officers, employees and Subcontractors; the officers, agents, and employees of such Subcontractors; and third parties); and/or (2) death, bodily injury, illness, disease, worker's compensation, loss of services, or loss of income or wages to any person (including but not limited to the agents, officers and employees of the City, the Contractor, the Contractor's Subcontractors, and third parties), ii. "Fault" shall include the sale of defective or non-conforming deliverables, negligence, willful misconduct or a breach of any legally imposed strict liability standard.

B. THE CONTRACTOR SHALL DEFEND (AT THE OPTION OF THE CITY), INDEMNIFY, AND HOLD THE CITY, ITS SUCCESSORS, ASSIGNS, OFFICERS, EMPLOYEES AND ELECTED OFFICIALS HARMLESS FROM AND AGAINST ALL INDEMNIFIED CLAIMS DIRECTLY ARISING OUT OF, INCIDENT TO, CONCERNING OR RESULTING FROM THE FAULT OF THE CONTRACTOR, OR THE CONTRACTOR'S AGENTS, EMPLOYEES OR SUBCONTRACTORS, IN THE PERFORMANCE OF THE CONTRACTOR'S OBLIGATIONS UNDER THE CONTRACT. NOTHING HEREIN SHALL BE DEEMED TO LIMIT THE RIGHTS OF THE CITY OR THE CONTRACTOR (INCLUDING, BUT NOT LIMITED TO, THE RIGHT TO SEEK CONTRIBUTION) AGAINST ANY THIRD PARTY WHO MAY BE LIABLE FOR AN INDEMNIFIED CLAIM.

33. LIMITATION OF LIABILITY: This Contract does not, and shall not be interpreted to, contain an artificial limitation of liability (e.g. liability limited to contract price or liability capped at an amount actually paid in previous 3 months, etc.) or an artificial statute of limitations (e.g. any lawsuit must be commenced within one year of the event).

34. INSURANCE: The Contractor shall procure and maintain insurance of the types and in the minimum amounts acceptable to the City of Denton outlined in the Insurance Exhibit attached hereto, if applicable. The insurance shall be written by a company licensed to do business in the State of
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Texas and satisfactory to the City of Denton. The City of Denton reserves the right to add insurance during the contract term.

B. **Specific Coverage Requirements:** Specific insurance requirements are contained in the Solicitation and the Insurance Exhibit.

35. **CLAIMS:** If any claim, demand, suit, or other action is asserted against the Contractor which arises under or concerns the Contract, or which could have a material adverse effect on the Contractor's ability to perform thereunder, the Contractor shall give written notice thereof to the City within ten (10) calendar days after receipt of notice by the Contractor. Such notice to the City shall state the date of notification of any such claim, demand, suit, or other action; the names and addresses of the claimant(s); the basis thereof; and the name of each person against whom such claim is being asserted. Such notice shall be delivered personally or by mail and shall be sent to the City and to the Denton City Attorney. Personal delivery to the City Attorney shall be to City Hall, 215 East McKinney Street, Denton, Texas 76201.

36. **NOTICES:** Unless otherwise specified, all notices, requests, or other communications required or appropriate to be given under the Contract shall be in writing and shall be deemed delivered three (3) business days after postmarked if sent by U.S. Postal Service Certified or Registered Mail, Return Receipt Requested. Notices delivered by other means shall be deemed delivered upon receipt by the addressee. Routine communications may be made by first class mail, telefax, or other commercially accepted means. Notices to the Contractor shall be sent to the address specified in the Contractor's Offer, or at such other address as a party may notify the other in writing. Notices to the City shall be addressed to the City at 901B Texas Street, Denton, Texas 76209 and marked to the attention of the Purchasing Manager.

37. **RIGHTS TO BID, PROPOSAL AND CONTRACTUAL MATERIAL:** All material submitted by the Contractor to the City shall become property of the City upon receipt. Any portions of such material claimed by the Contractor to be proprietary must be clearly marked as such. Determination of the public nature of the material is subject to the Texas Public Information Act, Chapter 552, and Texas Government Code. The requirements of Subchapter J, Chapter 552 of the Texas Government Code, may apply to this Contract and the Contractor agrees that the Contract can be terminated if the Contractor knowingly or intentionally fails to comply with a requirement of that subchapter.

38. **INDEMNIFICATION AGAINST INFRINGEMENTS:** The Contractor represents and warrants to the City that: (i) the Contractor shall provide the City good and indefeasible title to the deliverables and (ii) the deliverables supplied by the Contractor in accordance with the specifications in the Contract will not infringe, directly or contributorily, any patent, trademark, copyright, trade secret, or any other intellectual property right of any kind of any third party; that no claims have been made by any person or entity with respect to the ownership or operation of the deliverables and the Contractor does not know of any valid basis for any such claims. Moreover, Contractor does not know of any valid basis for any such claims. **THE CONTRACTOR SHALL, AT ITS SOLE EXPENSE, DEFEND, INDEMNIFY, AND HOLD THE CITY HARMLESS FROM AND AGAINST ALL LIABILITY, DAMAGES, AND COSTS (INCLUDING COURT COSTS AND REASONABLE FEES OF ATTORNEYS AND OTHER PROFESSIONALS) ARISING OUT OF OR RESULTING FROM: (I) ANY CLAIM THAT THE CITY'S EXERCISE ANYWHERE IN THE WORLD OF THE RIGHTS ASSOCIATED WITH THE CITY'S' OWNERSHIP, AND IF APPLICABLE, LICENSE RIGHTS, AND ITS USE OF THE Contract 9000**

DELIVERABLES INFRINGES THE INTELLECTUAL PROPERTY RIGHTS OF ANY THIRD PARTY; OR (II) THE CONTRACTOR'S BREACH OF ANY OF CONTRACTOR'S REPRESENTATIONS OR WARRANTIES STATED IN THIS CONTRACT. IN THE EVENT OF ANY SUCH CLAIM, THE CITY SHALL HAVE THE RIGHT TO MONITOR SUCH CLAIM OR AT ITS OPTION ENGAGE ITS OWN SEPARATE COUNSEL TO ACT AS CO-COUNSEL ON THE CITY'S BEHALF. FURTHER, CONTRACTOR AGREES THAT THE CITY'S SPECIFICATIONS REGARDING THE DELIVERABLES SHALL IN NO WAY DIMINISH CONTRACTOR'S WARRANTIES OR OBLIGATIONS UNDER THIS PARAGRAPH AND THE CITY MAKES NO WARRANTY THAT THE PRODUCTION, DEVELOPMENT, OR DELIVERY OF SUCH DELIVERABLES WILL NOT IMPACT SUCH WARRANTIES OF CONTRACTOR. THIS PARAGRAPH SHALL SURVIVE THE TERMINATION OF THIS CONTRACT.

39. CONFIDENTIALITY: In order to provide the deliverables to the City, Contractor may require access to certain of the City's and/or its licensors' confidential information (including inventions, employee information, trade secrets, confidential know-how, confidential business information, and other information which the City or its licensors consider confidential) (collectively, "Confidential Information"). Contractor acknowledges and agrees that the Confidential Information is the valuable property of the City and/or its licensors and any unauthorized use, disclosure, dissemination, or other release of the Confidential Information will substantially injure the City and/or its licensors. The Contractor (including its employees, subcontractors, agents, or representatives) agrees that it will maintain the Confidential Information in strict confidence and shall not disclose, disseminate, copy, divulge, recreate, or otherwise use the Confidential Information without the prior written consent of the City or in a manner not expressly permitted under this Contract, unless the Confidential Information is required to be disclosed by law or an order of any court or other governmental authority with proper jurisdiction, provided the Contractor promptly notifies the City before disclosing such information so as to permit the City reasonable time to seek an appropriate protective order. The Contractor agrees to use protective measures no less stringent than the Contractor uses within its own business to protect its own most valuable information, which protective measures shall under all circumstances be at least reasonable measures to ensure the continued confidentiality of the Confidential Information.

40. OWNERSHIP AND USE OF DELIVERABLES: The City shall own all rights, titles, and interests throughout the world in and to the deliverables.

A. Patents. As to any patentable subject matter contained in the deliverables, the Contractor agrees to disclose such patentable subject matter to the City. Further, if requested by the City, the Contractor agrees to assign and, if necessary, cause each of its employees to assign the entire right, title, and interest to specific inventions under such patentable subject matter to the City and to execute, acknowledge, and deliver and, if necessary, cause each of its employees to execute, acknowledge, and deliver an assignment of letters patent, in a form to be reasonably approved by the City, to the City upon request by the City.

B. Copyrights. As to any deliverables containing copyrightable subject matter, the Contractor agrees that upon their creation, such deliverables shall be considered as work made-for-hire by the Contractor for the City and the City shall own all copyrights in and to such deliverables, provided however, that nothing in this Paragraph 41 shall negate the City's sole or joint ownership of any such deliverables arising by virtue of the City's sole or joint authorship of such deliverables. Should by operation of law, such deliverables not be considered works made-for-hire, the Contractor hereby assigns to the City (and agrees to cause each of its employees providing services to the City hereunder to execute, acknowledge, and deliver an assignment to the City of) all worldwide right, title, and interest in and to such deliverables. With respect to such work made-

for-hire, the Contractor agrees to execute, acknowledge, and deliver and cause each of its employees providing services to the City hereunder to execute, acknowledge, and deliver a work-made-for-hire agreement, in a form to be reasonably approved by the City, to the City upon delivery of such deliverables to the City or at such other time as the City may request.

C. **Additional Assignments.** The Contractor further agrees to, and if applicable, cause each of its employees to, execute, acknowledge, and deliver all applications, specifications, oaths, assignments, and all other instruments which the City might reasonably deem necessary in order to apply for and obtain copyright protection, mask work registration, trademark registration and/or protection, letters patent, or any similar rights in any and all countries and in order to assign and convey to the City, its successors, assigns and nominees, the sole and exclusive right, title, and interest in and to the deliverables. The Contractor's obligations to execute, acknowledge, and deliver (or cause to be executed, acknowledged, and delivered) instruments or papers such as those described in this Paragraph 41 A., B., and C. shall continue after the termination of this Contract with respect to such deliverables. In the event the City should not seek to obtain copyright protection, mask work registration or patent protection for any of the deliverables, but should desire to keep the same secret, the Contractor agrees to treat the same as Confidential Information under the terms of Paragraph 40 above.

41. **PUBLICATIONS:** All published material and written reports submitted under the Contract must be originally developed material unless otherwise specifically provided in the Contract. When material not originally developed is included in a report in any form, the source shall be identified.

42. **ADVERTISING:** The Contractor shall not advertise or publish, without the City's prior consent, the fact that the City has entered into the Contract, except to the extent necessary to comply with proper requests for information from an authorized representative of the federal, State, or local government.

43. **NO CONTINGENT FEES:** The Contractor warrants that no person or selling agency has been employed or retained to solicit or secure the Contract upon any agreement or understanding for commission, percentage, brokerage, or contingent fee, excepting bona fide employees of bona fide established commercial or selling agencies maintained by the Contractor for the purpose of securing business. For breach or violation of this warranty, the City shall have the right, in addition to any other remedy available, to cancel the Contract without liability and to deduct from any amounts owed to the Contractor, or otherwise recover, the full amount of such commission, percentage, brokerage or contingent fee.

44. **GRATUITIES:** The City may, by written notice to the Contractor, cancel the Contract without liability if it is determined by the City that gratuities were offered or given by the Contractor or any agent or representative of the Contractor to any officer or employee of the City of Denton with a view toward securing the Contract or securing favorable treatment with respect to the awarding or amending or the making of any determinations with respect to the performing of such contract. In the event the Contract is canceled by the City pursuant to this provision, the City shall be entitled, in addition to any other rights and remedies, to recover or withhold the amount of the cost incurred by the Contractor in providing such gratuities.

45. **PROHIBITION AGAINST PERSONAL INTEREST IN CONTRACTS:** The Contractor agrees to comply with the conflict of interest provisions of the City of Denton Code of Ordinances Contract 9000

and/or State law. No officer, employee, independent consultant, or elected official of the City who is involved in the development, evaluation, or decision-making process of the performance of any solicitation shall have a financial interest, direct or indirect, in the Contract resulting from that solicitation as defined in the City's Ethic Ordinance codified at Chapter 2, Article XI and in the City Charter Section 14.04, as amended. Any willful violation of this section shall constitute impropriety in office, and any officer or employee guilty thereof shall be subject to disciplinary action up to and including dismissal. Any violation of this provision, with the knowledge, expressed or implied, of the Contractor shall render the Contract voidable by the City. The Contractor shall complete and submit the City's Conflict of Interest Questionnaire. The Contractor agrees to maintain current, updated disclosure of information on file with the Procurement Department throughout the term of this Contract.

46. NO SUBCONTRACTING BID AFTER AWARD: Following the award of the Contract, no subcontracting except that specifically identified in the response to the Solicitation will be permitted without the express prior written consent of the City.

47. NO GIFT OF PUBLIC PROPERTY: The City will not agree to any terms or conditions that cause the City to lend its credit or grant public money or anything of value to the selected Contractor.

48. INDEPENDENT CONTRACTOR: The Contract shall not be construed as creating an employer/employee relationship, a partnership, or a joint venture. The Contractor's services shall be those of an independent contractor. The Contractor agrees and understands that the Contract does not grant any rights or privileges established for employees of the City of Denton, Texas for the purposes of income tax, withholding, social security taxes, vacation or sick leave benefits, worker's compensation, or any other City employee benefit. The City shall not have supervision and control of the Contractor or any employee of the Contractor, and it is expressly understood that Contractor shall perform the services hereunder according to the attached specifications at the general direction of the City Manager of the City of Denton, Texas, or their designee under this Contract. The Contractor is expressly free to advertise and perform services for other parties while performing services for the City.

49. ASSIGNMENT-DELEGATION: The Contract shall be binding upon and enure to the benefit of the City and the Contractor and their respective successors and assigns, provided however, that no right or interest in the Contract shall be assigned and no obligation shall be delegated by the Contractor without the prior written consent of the City. Any attempted assignment or delegation by the Contractor shall be void unless made in conformity with this Paragraph. The Contract is not intended to confer rights or benefits on any person, firm or entity not a party hereto; it being the intention of the parties that there are no third party beneficiaries to the Contract.

The Vendor shall notify the City's Purchasing Manager, in writing, of a company name, ownership, or address change for the purpose of maintaining updated City records. The president of the company or authorized official must sign the letter. A letter indicating changes in a company name or ownership must be accompanied with supporting legal documentation such as an updated W-9, documents filed with the state indicating such change, copy of the board of director's resolution approving the action, or an executed merger or acquisition agreement. Failure to do so may adversely impact future invoice payments.

50. **WAIVER:** No claim or right arising out of a breach of the Contract can be discharged in whole or in part by a waiver or renunciation of the claim or right unless the waiver or renunciation is supported by consideration and is in writing signed by the aggrieved party. No waiver by either the Contractor or the City of any one or more events of default by the other party shall operate as, or be construed to be, a permanent waiver of any rights or obligations under the Contract, or an express or implied acceptance of any other existing or future default or defaults, whether of a similar or different character. No delay, failure, or waiver of either party's exercise or partial exercise of any right or remedy under the Contract shall operate to limit, impair, preclude, cancel, waive or otherwise affect such right or remedy.

51. **MODIFICATIONS:** The Contract can be modified or amended only by a writing signed by both parties. No pre-printed or similar terms on any the Contractor invoice, order or other document submitted to the City by Contractor shall have any force or effect to change the terms, covenants, and conditions of the Contract.

52. **INTERPRETATION:** The Contract is intended by the parties as a final, complete and exclusive statement of the terms of their agreement. No course of prior dealing between the parties or course of performance or usage of the trade shall be relevant to supplement or explain any term used in the Contract. Acceptance or acquiescence in a course of performance rendered under this Contract shall not be relevant to determine the meaning of this agreement even though the accepting or acquiescing party has knowledge of the performance and opportunity for objection. Although the Contract may have been substantially drafted by one party, it is the intent of the parties that all provisions be construed in a manner to be fair to both parties, reading no provisions more strictly against one party or the other. Whenever a term defined by the Uniform Commercial Code, as enacted by the State of Texas, is used in the Contract, the UCC definition shall control, unless otherwise defined in the Contract.

53. **DISPUTE RESOLUTION:**

A. If a dispute arises out of or relates to the Contract, or the breach thereof, the parties agree to negotiate prior to prosecuting a suit for damages. However, this section does not prohibit the filing of a lawsuit to toll the running of a statute of limitations or to seek injunctive relief. Either party may make a written request for a meeting between representatives of each party within fourteen (14) calendar days after receipt of the request or such later period as agreed by the parties. Each party shall include, at a minimum, one (1) senior level individual with decision-making authority regarding the dispute, however any decision requiring approval of the City Council of the City will be required to be submitted to the City Council and the senior level person shall have authority to recommend approval of any resolution. The purpose of this and any subsequent meeting is to attempt in good faith to negotiate a resolution of the dispute. If, within thirty (30) calendar days after such meeting, the parties have not succeeded in negotiating a resolution of the dispute, they will proceed directly to mediation as described below. Negotiation may be waived by a written agreement signed by both parties, in which event the parties may proceed directly to mediation as described below.

B. If the efforts to resolve the dispute through negotiation fail, or the parties waive the negotiation process, the parties may select, within thirty (30) calendar days, a mediator trained in mediation skills to assist with resolution of the dispute. Should they choose this option; the City and the Contractor agree to act in good faith in the selection of the mediator and to give consideration to qualified individuals nominated to act as mediator. Nothing in the Contract prevents the parties from relying on the skills of a person who is trained in the subject matter of the dispute or a contract

interpretation expert. If the parties fail to agree on a mediator within thirty (30) calendar days of initiation of the mediation process, the mediator shall be selected by the Denton County Alternative Dispute Resolution Program (DCAP). The parties agree to participate in mediation in good faith for up to thirty (30) calendar days from the date of the first mediation session. The City and the Contractor will share the mediator's fees equally and the parties will bear their own costs of participation such as fees for any consultants or attorneys they may utilize to represent them or otherwise assist them in the mediation.

C. The parties shall not be required to submit to binding arbitration.

54. JURISDICTION AND VENUE: The Contract is made under and shall be governed by the laws of the State of Texas, including, when applicable, the Uniform Commercial Code as adopted in Texas, V.T.C.A., Bus. & Comm. Code, Chapter 1, excluding any rule or principle that would refer to and apply the substantive law of another state or jurisdiction. All issues arising from this Contract shall be resolved in the courts of Denton County, Texas and the parties agree to submit to the exclusive personal jurisdiction of such courts. The foregoing, however, shall not be construed or interpreted to limit or restrict the right or ability of the City to seek and secure injunctive relief from any competent authority as contemplated herein.

55. INVALIDITY: The invalidity, illegality, or unenforceability of any provision of the Contract shall in no way affect the validity or enforceability of any other portion or provision of the Contract. Any void provision shall be deemed severed from the Contract and the balance of the Contract shall be construed and enforced as if the Contract did not contain the particular portion or provision held to be void. The parties further agree to reform the Contract to replace any stricken provision with a valid provision that comes as close as possible to the intent of the stricken provision. The provisions of this section shall not prevent this entire Contract from being void should a provision which is the essence of the Contract be determined to be void.

56. HOLIDAYS: The following holidays are observed by the City:

New Year's Day (observed)
Martin Luther King, Jr. Day
Memorial Day
Juneteenth
Independence Day
Labor Day
Veteran's Day
Thanksgiving Day
Friday After Thanksgiving
Christmas Eve (observed)
Christmas Day (observed)

If a Legal Holiday falls on Saturday, it will be observed on the preceding Friday. If a Legal Holiday falls on Sunday, it will be observed on the following Monday. Normal hours of operation shall be between 8:00 am and 4:00 pm, Monday through Friday, excluding City of Denton Holidays. Any scheduled deliveries or work performance not within the normal hours of operation **must be approved** by the City Manager of Denton, Texas or their authorized designee.

57. SURVIVABILITY OF OBLIGATIONS: All provisions of the Contract that impose Contract 9000

continuing obligations on the parties, including but not limited to the warranty, indemnity, and confidentiality obligations of the parties, shall survive the expiration or termination of the Contract for fifteen (15) years.

58. NON-SUSPENSION OR DEBARMENT CERTIFICATION:

The City of Denton is prohibited from contracting with or making prime or sub-awards to parties that are suspended or debarred or whose principals are suspended or debarred from Federal, State, or City of Denton Contracts. By accepting a Contract with the City, the Vendor certifies that its firm and its principals are not currently suspended or debarred from doing business with the Federal Government, as indicated by the General Services Administration List of Parties Excluded from Federal Procurement and Non-Procurement Programs, the State of Texas, or the City of Denton.

59. EQUAL OPPORTUNITY Contractor agrees that during the performance of its contract it will:

A. Treat all applicants and employees without discrimination as to race, color, religion, sex, national origin, marital status, age, or handicap.

B. Identify itself as an "Equal Opportunity Employer" in all help wanted advertising or request. The Contractor shall be advised of any complaints filed with the City alleging that Contractor is not an Equal Opportunity Employer. The City reserves the right to consider its reports from its human relations administrator in response to such complaints in determining whether or not to terminate any portion of this contract for which purchase orders or authorities to deliver have not been included, however, the Contractor is specifically advised that no Equal Opportunity Employment complaint will be the basis for cancellation of this contract for which a purchase order has been issued or authority to deliver granted.

C. **Americans with Disabilities Act (ADA) Compliance:** No Contractor, or Contractor's agent, shall engage in any discriminatory employment practice against individuals with disabilities as defined in the ADA.

60. BUY AMERICAN ACT-SUPPLIES (Applicable to certain federally funded requirements)

The following federally funded requirements are applicable. A. Definitions. As used in this paragraph –

i. "Component" means an article, material, or supply incorporated directly into an end product.

ii. "Cost of components" means -

(1) For components purchased by the Contractor, the acquisition cost, including transportation costs to the place of incorporation into the end product (whether or not such costs are paid to a domestic firm), and any applicable duty (whether or not a duty-free entry certificate is issued); or

(2) For components manufactured by the Contractor, all costs associated with the manufacture of the component, including transportation costs as described in paragraph (1) of this definition, plus allocable overhead costs, but excluding profit. Cost of components does not include any costs associated with the manufacture of the end product.

iii. "Domestic end product" means-

(1) An unmanufactured end product mined or produced in the United States; or

(2) An end product manufactured in the United States, if the cost of its components mined, produced, or manufactured in the United States exceeds 50 percent of the cost of all its components. Components of foreign origin of the same class or kind as those that the agency

determines are not mined, produced, or manufactured in sufficient and reasonably available commercial quantities of a satisfactory quality are treated as domestic. Scrap generated, collected, and prepared for processing in the United States is considered domestic.

iv. "End product" means those articles, materials, and supplies to be acquired under the contract for public use.

v. "Foreign end product" means an end product other than a domestic end product.

vi. "United States" means the 50 States, the District of Columbia, and outlying areas.

B. The Buy American Act (41 U.S.C. 10a - 10d) provides a preference for domestic end products for supplies acquired for use in the United States.

C. The City does not maintain a list of foreign articles that will be treated as domestic for this Contract; but will consider for approval foreign articles as domestic for this product if the articles are on a list approved by another Governmental Agency. The Contractor shall submit documentation with their offer demonstrating that the article is on an approved Governmental list.

D. The Contractor shall deliver only domestic end products except to the extent that it specified delivery of foreign end products in the provision of the Solicitation entitled "Buy American Act Certificate".

61. RIGHT TO INFORMATION: The City of Denton reserves the right to use any and all information presented in any response to this Contract, whether amended or not, except as prohibited by law. Selection or rejection of the submittal does not affect this right.

62. LICENSE FEES OR TAXES: Provided the solicitation requires an awarded contractor or supplier to be licensed by the State of Texas, any and all fees and taxes are the responsibility of the respondent.

63. PREVAILING WAGE RATES: The Contractor shall comply with prevailing wage rates as defined by the United States Department of Labor Davis-Bacon Wage Determination at <http://www.dol.gov/whd/contracts/dbra.htm> and at the Wage Determinations website www.wdol.gov for Denton County, Texas (WD-2509).

64. COMPLIANCE WITH ALL STATE, FEDERAL, AND LOCAL LAWS: The Contractor or supplier shall comply with all State, federal, and local laws and requirements. The Contractor must comply with all applicable laws at all times, including, without limitation, the following: (i) §36.02 of the Texas Penal Code, which prohibits bribery; (ii) §36.09 of the Texas Penal Code, which prohibits the offering or conferring of benefits to public servants; and (iii) Chapter 552 of the Texas Government Code, which outlines policy for public information. The Contractor shall give all notices and comply with all laws and regulations applicable to furnishing and performance of the Contract.

65. FEDERAL, STATE, AND LOCAL REQUIREMENTS: Contractor shall demonstrate on-site compliance with the provisions of federal law dealing with issuance of Form W-2's to common law employees. Contractor is responsible for both federal and State unemployment insurance coverage and standard Workers' Compensation insurance coverage. Contractor shall ensure compliance with all federal and State tax laws and withholding requirements. The City of Denton shall not be liable to Contractor or its employees for any Unemployment or Workers' Compensation coverage, or federal or State withholding requirements. Contractor shall indemnify the City of Denton and shall pay all costs, penalties, or losses resulting from Contractor's omission or breach of this Section.

66. ATTORNEY'S FEES; LEGAL COSTS: Contractor and City agree that the City will not be required to pay Contractor's attorney's fees or legal costs under any circumstances, unless expressly required by law.

67. DRUG FREE WORKPLACE: The Contractor shall comply with the applicable provisions of the Drug-Free Work Place Act of 1988 (Public Law 100-690, Title V, Subtitle D; 41 U.S.C. 701 ET SEQ.) and maintain a drug-free work environment; and the final rule, government-wide requirements for drug-free work place (grants), issued by the Office of Management and Budget and the Department of Defense (32 CFR Part 280, Subpart F) to implement the provisions of the Drug-Free Work Place Act of 1988 is incorporated by reference and the Contractor shall comply with the relevant provisions thereof, including any amendments to the final rule that may hereafter be issued.

68. CONTRACTOR LIABILITY FOR DAMAGE TO GOVERNMENT PROPERTY: The Contractor shall be liable for all damages to government-owned, leased, or occupied property and equipment caused by the Contractor and its employees, agents, subcontractors, and suppliers, including any delivery or cartage company, in connection with any performance pursuant to the Contract. The Contractor shall notify the City of Denton Procurement Manager in writing of any such damage within one (1) calendar day.

69. FORCE MAJEURE: The City of Denton, any Customer, and the Contractor shall not be responsible for performance under the Contract should it be prevented from performance by an act of war, order of legal authority, act of God, or other unavoidable cause not attributable to the fault or negligence of the City of Denton. In the event of an occurrence under this Section, the Contractor will be excused from any further performance or observance of the requirements so affected for as long as such circumstances prevail and the Contractor continues to use commercially reasonable efforts to recommence performance or observance whenever and to whatever extent possible without delay. The Contractor shall immediately notify the City of Denton Procurement Manager by telephone (to be confirmed in writing within five (5) calendar days of the inception of such occurrence) and describe at a reasonable level of detail the circumstances causing the non-performance or delay in performance.

70. NON-WAIVER OF RIGHTS: Failure of a Party to require performance by another Party under the Contract will not affect the right of such Party to require performance in the future. No delay, failure, or waiver of either Party's exercise or partial exercise of any right or remedy under the Contract shall operate to limit, impair, preclude, cancel, waive or otherwise affect such right or remedy. A waiver by a Party of any breach of any term of the Contract will not be construed as a waiver of any continuing or succeeding breach.

71. NO WAIVER OF SOVEREIGN IMMUNITY: The Parties expressly agree that no provision of the Contract is in any way intended to constitute a waiver by the City of Denton of any immunities from suit or from liability that the City of Denton may have by operation of law.

72. RECORDS RETENTION: The Contractor shall retain all financial records, supporting documents, statistical records, and any other records or books relating to the performances called for in the Contract. The Contractor shall retain all such records for a period of four (4) years after the expiration of the Contract, or until the CPA or State Auditor's Office is satisfied that all audit

Contract 9000

and litigation matters are resolved, whichever period is longer. The Contractor shall grant access to all books, records and documents pertinent to the Contract to the CPA, the State Auditor of Texas, and any federal governmental entity that has authority to review records due to federal funds being spent under the Contract. In the event the value of this Contract is One Million (\$1,000,000) Dollars or greater: (i) all contracting information related to this contract will be preserved for the duration of the Contact; (ii) the Contractor shall provide any contracting information in its possession promptly upon request by the City; and (iii) at the expiration of this Contract, the Contractor will either provide all contracting information in its possession to the City or preserve same as required by the record retention requirements of the State of Texas.

73. **PROCUREMENT LAWS:** The City will not agree to any terms or conditions that cause the City to violate any federal, State, or local procurement laws, including its own Charter or Procurement Policy and any such laws included in boilerplate terms, online terms or other terms provided by the Contractor are considered null and void.

74. **AUTHORITY:** Contractor represents and warrants to the other that (a) it has company authority to execute and perform this Contract; (b) executing this Contract does not constitute a material conflict with, breach, or default under any applicable law, its respective organizational documents, or any documents, agreements, contracts or instruments which are binding upon it; and (c) this Contract creates valid, legal, and binding obligation enforceable against it, subject to applicable insolvency and bankruptcy laws. Contractor recognizes and agrees that a violation of this provision constitutes a material breach under this Contract.

Exhibit D
Certificate of Interested Parties Electronic Filing

In 2015, the Texas Legislature adopted House Bill 1295, which added section 2252.908 of the Government Code. The law states that the City may not enter into this contract unless the Contractor submits a disclosure of interested parties (Form 1295) to the City at the time the Contractor submits the signed contract. The Texas Ethics Commission has adopted rules requiring the business entity to file Form 1295 electronically with the Commission.

Contractor will be required to furnish a Certificate of Interest Parties before the Contract is awarded, in accordance with Government Code 2252.908.

The Contractor shall:

1. Log onto the State Ethics Commission Website at [:https://www.ethics.state.tx.us/filinginfo/1295/](https://www.ethics.state.tx.us/filinginfo/1295/)
2. Register utilizing the tutorial provided by the State
3. Print a copy of the completed Form 1295
4. Enter the Certificate Number on page 2 of this contract.
5. Complete and sign the Form 1295
6. Email the form to purchasing@cityofdenton.com with the contract number in the subject line.
(EX: Contract 1234 – Form 1295)

The City must acknowledge the receipt of the filed Form 1295 not later than the 30th day after Council award. Once a Form 1295 is acknowledged, it will be posted to the Texas Ethics Commission's website within seven business days.

EXHIBIT E

INSURANCE REQUIREMENTS

Respondent's attention is directed to the insurance requirements below. It is highly recommended that respondents confer with their respective insurance carriers or brokers to determine in advance of Proposal/Bid submission the availability of insurance certificates and endorsements as prescribed and provided herein. If an apparent low respondent fails to comply strictly with the insurance requirements, that respondent may be disqualified from award of the contract. Upon contract award, all insurance requirements shall become contractual obligations, which the successful contractor shall have a duty to maintain throughout the course of this contract.

STANDARD PROVISIONS:

Without limiting any of the other obligations or liabilities of the Contractor, the Contractor shall provide and maintain until the contracted work has been completed and accepted by the City of Denton, Owner, the minimum insurance coverage as indicated hereinafter.

As soon as practicable after notification of contract award, Contractor shall file with the Purchasing Department satisfactory certificates of insurance including any applicable addendum or endorsements, containing the contract number and title of the project. Contractor may, upon written request to the Purchasing Department, ask for clarification of any insurance requirements at any time; however, Contractors are strongly advised to make such requests prior to proposal/bid opening, since the insurance requirements may not be modified or waived after proposal/bid opening unless a written exception has been submitted with the proposal/bid. Contractor shall not commence any work or deliver any material until he or she receives notification that the contract has been accepted, approved, and signed by the City of Denton.

All insurance policies proposed or obtained in satisfaction of these requirements shall comply with the following general specifications, and shall be maintained in compliance with these general specifications throughout the duration of the Contract, or longer, if so noted:

- Each policy shall be issued by a company authorized to do business in the State of Texas with an A.M. Best Company rating of at least **A- or better**.
- Any deductibles or self-insured retentions shall be declared in the proposal. If requested by the City, the insurer shall reduce or eliminate such deductibles or self-insured retentions with respect to the City, its officials, agents, employees and volunteers; or, the contractor shall procure a bond guaranteeing payment of losses and related investigations, claim administration and defense expenses.
- Liability policies shall be endorsed to provide the following:
 - Name as Additional Insured the City of Denton, its Officials, Agents,

Employees and volunteers.

- That such insurance is primary to any other insurance available to the Additional Insured with respect to claims covered under the policy and that this insurance applies separately to each insured against whom claim is made or suit is brought. The inclusion of more than one insured shall not operate to increase the insurer's limit of liability.
- Provide a Waiver of Subrogation in favor of the City of Denton, its officials, agents, employees, and volunteers.
- ***Cancellation: City requires 30 day written notice should any of the policies described on the certificate be cancelled or materially changed before the expiration date.***
- Should any of the required insurance be provided under a claims made form, Contractor shall maintain such coverage continuously throughout the term of this contract and, without lapse, for a period of three years beyond the contract expiration, such that occurrences arising during the contract term which give rise to claims made after expiration of the contract shall be covered.
- Should any of the required insurance be provided under a form of coverage that includes a general annual aggregate limit providing for claims investigation or legal defense costs to be included in the general annual aggregate limit, the Contractor shall either double the occurrence limits or obtain Owners and Contractors Protective Liability Insurance.
- Should any required insurance lapse during the contract term, requests for payments originating after such lapse shall not be processed until the City receives satisfactory evidence of reinstated coverage as required by this contract, effective as of the lapse date. If insurance is not reinstated, City may, at its sole option, terminate this agreement effective on the date of the lapse.

SPECIFIC ADDITIONAL INSURANCE REQUIREMENTS:

All insurance policies proposed or obtained in satisfaction of this Contract shall additionally comply with the following specifications, and shall be maintained in compliance with these additional specifications throughout the duration of the Contract, or longer, if so noted:

A. COMMERCIAL GENERAL LIABILITY INSURANCE

Commercial General Liability Insurance including, but not limited to, Premises/Operations, Personal & Advertising Injury, Products/Completed Operations, Independent Contractors, and Contractual Liability with minimum combined bodily injury (including death) and property damage limits of

\$1,000,000.00 per occurrence and \$2,000,000.00 general aggregate.

B. WORKERS' COMPENSATION and EMPLOYERS LIABILITY INSURANCE

Workers' Compensation within the regulations of the Texas Workers' Compensation Act. The minimum policy limits for **Employers Liability** are:

Bodily Injury by Accident: \$500,000.00 Each Accident
Bodily Injury by Disease: \$500,000.00 Each Employee
Bodily Injury by Disease: \$500,000.00 Policy Limit

NOTES:

- a. If CONTRACTOR will not be providing services under the contract at a City facility, has no employees and/or is operating as a sole owner and single operator, CONTRACTOR shall provide a signed letter, with the current date, on official letterhead stating such to meet the requirement.
- b. If CONTRACTOR is a non-subscriber or is self-insured CONTRACTOR shall provide a copy of its Certificate of Authority to Self-Insure from the Texas Department of Insurance, Division of Workers' Compensation Self Insurance Regulation Program, evidence of alternative coverage and internal safety and injury coverage policies and procedures.

C. BUSINESS AUTOMOBILE LIABILITY INSURANCE

Business Automobile Liability Insurance covering owned, hired, and non-owned vehicles, with a minimum combined single limit for bodily injury (including death) and property damage limit of \$500,000.00 per occurrence.

NOTE:

- a. If CONTRACTOR does not have owned, hired and non-owned autos or vehicles and/or no autos or vehicles will not be used in the performance of services under the contract, CONTRACTOR shall provide a signed letter, with the current date, on official letterhead stating such to meet the requirement for owned autos.

SUBCONTRACTING LIABILITY

(1) Without limiting any of the other obligations or liabilities of the CONTRACTOR, the CONTRACTOR shall require each Subcontractor performing work under the contract, at the Subcontractor's own expense, to maintain during the engagement with the CITY, types and limits of insurance that are appropriate for the services/work being performed, comply with all applicable laws and are consistent with industry standards. The Subcontractor's liability insurance shall name CONTRACTOR as an additional insured.

(2) CONTRACTOR shall obtain and monitor the certificates of insurance from each Subcontractor. CONTRACTOR must retain the certificates of insurance for the duration of the contract and shall have the responsibility of enforcing insurance requirements among its subcontractors. The CITY shall be entitled, upon request and without expense, to receive copies of these certificates.

EXHIBIT F

				Titan Utility Services
Line #	Description	QTY	UOM	Unit Pricing
Training Classes				
2	HB4150 Hazard Assessment – Clearances and Slack Span,Electric Hazard Assessment Training per TX State HB4150	1	Per Session	\$2,050.00
3	Operating Instructions COM-002-4 (3-part communication),NERC/APPA utility communication for verification of lock out tag out.	1	Per Session	\$2,050.00
4	NERC Standards,NERC required training for System Operators, Linemen, Substations Techs, and Meter Techs	1	Per Session	<i>no bid</i>
5	APPA Safety Manual,Summary training of the APPA Safety Manual for Linemen, Substations Techs, and Meter Techs	1	Per Session	\$2,050.00
6	Electric Utility Distribution Systems (Theory and Equipment)	1	Per Session	\$2,250.00
7	Electric Utility Transmission Systems (Theory and Equipment)	1	Per Session	\$2,250.00
8	Areal Rescue Pole Top/Bucket Training,Training and testing the annual practical evaluation of Bucket/Pole Top rescue for Electric utilities.	1	Per Session	\$2,250.00
9	Areal Rescue Pole Top/Bucket Train-the-Trainer,Train trainers to conduct the training and testing of the annual practical evaluation of Bucket/Pole Top rescue for Electric utilities.	1	Per Session	\$6,000.00
10	Aerial Lift Device Operator Training	1	Per Session	\$2,250.00
11	Basic Pole Climbing	1	Per Session	\$10,000.00
12	Apprentice Lineman or Lineman refresher- simulated energized training	1	Per Session	\$10,000.00
13	AWARE Driver Training- Classroom and/or Classroom and Driving	1	Per Session	\$3,000.00
14	Capacitors and Step Voltage Regulators	1	Per Session	\$2,250.00
15	CPR – First Aid – AED Certification	1	Per Session	\$2,400.00
16	Digger Derrick Training	1	Per Session	\$2,250.00
17	Effective Cover-up,Electric Utility line cover up training.	1	Per Session	\$2,250.00
18	Electrical Theory	1	Per Session	\$2,250.00
19	Rubber Gloves/Sleeves and Cover Up inspection and use	1	Per Session	\$2,050.00
20	Follow the Leader- How good leaders create a positive workplace	1	Per Session	\$7,000.00
21	Forklift Certification	1	Per Session	\$2,795.00
22	Metering- Self-contained and Instrument Rated	1	Per Session	\$2,250.00
23	Protective Devices- Arresters, Cutouts, Fusing, Sectionalizes, and Reclosers	1	Per Session	\$2,250.00
24	ATO/Vista Gears,Basic function, safety practices, and industry best practice of equipment	1	Per Session	\$2,250.00
25	Single Phase Transformers	1	Per Session	\$2,250.00
26	Substation Entry and Basic Operation	1	Per Session	\$2,250.00
27	Three Phase Transformers (Advanced)	1	Per Session	\$2,250.00
28	Transformer Refresher and Connections	1	Per Session	\$2,250.00
29	NFPA 70E – Arc Flash	1	Per Session	\$2,250.00
30	OSHA 10 Hour Training	1	Per Session	<i>no bid</i>
31	OSHA 30 Hour Training	1	Per Session	<i>no bid</i>
	Any training not mentioned above--markup rate per session		Per Session	25%

CONFLICT OF INTEREST QUESTIONNAIRE - FORM CIQ
For vendor or other person doing business with local governmental entity

This questionnaire reflects changes made to the law by H.B. 23, 84th Leg., Regular Session.

This questionnaire is being filed in accordance with Chapter 176, Local Government Code, by a vendor who has a business relationship as defined by Section 176.001(1-a) with a local governmental entity and the vendor meets requirements under Section 176.006(a) and by City of Denton Ethics Code, Ordinance 18-757.

By law this questionnaire must be filed with the records administrator of the local government entity not later than the 7th business day after the date the vendor becomes aware of facts that require the statement to be filed. See Section 176.006(a-1), Local Government Code.

A vendor commits an offense if the vendor knowingly violates Section 176.006, Local Government Code. An offense under this section is a misdemeanor.

1 Name of vendor who has a business relationship with local governmental entity.

TITAN UTILITY SERVICES, LLC

2 Check this box if you are filing an update to a previously filed questionnaire.

(The law requires that you file an updated completed questionnaire with the appropriate filing authority not later than the 7th business day after the date on which you became aware that the originally filed questionnaire was incomplete or inaccurate.)

3 Name of local government officer about whom the information in this section is being disclosed.

Name of Officer

Describe each employment or other business relationship with the local government officer, or a family member of the officer, as described by Section 176.003(a)(2)(A). Also describe any family relationship with the local government officer. This section, (item 3 including subparts A, B, C & D), must be completed for each officer with whom the vendor has an employment or other business relationship as defined by Section 176.001(1-a), Local Government Code. Attach additional pages to this Form CIQ as necessary.

A. Is the local government officer named in this section receiving or likely to receive taxable income, other than investment income, from the vendor?

Yes No

B. Is the vendor receiving or likely to receive taxable income, other than investment income, from or at the direction of the local government officer named in this section AND the taxable income is not received from the local governmental entity?

Yes No

C. Is the filer of this questionnaire employed by a corporation or other business entity with respect to which the local government officer serves as an officer or director, or holds an ownership of one percent or more?

Yes No

D. Describe each employment or business and family relationship with the local government officer named in this section.

4 I have no Conflict of Interest to disclose.

5
DocuSigned by:
Cody Trout

5/20/2026

Signature of Vendor doing business with the governmental entity

Date

CONFLICT OF INTEREST QUESTIONNAIRE

For vendor doing business with local governmental entity

A complete copy of Chapter 176 of the Local Government Code may be found at <http://www.statutes.legis.state.tx.us/ Docs/LG/hm/LG.176.htm>. For easy reference, below are some of the sections cited on this form.

Local Government Code § 176.001(1-a): "Business relationship" means a connection between two or more parties based on commercial activity of one of the parties. The term does not include a connection based on:

- (A) a transaction that is subject to rate or fee regulation by a federal, state, or local governmental entity or an agency of a federal, state, or local governmental entity;
- (B) a transaction conducted at a price and subject to terms available to the public; or
- (C) a purchase or lease of goods or services from a person that is chartered by a state or federal agency and that is subject to regular examination by, and reporting to, that agency.

Local Government Code § 176.003(a)(2)(A) and (B):

- (A) A local government officer shall file a conflicts disclosure statement with respect to a vendor if:
 - (2) the vendor:
 - (A) has an employment or other business relationship with the local government officer or a family member of the officer that results in the officer or family member receiving taxable income, other than investment income, that exceeds \$2,500 during the 12-month period preceding the date that the officer becomes aware that
 - (i) a contract between the local governmental entity and vendor has been executed; or
 - (ii) the local governmental entity is considering entering into a contract with the vendor;
 - (B) has given to the local government officer or a family member of the officer one or more gifts that have an aggregate value of more than \$100 in the 12-month period preceding the date the officer becomes aware that:
 - (i) a contract between the local governmental entity and vendor has been executed; or
 - (ii) the local governmental entity is considering entering into a contract with the vendor.

Local Government Code § 176.006(a) and (a-1)

- (a) A vendor shall file a completed conflict of interest questionnaire if the vendor has a business relationship with a local governmental entity and:
 - (1) has an employment or other business relationship with a local government officer of that local governmental entity, or a family member of the officer, described by Section 176.003(a)(2)(A);
 - (2) has given a local government officer of that local governmental entity, or a family member of the officer, one or more gifts with the aggregate value specified by Section 176.003(a)(2)(B), excluding any gift described by Section 176.003(a-1); or
 - (3) has a family relationship with a local government officer of that local governmental entity.
- (a-1) The completed conflict of interest questionnaire must be filed with the appropriate records administrator not later than the seventh business day after the later of:
 - (1) the date that the vendor:
 - (A) begins discussions or negotiations to enter into a contract with the local governmental entity; or
 - (B) submits to the local governmental entity an application, response to a request for proposals or bids, correspondence, or another writing related to a potential contract with the local governmental entity; or
 - (2) the date the vendor becomes aware:
 - (A) of an employment or other business relationship with a local government officer, or a family member of the officer, described by Subsection (a);
 - (B) that the vendor has given one or more gifts described by Subsection (a); or
 - (C) of a family relationship with a local government officer.

City of Denton Ethics Code Ordinance Number 18-757

Definitions:

Relative: a family member related to a City Official within the third 3rd degree of affinity (marriage) or consanguinity (blood or adoption)

City Official: for purpose of this article, the term consists of the Council Members, Department Heads, or member of the Board of Ethics, Planning and zoning Commission Members, Board of Adjustment, Historic Landmark Commission, or Public Utilities Board

Vendor: a person who provides or seeks to provide goods, services, and/or real property to the City in exchange for compensation. This definition does not include those property owners from whom the City acquires public right-of-way or other real property interests for public use.

Per the City of Denton Ethics Code, Section 2-273. – Prohibitions

- (3) It shall be a violation of this Article for a Vendor to offer or give a Gift to City Official exceeding fifty dollars (\$50.00) per gift, or multiple gifts cumulatively valued at more than two hundred dollars (\$200.00) per a single fiscal year.

Per the City of Denton Ethics Code, Section 2-282. – Disposition (b), (5) Ineligibility

If the Board of Ethics finds that a Vendor has violated this Article, the Board may recommend to the City Manager that the Vendor be deemed ineligible to enter into a City contract or other arrangement for goods, services, or real property, for a period of one (1) year.

Certificate Of Completion

Envelope Id: AFE391A7-E258-4418-82E0-340B33ACA237

Status: Sent

Subject: Please DocuSign: City Council Contract 9000 Electric Utility Specific Training

Source Envelope:

Document Pages: 36

Signatures: 4

Envelope Originator:

Certificate Pages: 6

Initials: 1

Crystal Westbrook

AutoNav: Enabled

901B Texas Street

Envelopeld Stamping: Enabled

Denton, TX 76209

Time Zone: (UTC-06:00) Central Time (US & Canada)

crystal.westbrook@cityofdenton.com

IP Address: 198.49.140.104

Record Tracking

Status: Original

Holder: Crystal Westbrook

Location: DocuSign

4/23/2026 11:35:41 AM

crystal.westbrook@cityofdenton.com

Signer Events

Signature

Timestamp

Crystal Westbrook

Completed

Sent: 4/23/2026 11:37:38 AM

crystal.westbrook@cityofdenton.com

Viewed: 4/23/2026 11:37:52 AM

Senior Buyer

Signed: 4/23/2026 11:39:34 AM

City of Denton

Using IP Address: 198.49.140.104

Security Level: Email, Account Authentication
(None)

Electronic Record and Signature Disclosure:

Not Offered via DocuSign

Lori Hewell

Initial

Sent: 4/23/2026 11:39:38 AM

lori.hewell@cityofdenton.com

Viewed: 4/23/2026 1:01:02 PM

Purchasing Manager

Signed: 4/23/2026 1:01:30 PM

City of Denton

Signature Adoption: Pre-selected Style

Security Level: Email, Account Authentication
(None)

Using IP Address: 198.49.140.10

Electronic Record and Signature Disclosure:

Not Offered via DocuSign

Leah Bush

Signed by:

3A6254145BDA469...

Sent: 4/23/2026 1:01:34 PM

leah.bush@cityofdenton.com

Viewed: 4/28/2026 1:56:38 PM

Assistant City Attorney

Signed: 4/28/2026 2:00:00 PM

Security Level: Email, Account Authentication
(None)

Signature Adoption: Pre-selected Style

Using IP Address: 198.49.140.104

Electronic Record and Signature Disclosure:

Not Offered via DocuSign

Cody Trout

DocuSigned by:

D7C812B3483045C...

Sent: 4/28/2026 2:00:05 PM

codytrout@titanutility.net

Resent: 5/4/2026 9:32:40 AM

COO

Resent: 5/11/2026 9:11:10 AM

Security Level: Email, Account Authentication
(None)

Signature Adoption: Pre-selected Style

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Signed: 5/20/2026 10:40:38 AM

Electronic Record and Signature Disclosure:

Accepted: 5/4/2026 9:47:05 AM

ID: 73295a6a-c450-423d-9e82-c6c1e1e2e43e

Signer Events

Antonio Puente, Jr.
antonio.puente@cityofdenton.com
DME General Manager
Denton Municipal Electric
Security Level: Email, Account Authentication
(None)

Signature

Signed by:
Antonio Puente, Jr.
E3760944C2BF4B5...

Signature Adoption: Pre-selected Style
Using IP Address: 198.49.140.10

Timestamp

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Signed: 5/20/2026 11:28:43 AM

Electronic Record and Signature Disclosure:
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ID: e5333b83-d224-4ed7-a90b-ebc6f05da8f3

Cheyenne Defee
cheyenne.defee@cityofdenton.com
Procurement Administration Supervisor
City of Denton
Security Level: Email, Account Authentication
(None)

Sent: 5/20/2026 11:28:46 AM

Electronic Record and Signature Disclosure:
Not Offered via DocuSign

Cassey Ogden
Cassey.Ogden@cityofdenton.com
Security Level: Email, Account Authentication
(None)

Electronic Record and Signature Disclosure:
Not Offered via DocuSign

Ingrid Rex
Ingrid.Rex@cityofdenton.com
Security Level: Email, Account Authentication
(None)

Electronic Record and Signature Disclosure:
Not Offered via DocuSign

In Person Signer Events

Signature

Timestamp

Editor Delivery Events

Status

Timestamp

Agent Delivery Events

Status

Timestamp

Intermediary Delivery Events

Status

Timestamp

Certified Delivery Events

Status

Timestamp

Carbon Copy Events

Status

Timestamp

Cheyenne Defee
cheyenne.defee@cityofdenton.com
Procurement Administration Supervisor
City of Denton
Security Level: Email, Account Authentication
(None)

COPIED

Sent: 4/23/2026 11:39:37 AM

Electronic Record and Signature Disclosure:
Not Offered via DocuSign

Gretna Jones
gretna.jones@cityofdenton.com
Legal Secretary
City of Denton
Security Level: Email, Account Authentication
(None)

COPIED

Sent: 5/20/2026 11:28:45 AM
Viewed: 5/21/2026 11:47:06 AM

Carbon Copy Events	Status	Timestamp
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Electronic Record and Signature Disclosure:
Not Offered via DocuSign

City Secretary Office
citysecretary@cityofdenton.com
Security Level: Email, Account Authentication
(None)

Electronic Record and Signature Disclosure:
Not Offered via DocuSign

Jeffery Brown
jeffery.brown@cityofdenton.com
Security Level: Email, Account Authentication
(None)

Electronic Record and Signature Disclosure:
Accepted: 10/7/2022 11:55:33 AM
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Witness Events	Signature	Timestamp
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Notary Events	Signature	Timestamp
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Envelope Summary Events	Status	Timestamps
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Envelope Updated	Security Checked	5/4/2026 9:32:39 AM

Payment Events	Status	Timestamps
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Electronic Record and Signature Disclosure

ELECTRONIC RECORD AND SIGNATURE DISCLOSURE

From time to time, City of Denton (we, us or Company) may be required by law to provide to you certain written notices or disclosures. Described below are the terms and conditions for providing to you such notices and disclosures electronically through your DocuSign, Inc. (DocuSign) Express user account. Please read the information below carefully and thoroughly, and if you can access this information electronically to your satisfaction and agree to these terms and conditions, please confirm your agreement by clicking the 'I agree' button at the bottom of this document.

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At any time, you may request from us a paper copy of any record provided or made available electronically to you by us. For such copies, as long as you are an authorized user of the DocuSign system you will have the ability to download and print any documents we send to you through your DocuSign user account for a limited period of time (usually 30 days) after such documents are first sent to you. After such time, if you wish for us to send you paper copies of any such documents from our office to you, you will be charged a \$0.00 per-page fee. You may request delivery of such paper copies from us by following the procedure described below.

Withdrawing your consent

If you decide to receive notices and disclosures from us electronically, you may at any time change your mind and tell us that thereafter you want to receive required notices and disclosures only in paper format. How you must inform us of your decision to receive future notices and disclosure in paper format and withdraw your consent to receive notices and disclosures electronically is described below.

Consequences of changing your mind

If you elect to receive required notices and disclosures only in paper format, it will slow the speed at which we can complete certain steps in transactions with you and delivering services to you because we will need first to send the required notices or disclosures to you in paper format, and then wait until we receive back from you your acknowledgment of your receipt of such paper notices or disclosures. To indicate to us that you are changing your mind, you must withdraw your consent using the DocuSign 'Withdraw Consent' form on the signing page of your DocuSign account. This will indicate to us that you have withdrawn your consent to receive required notices and disclosures electronically from us and you will no longer be able to use your DocuSign Express user account to receive required notices and consents electronically from us or to sign electronically documents from us.

All notices and disclosures will be sent to you electronically

Unless you tell us otherwise in accordance with the procedures described herein, we will provide electronically to you through your DocuSign user account all required notices, disclosures, authorizations, acknowledgements, and other documents that are required to be provided or made available to you during the course of our relationship with you. To reduce the chance of you inadvertently not receiving any notice or disclosure, we prefer to provide all of the required notices and disclosures to you by the same method and to the same address that you have given us. Thus, you can receive all the disclosures and notices electronically or in paper format through the paper mail delivery system. If you do not agree with this process, please let us know as described below. Please also see the paragraph immediately above that describes the consequences of your electing not to receive delivery of the notices and disclosures electronically from us.

How to contact City of Denton:

You may contact us to let us know of your changes as to how we may contact you electronically, to request paper copies of certain information from us, and to withdraw your prior consent to receive notices and disclosures electronically as follows:

To contact us by email send messages to: purchasing@cityofdenton.com

To advise City of Denton of your new e-mail address

To let us know of a change in your e-mail address where we should send notices and disclosures electronically to you, you must send an email message to us at melissa.kraft@cityofdenton.com and in the body of such request you must state: your previous e-mail address, your new e-mail address. We do not require any other information from you to change your email address..

In addition, you must notify DocuSign, Inc to arrange for your new email address to be reflected in your DocuSign account by following the process for changing e-mail in DocuSign.

To request paper copies from City of Denton

To request delivery from us of paper copies of the notices and disclosures previously provided by us to you electronically, you must send us an e-mail to purchasing@cityofdenton.com and in the body of such request you must state your e-mail address, full name, US Postal address, and telephone number. We will bill you for any fees at that time, if any.

To withdraw your consent with City of Denton

To inform us that you no longer want to receive future notices and disclosures in electronic format you may:

- i. decline to sign a document from within your DocuSign account, and on the subsequent page, select the check-box indicating you wish to withdraw your consent, or you may;
- ii. send us an e-mail to purchasing@cityofdenton.com and in the body of such request you must state your e-mail, full name, IS Postal Address, telephone number, and account number. We do not need any other information from you to withdraw consent.. The consequences of your withdrawing consent for online documents will be that transactions may take a longer time to process..

Required hardware and software

Operating Systems:	Windows2000? or WindowsXP?
Browsers (for SENDERS):	Internet Explorer 6.0? or above
Browsers (for SIGNERS):	Internet Explorer 6.0?, Mozilla FireFox 1.0, NetScape 7.2 (or above)
Email:	Access to a valid email account
Screen Resolution:	800 x 600 minimum
Enabled Security Settings:	<ul style="list-style-type: none"> •Allow per session cookies •Users accessing the internet behind a Proxy Server must enable HTTP 1.1 settings via proxy connection

** These minimum requirements are subject to change. If these requirements change, we will provide you with an email message at the email address we have on file for you at that time providing you with the revised hardware and software requirements, at which time you will have the right to withdraw your consent.

Acknowledging your access and consent to receive materials electronically

To confirm to us that you can access this information electronically, which will be similar to other electronic notices and disclosures that we will provide to you, please verify that you were able to read this electronic disclosure and that you also were able to print on paper or electronically save this page for your future reference and access or that you were able to e-mail this disclosure and consent to an address where you will be able to print on paper or save it for your future reference and access. Further, if you consent to receiving notices and disclosures exclusively in electronic format on the terms and conditions described above, please let us know by clicking the 'I agree' button below.

By checking the 'I Agree' box, I confirm that:

- I can access and read this Electronic CONSENT TO ELECTRONIC RECEIPT OF ELECTRONIC RECORD AND SIGNATURE DISCLOSURES document; and
- I can print on paper the disclosure or save or send the disclosure to a place where I can print it, for future reference and access; and
- Until or unless I notify City of Denton as described above, I consent to receive from exclusively through electronic means all notices, disclosures, authorizations, acknowledgements, and other documents that are required to be provided or made available to me by City of Denton during the course of my relationship with you.



City of Denton

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

AGENDA INFORMATION SHEET

DEPARTMENT: Procurement
ACM: Christine Taylor
DATE: July 14, 2026

SUBJECT

Consider adoption of an ordinance of the City of Denton, a Texas home-rule municipal corporation, authorizing the approval of a third amendment to a Professional Services Agreement between the City of Denton and Garver, LLC, amending the contract approved by Purchasing on August 28, 2023, in the not-to-exceed amount of \$15,000.00; amended by Amendments 1 and 2 approved by City Council; said third amendment to provide a Taxiway Design for Taxiways H, J, and M, and a Preliminary Engineering Report for Taxiway Alpha for the Denton Enterprise Airport; providing for the expenditure of funds therefor; and providing an effective date (RFQ 8209 – providing for an additional third amendment expenditure amount not-to-exceed \$888,000.00, with the total contract amount not-to-exceed \$1,026,200.00).

STRATEGIC ALIGNMENT

This action supports Key Focus Area: Enhance Infrastructure and Mobility

INFORMATION/BACKGROUND

Over the past decade, the airport has successfully secured funding for both the construction and reconstruction of its two runways. These are critical investments that have supported airport growth and operational safety. Despite these improvements, several pavement sections, including taxilanes and taxiways, still require repair or reconstruction. The typical funding mechanism for Airport infrastructure projects, Federal Aviation Administration (FAA) Airport Improvement Program (AIP) grants, is highly competitive, and Airport projects must compete against projects from other airports within the Texas Department of Transportation (TxDOT) aviation system for these funds. Priority is generally given to runway-related projects, with ancillary pavement projects, such as taxiways, receiving lower consideration. As a result, the airport must seek alternative funding sources for these essential improvements.

In 2025, Garver Engineering conducted a preliminary pavement prioritization study (also funded by the FY 2022 IJA grant) that identified the airport's most critical rehabilitation needs. This analysis provided a clear roadmap for addressing pavement deficiencies and confirmed that Taxilanes H, J, and M, along with Taxiway A, should be prioritized for design and reconstruction. These important pavement segments convey aircraft from their hangars to the runway and are some of the most frequently used surfaces on the airfield. The design of Taxilanes H, J, and M will position the airport to solicit construction bids in the next fiscal year, while the Preliminary Engineering Report (PER) for Taxiway A will define future reconstruction requirements for this primary taxiway.

IIJA Funding

Denton Enterprise Airport has been assigned grant funding by the FAA as part of the Infrastructure Investment and Jobs Act of 2021 (IIJA), also known as the Bipartisan Infrastructure Law. Texas, as part of a block state program, issues the grants through TxDOT. The grant funding under this program covered five (5) years (FY 2022-2026) and requires the funding for each year to be allocated within four years. The Airport utilized the FY 2022 grant funding under this program to complete the Airport Master Plan Update. The Denton Enterprise IIJA funding for FY 2023 is \$844,000, and the Airport will allocate funds from an Infrastructure Investment and Jobs Act (“IIJA”) grant, approved by Council on March 24, 2026, to complete this project.

Leveraging IIJA funding for these projects enables the airport to address essential infrastructure needs while still benefiting from the FAA’s typical 90% cost-share under the Airport Improvement Program (AIP), ensuring these improvements remain financially feasible and aligned with federal funding priorities. If the FY 2023 grant is not utilized by the Airport, future IIJA allocations must be used (limiting their use for other projects), or Airport revenues would be required to fully fund the improvements.

This Taxiway Design and PER are both approved uses of IIJA funds as they contributed to airfield safety, user satisfaction, and support economic development on the airport. The project also aligns with the recent Airport Master Plan Update.

The City Council will consider a separate agenda item regarding a change order for the City’s contract with Garver Engineering to expend funds for the project.

The Airport proposes to use its remaining allocation of IIJA grants to substantially fund the design and reconstruction/repair of Taxilanes H, J, and M. These pavement sections are in a state of significant deterioration and were identified as high priorities in the Airport’s 2025 Taxiway Rehabilitation Priority Report. Additionally, the taxilanes serve a significant portion of the Airport’s itinerant and based aircraft. The IIJA funds will also allow for the development of a preliminary engineering report (“PER”) for Taxilane A so that the depth of its deterioration and potential restoration can be better documented for future AIP program eligibility.

This agenda item will give the Airport the spending authority to complete the design of Taxilanes H, J, and M and the PER for Taxilane A. After these projects are complete, the City will seek additional spending authority to complete the construction of the taxilane segments.

Garver Engineering, the Airport’s contracted engineer, will complete the work associated with this agenda item.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On August 28, 2023, Purchasing approved a contract with Garver, LLC, in the not-to-exceed amount of \$15,000.

On February 18, 2025, City Council approved Amendment No. 1 with Garver, LLC, in the not-to-exceed amount of \$70,000, for a total not-to-exceed amount of \$85,000 (Ordinance 25-284).

On May 6, 2025, City Council approved Amendment No. 2 with Garver, LLC, in the not-to-exceed amount of \$53,200, for a total not-to-exceed amount of \$138,200 (Ordinance 25-652).

RECOMMENDATION

Award Amendment No. 3 with Garver, LLC, to provide a Taxiway Design for Taxiways H, J, and M and a Preliminary Engineering Report for Taxiway Alpha for the Denton Enterprise Airport, in a not-to-exceed amount of \$888,000, for a total amended contract amount of \$1,026,200.

PRINCIPAL PLACE OF BUSINESS

Garver, LLC
North Little Rock, AR

ESTIMATED SCHEDULE OF PROJECT

This project will be started upon approval, with a completion date within 18 to 20 weeks.

FISCAL INFORMATION

The total cost of the Design and Preliminary Engineering Report (PER) is \$888,000, with the Airport's match being \$44,000, and will be funded from Project Account: 200090566. This allocation will have no impact on the Airport Operating Fund balance. Using the airport's 2023 IJA funding for these areas affords staff the ability to utilize grant funding at a 95/5 rate and allows staff to complete some of these very important projects.

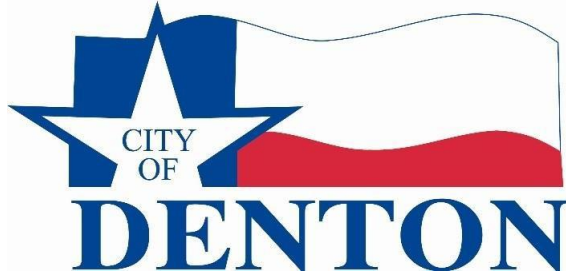
EXHIBITS

Exhibit 1: Agenda Information Sheet
Exhibit 2: Original Contract, Ordinances, and Amendments 1-2
Exhibit 3: Ordinance and Amendment 3

Respectfully submitted:
Lori Hewell, 940-349-7100
Purchasing Manager

For information concerning this acquisition, contact: Ryan Adams, 940-349-7744.

Legal point of contact: Leah Bush at 940-349-8333.



DocuSign Transmittal Coversheet

File Name	8209 Airport Engineering Services
Purchasing Contact	Gabby Leeper
Contract Expiration	8/24/2028

CITY OF DENTON, TEXAS

STANDARD AGREEMENT FOR ENGINEERING RELATED PROFESSIONAL SERVICES

This AGREEMENT is between the City of Denton, a Texas home-rule municipality ("CITY"), and Garver, LLC with its corporate office at 4701 Northshore Drive, North Little Rock, AR 72118 and authorized to do business in Texas, ("ENGINEER"), for a PROJECT generally described as: Airport Engineering Services (the "PROJECT").

SECTION 1 **Scope of Services**

- A. The CITY hereby agrees to retain the ENGINEER, and the ENGINEER hereby agrees to perform, professional engineering services included in RFQ 8209 Airport Engineering Services which is on file at the Purchasing office and made apart here of as Attachment A and set forth in the Scope of Services attached hereto as Attachment B. These services shall be performed in connection with the PROJECT.
- B. Additional services, if any, will be requested in writing by the CITY. CITY shall not pay for any work performed by ENGINEER or its consultants, subcontractors and/or suppliers that has not been ordered in advance and in writing. It is specifically agreed that ENGINEER shall not be compensated for any additional work resulting from oral orders of any person.
- C. ENGINEER shall perform all those services set forth in individual task orders, as described in Exhibit B, and task orders agreed to in writing by CITY and ENGINEER after the execution of this Agreement which shall be attached to this Agreement and made a part hereof.

SECTION 2 **Compensation and Term of Agreement**

- A. The ENGINEER shall be compensated for all services provided pursuant to this AGREEMENT in an amount not to exceed \$15,000 in the manner and in accordance with the fee schedule as set forth in Attachment B. Payment shall be considered full compensation for all labor, materials, supplies, and equipment necessary to complete the services described in Attachment B.

Unless otherwise terminated pursuant to Section 6. D. herein, this AGREEMENT shall be for a term beginning upon the effective date, as described below, and the contract shall remain effective for a three (3) year period with the option for two (2) additional one (1) year extensions, in the total of a five (5) years. The contract shall commence upon the issuance of a Notice of Award by the City of Denton and shall automatically renew each

year, from the date of award by City Council. At the sole option of the City of Denton, the contract may be further extended as needed, not to exceed a total of six (6) months.

SECTION 3 **Terms of Payment**

Payments to the ENGINEER will be made as follows:

A. Invoice and Payment

- (1) The Engineer shall provide the City sufficient documentation, including but not limited to meeting the requirements set forth in the PROJECT schedule as set forth in Attachment B to reasonably substantiate the invoices.
- (2) The ENGINEER will issue monthly invoices for all work performed under this AGREEMENT. Invoices for the uncontested performance of the particular services are due and payable within 30 days of receipt by City.
- (3) Upon completion of services enumerated in Section 1, the final payment of any balance for the uncontested performance of the services will be due within 30 days of receipt of the final invoice.
- (4) In the event of a disputed or contested billing, only that portion so contested will be withheld from payment, and the undisputed portion will be paid. The CITY will exercise reasonableness in contesting any bill or portion thereof. No interest will accrue on any contested portion of the billing until mutually resolved.
- (5) If the CITY fails to make payment in full to ENGINEER for billings contested in good faith within 60 days of the amount due, the ENGINEER may, after giving 7 days' written notice to CITY, suspend services under this AGREEMENT until paid in full. In the event of suspension of services, the ENGINEER shall have no liability to CITY for delays or damages caused the CITY because of such suspension of services.

SECTION 4 **Obligations of the Engineer**

A. General

The ENGINEER will serve as the CITY's professional engineering representative under this AGREEMENT, providing professional engineering consultation and advice and furnishing customary services incidental thereto.

B. Standard of Care

The ENGINEER shall perform its services:

- (1) with the professional skill and care ordinarily provided by competent engineers practicing in the same or similar locality and under the same or similar circumstances and professional license; and
- (2) as expeditiously as is prudent considering the ordinary professional skill and care of a competent engineer.

C. Subsurface Investigations

- (1) The ENGINEER shall advise the CITY with regard to the necessity for subcontract work such as special surveys, tests, test borings, or other subsurface investigations in connection with design and engineering work to be performed hereunder. The ENGINEER shall also advise the CITY concerning the results of same. Such surveys, tests, and investigations shall be furnished by the CITY, unless otherwise specified in Attachment B.
- (2) In soils, foundation, groundwater, and other subsurface investigations, the actual characteristics may vary significantly between successive test points and sample intervals and at locations other than where observations, exploration, and investigations have been made. Because of the inherent uncertainties in subsurface evaluations, changed or unanticipated underground conditions may occur that could affect the total PROJECT cost and/or execution. These conditions and cost/execution effects are not the responsibility of the ENGINEER.

D. Preparation of Engineering Drawings

The ENGINEER will provide to the CITY the original drawings of all plans in ink on reproducible mylar sheets and electronic files in .pdf format, or as otherwise approved by CITY, which shall become the property of the CITY. CITY may use such drawings in any manner it desires; provided, however, that the ENGINEER shall not be liable for the use of such drawings for any project other than the PROJECT described herein.

E. Engineer's Personnel at Construction Site

- (1) The presence or duties of the ENGINEER's personnel at a construction site, whether as on-site representatives or otherwise, do not make the ENGINEER or its personnel in any way responsible for those duties that belong to the CITY and/or the CITY's construction contractors or other entities, and do not relieve the construction contractors or any other entity of their obligations, duties, and responsibilities, including, but not limited to, all construction methods, means,

techniques, sequences, and procedures necessary for coordinating and completing all portions of the construction work in accordance with the AGREEMENT Documents and any health or safety precautions required by such construction work. The ENGINEER and its personnel have no authority to exercise any control over any construction contractor or other entity or their employees in connection with their work or any health or safety precautions.

- (2) Except to the extent of specific site visits expressly detailed and set forth in Attachment B, the ENGINEER or its personnel shall have no obligation or responsibility to visit the construction site to become familiar with the progress or quality of the completed work on the PROJECT or to determine, in general, if the work on the PROJECT is being performed in a manner indicating that the PROJECT, when completed, will be in accordance with the AGREEMENT Documents, nor shall anything in the AGREEMENT Documents or this AGREEMENT between CITY and ENGINEER be construed as requiring ENGINEER to make exhaustive or continuous on-site inspections to discover latent defects in the work or otherwise check the quality or quantity of the work on the PROJECT. If the ENGINEER makes on-site observation(s) of a deviation from the AGREEMENT Documents, the ENGINEER shall inform the CITY.
- (3) When professional certification of performance or characteristics of materials, systems or equipment is reasonably required to perform the services set forth in the Scope of Services, the ENGINEER shall be entitled to rely upon such certification to establish materials, systems or equipment and performance criteria to be required in the AGREEMENT Documents.

F. Opinions of Probable Cost, Financial Considerations, and Schedules

- (1) The ENGINEER shall provide opinions of probable costs based on the current available information at the time of preparation, in accordance with Attachment B.
- (2) In providing opinions of cost, financial analyses, economic feasibility projections, and schedules for the PROJECT, the ENGINEER has no control over cost or price of labor and materials; unknown or latent conditions of existing equipment or structures that may affect operation or maintenance costs; competitive bidding procedures and market conditions; time or quality of performance by third parties; quality, type, management, or direction of operating personnel; and other economic and operational factors that may materially affect the ultimate PROJECT cost or schedule. Therefore, the ENGINEER makes no warranty that the CITY's actual PROJECT costs, financial aspects, economic feasibility, or schedules will not vary from the ENGINEER's opinions, analyses, projections, or estimates.

G. Construction Progress Payments

Recommendations by the ENGINEER to the CITY for periodic construction progress payments to the construction contractor will be based on the ENGINEER's knowledge, information, and belief from selective sampling and observation that the work has progressed to the point indicated. Such recommendations do not represent that continuous or detailed examinations have been made by the ENGINEER to ascertain that the construction contractor has completed the work in exact accordance with the AGREEMENT Documents; that the final work will be acceptable in all respects; that the ENGINEER has made an examination to ascertain how or for what purpose the construction contractor has used the moneys paid; that title to any of the work, materials, or equipment has passed to the CITY free and clear of liens, claims, security interests, or encumbrances; or that there are not other matters at issue between the CITY and the construction contractor that affect the amount that should be paid.

H. Record Drawings

Record drawings, if required, will be prepared, in part, on the basis of information compiled and furnished by others, and may not always represent the exact location, type of various components, or exact manner in which the PROJECT was finally constructed. The ENGINEER is not responsible for any errors or omissions in the information from others that is incorporated into the record drawings.

I. Right to Audit

- (1) ENGINEER agrees that the CITY shall, until the expiration of five (5) years after final payment under this AGREEMENT, have access to and the right to examine and photocopy any directly pertinent books, documents, papers and records of the ENGINEER involving transactions relating to this AGREEMENT. ENGINEER agrees that the CITY shall have access during normal working hours to all necessary ENGINEER facilities and shall be provided adequate and appropriate work space in order to conduct audits in compliance with the provisions of this section. The CITY shall give ENGINEER reasonable advance notice of intended audits.
- (2) ENGINEER further agrees to include in all its subconsultant agreements hereunder a provision to the effect that the subconsultant agrees that the CITY shall, until the expiration of five (5) years after final payment under the subcontract, have access to and the right to examine and photocopy any directly pertinent books, documents, papers and records of such subconsultant, involving transactions to the subcontract, and further, that the CITY shall have access during normal working hours to all subconsultant facilities, and shall be provided adequate and appropriate work space, in order to conduct audits in compliance with the provisions of this section together with subsection (3) hereof. CITY shall

give subconsultant reasonable advance notice of intended audits.

- (3) ENGINEER and subconsultant agree to photocopy such documents as may be requested by the CITY. The CITY agrees to reimburse ENGINEER for the cost of copies at the rate published in the Texas Administrative Code in effect as of the time copying is performed.

J. INSURANCE

(1) ENGINEER'S INSURANCE

- a. Commercial General Liability – the ENGINEER shall maintain commercial general liability (CGL) and, if necessary, commercial umbrella insurance with a limit of not less than \$1,000,000.00 per each occurrence with a \$2,000,000.00 aggregate. If such Commercial General Liability insurance contains a general aggregate limit, it shall apply separately to this PROJECT or location.
- i. The CITY shall be included as an additional insured with all rights of defense under the CGL, using ISO additional insured endorsement or a substitute providing equivalent coverage, and under the commercial umbrella, if any. This insurance shall apply as primary insurance with respect to any other insurance or self-insurance programs afforded to the CITY. The Commercial General Liability insurance policy shall have no exclusions or endorsements that would alter or nullify: premises/operations, products/completed operations, contractual, personal injury, or advertising injury, which are normally contained within the policy, unless the CITY specifically approves such exclusions in writing.
- ii. ENGINEER waives all rights against the CITY and its agents, officers, directors and employees for recovery of damages to the extent these damages are covered by the commercial general liability or commercial umbrella liability insurance maintained in accordance with this AGREEMENT.
- b. Business Auto – the ENGINEER shall maintain business auto liability and, if necessary, commercial umbrella liability insurance with a limit of not less than \$1,000,000 each accident. Such insurance shall cover liability arising out of “any auto”, including owned, hired, and non-owned autos, when said vehicle is used in the course of the PROJECT. If the engineer owns no vehicles, coverage for hired or non-owned is acceptable.
- i. ENGINEER waives all rights against the CITY and its agents,

officers, directors and employees for recovery of damages to the extent these damages are covered by the business auto liability or commercial umbrella liability insurance obtained by ENGINEER pursuant to this AGREEMENT or under any applicable auto physical damage coverage.

- c. Workers' Compensation – ENGINEER shall maintain workers compensation and employers liability insurance and, if necessary, commercial umbrella liability insurance with a limit of not less than \$100,000.00 each accident for bodily injury by accident or \$100,000.00 each employee for bodily injury by disease, with \$500,000.00 policy limit.
 - i. ENGINEER waives all rights against the CITY and its agents, officers, directors and employees for recovery of damages to the extent these damages are covered by workers compensation and employer's liability or commercial umbrella insurance obtained by ENGINEER pursuant to this AGREEMENT.
- d. Professional Liability – ENGINEER shall maintain professional liability, a claims-made policy, with a minimum of \$1,000,000.00 per claim and aggregate. The policy shall contain a retroactive date prior to the date of the AGREEMENT or the first date of services to be performed, whichever is earlier. Coverage shall be maintained for a period of 5 years following the completion of the AGREEMENT. An annual certificate of insurance specifically referencing this PROJECT shall be submitted to the CITY for each year following completion of the AGREEMENT.

(2) GENERAL INSURANCE REQUIREMENTS

- a. Certificates of insurance evidencing that the ENGINEER has obtained all required insurance shall be attached to this AGREEMENT prior to its execution.
- b. Applicable policies shall be endorsed to name the CITY an Additional Insured thereon, subject to any defense provided by the policy, as its interests may appear. The term CITY shall include its employees, officers, officials, agents, and volunteers as respects the contracted services.
- c. Certificate(s) of insurance shall document that insurance coverage specified in this AGREEMENT are provided under applicable policies documented thereon.
- d. Any failure on part of the CITY to attach the required insurance documentation hereto shall not constitute a waiver of the insurance

requirements.

- e. A minimum of thirty (30) days notice of cancellation or material change in coverage shall be provided to the CITY. A ten (10) days notice shall be acceptable in the event of non-payment of premium. Notice shall be sent to the respective Department Director (by name), City of Denton, 901 Texas Street, Denton, Texas 76209.
- f. Insurers for all policies must be authorized to do business in the State of Texas and have a minimum rating of A:V or greater, in the current A.M. Best Key Rating Guide or have reasonably equivalent financial strength and solvency to the satisfaction of Risk Management.
- g. Any deductible or self insured retention in excess of \$25,000.00 that would change or alter the requirements herein is subject to approval by the CITY in writing, if coverage is not provided on a first-dollar basis. The CITY, at its sole discretion, may consent to alternative coverage maintained through insurance pools or risk retention groups. Dedicated financial resources or letters of credit may also be acceptable to the CITY.
- h. Applicable policies shall each be endorsed with a waiver of subrogation in favor of the CITY as respects the PROJECT.
- i. The CITY shall be entitled, upon its request and without incurring expense, to review the ENGINEER's insurance policies including endorsements thereto and, at the CITY's discretion; the ENGINEER may be required to provide proof of insurance premium payments but may redact the amount of said premiums as proprietary business information.
- j. Lines of coverage, other than Professional Liability, underwritten on a claims-made basis, shall contain a retroactive date coincident with or prior to the date of the AGREEMENT. The certificate of insurance shall state both the retroactive date and that the coverage is claims-made.
- k. Coverages, whether written on an occurrence or claims-made basis, shall be maintained without interruption nor restrictive modification or changes from date of commencement of the PROJECT until final payment and termination of any coverage required to be maintained after final payments.
- l. The CITY shall not be responsible for the direct payment of any insurance premiums required by this AGREEMENT.
- m. Sub consultants and subcontractors to/of the ENGINEER shall be required

by the ENGINEER to maintain the same or reasonably equivalent insurance coverage as required for the ENGINEER. When sub consultants/subcontractors maintain insurance coverage, ENGINEER shall provide CITY with documentation thereof on a certificate of insurance.

K. Independent Consultant

The ENGINEER agrees to perform all services as an independent consultant and not as a subcontractor, agent, or employee of the CITY. The doctrine of *respondeat superior* shall not apply.

L. Disclosure

The ENGINEER acknowledges to the CITY that it has made full disclosure in writing of any existing conflicts of interest or potential conflicts of interest, including personal financial interest, direct or indirect, in property abutting the proposed PROJECT and business relationships with abutting property cities. The ENGINEER further acknowledges that it will make disclosure in writing of any conflicts of interest that develop subsequent to the signing of this AGREEMENT and prior to final payment under the AGREEMENT.

M. Asbestos or Hazardous Substances

- (1) If asbestos or hazardous substances in any form are encountered or suspected, the ENGINEER will stop its own work in the affected portions of the PROJECT to permit testing and evaluation.
- (2) If asbestos or other hazardous substances are suspected, the CITY may request the ENGINEER to assist in obtaining the services of a qualified subcontractor to manage the remediation activities of the PROJECT.

N. Permitting Authorities - Design Changes

If permitting authorities require design changes so as to comply with published design criteria and/or current engineering practice standards which the ENGINEER should have been aware of at the time this AGREEMENT was executed, the ENGINEER shall revise plans and specifications, as required, at its own cost and expense. However, if design changes are required due to the changes in the permitting authorities' published design criteria and/or practice standards criteria which are published after the date of this AGREEMENT which the ENGINEER could not have been reasonably aware of, the ENGINEER shall notify the CITY of such changes and an adjustment in compensation and schedule will be made through an amendment to this AGREEMENT.

O. Schedule

ENGINEER shall manage the PROJECT in accordance with the schedule developed per Attachment B to this AGREEMENT pursuant to Texas Local Government Code § 271.904(d).

P. Equal Opportunity

- (1) **Equal Employment Opportunity:** ENGINEER and ENGINEER's agents shall not engage in any discriminatory employment practice. No person shall, on the grounds of race, sex, sexual orientation, age, disability, creed, color, genetic testing, or national origin, be refused the benefits of, or be otherwise subjected to discrimination under any activities resulting from this AGREEMENT.
- (2) **Americans with Disabilities Act (ADA) Compliance:** ENGINEER and ENGINEER's agents shall not engage in any discriminatory employment practice against individuals with disabilities as defined in the ADA.

SECTION 5 **Obligations of the City**

A. City-Furnished Data

ENGINEER may rely upon the accuracy, timeliness, and completeness of the information provided by the CITY.

B. Access to Facilities and Property

The CITY will make its facilities accessible to the ENGINEER as required for the ENGINEER's performance of its services. The CITY will perform, at no cost to the ENGINEER, such tests of equipment, machinery, pipelines, and other components of the CITY's facilities as may be required in connection with the ENGINEER's services. The CITY will be responsible for all acts of the CITY's personnel.

C. Advertisements, Permits, and Access

Unless otherwise agreed to in the Scope of Services, the CITY will obtain, arrange, and pay for all advertisements for bids; permits and licenses required by local, state, or federal authorities; and land, easements, rights-of-way, and access necessary for the ENGINEER's services or PROJECT construction.

D. Timely Review

The CITY will examine the ENGINEER's studies, reports, sketches, drawings, specifications, proposals, and other documents; obtain advice of an attorney, insurance counselor, accountant, auditor, bond and financial advisors, and other consultants as the CITY deems appropriate; and render in writing decisions required by the CITY in a timely manner in accordance with the PROJECT schedule prepared in accordance with Attachment B.

E. Prompt Notice

The CITY will give prompt written notice to the ENGINEER whenever CITY observes or becomes aware of any development that affects the scope or timing of the ENGINEER's services or of any defect in the work of the ENGINEER or construction contractors.

F. Asbestos or Hazardous Substances Release.

- (1) CITY acknowledges ENGINEER will perform part of the work at CITY's facilities that may contain hazardous materials, including asbestos containing materials, or conditions, and that ENGINEER had no prior role in the generation, treatment, storage, or disposition of such materials. In consideration of the associated risks that may give rise to claims by third parties or employees of City, City hereby releases ENGINEER from any damage or liability related to the presence of such materials.
- (2) The release required above shall not apply in the event the discharge, release or escape of hazardous substances, contaminants, or asbestos is a result of ENGINEER's negligence or if ENGINEER brings such hazardous substance, contaminant or asbestos onto the PROJECT.

G. Contractor Indemnification and Claims

The CITY agrees to include in all construction contracts the provisions of Article IV.E. regarding the ENGINEER's Personnel at Construction Site, and provisions providing for contractor indemnification of the CITY and the ENGINEER for contractor's negligence.

H. Contractor Claims and Third-Party Beneficiaries

- (1) The CITY agrees to include the following clause in all contracts with construction contractors and equipment or materials suppliers:

"Contractors, subcontractors and equipment and materials suppliers on the PROJECT, or their sureties, shall maintain no direct action against the ENGINEER, its officers, employees, and

subcontractors, for any claim arising out of, in connection with, or resulting from the engineering services performed. Only the CITY will be the beneficiary of any undertaking by the ENGINEER."

- (2) This AGREEMENT gives no rights or benefits to anyone other than the CITY and the ENGINEER and there are no third-party beneficiaries.
- (3) The CITY will include in each agreement it enters into with any other entity or person regarding the PROJECT a provision that such entity or person shall have no third-party beneficiary rights under this AGREEMENT.
- (4) Nothing contained in this Section H. shall be construed as a waiver of any right the CITY has to bring a claim against ENGINEER.

I. CITY's Insurance

- (1) The CITY may maintain property insurance on certain pre-existing structures associated with the PROJECT.
- (2) The CITY may secure Builders Risk/Installation insurance at the replacement cost value of the PROJECT. The CITY may provide ENGINEER a copy of the policy or documentation of such on a certificate of insurance.

J. Litigation Assistance

The Scope of Services does not include costs of the ENGINEER for required or requested assistance to support, prepare, document, bring, defend, or assist in litigation undertaken or defended by the CITY. In the event CITY requests such services of the ENGINEER, this AGREEMENT shall be amended or a separate agreement will be negotiated between the parties.

K. Changes

The CITY may make or approve changes within the general Scope of Services in this AGREEMENT. If such changes affect the ENGINEER's cost of or time required for performance of the services, an equitable adjustment will be made through an amendment to this AGREEMENT with appropriate CITY approval.

SECTION 6 **General Legal Provisions**

A. Authorization to Proceed

ENGINEER shall be authorized to proceed with this AGREEMENT upon receipt of a written Notice to Proceed from the CITY.

B. Reuse of Project Documents

All designs, drawings, specifications, documents, and other work products of the ENGINEER, whether in hard copy or in electronic form, are instruments of service for this PROJECT, whether the PROJECT is completed or not. Reuse, change, or alteration by the CITY or by others acting through or on behalf of the CITY of any such instruments of service without the written permission of the ENGINEER will be at the CITY's sole risk. The CITY shall own the final designs, drawings, specifications and documents.

C. Force Majeure

The ENGINEER is not responsible for damages or delay in performance caused by acts of God, strikes, lockouts, accidents, or other events beyond the control of the ENGINEER that prevent ENGINEER's performance of its obligations hereunder.

D. Termination

(1) This AGREEMENT may be terminated:

- a. by the City for its convenience upon 30 days' written notice to ENGINEER.
- b. by either the CITY or the ENGINEER for cause if either party fails substantially to perform through no fault of the other and the nonperforming party does not commence correction of such nonperformance within 5 days' written notice or thereafter fails to diligently complete the correction.

(2) If this AGREEMENT is terminated for the convenience of the City, the ENGINEER will be paid for termination expenses as follows:

- a. Cost of reproduction of partial or complete studies, plans, specifications or other forms of ENGINEER'S work product;
- b. Out-of-pocket expenses for purchasing electronic data files and other data storage supplies or services;
- c. The time requirements for the ENGINEER'S personnel to document the work underway at the time of the CITY'S termination for convenience so that the work effort is suitable for long time storage.

- (3) Prior to proceeding with termination services, the ENGINEER will submit to the CITY an itemized statement of all termination expenses. The CITY'S approval will be obtained in writing prior to proceeding with termination services.

E. Suspension, Delay, or Interruption to Work

The CITY may suspend, delay, or interrupt the services of the ENGINEER for the convenience of the CITY. In the event of such suspension, delay, or interruption, an equitable adjustment in the PROJECT's schedule, commitment and cost of the ENGINEER's personnel and subcontractors, and ENGINEER's compensation will be made.

F. Indemnification

IN ACCORDANCE WITH TEXAS LOCAL GOVERNMENT CODE SECTION 271.904, THE ENGINEER SHALL INDEMNIFY OR HOLD HARMLESS THE CITY AGAINST LIABILITY FOR ANY DAMAGE COMMITTED BY THE ENGINEER OR ENGINEER'S AGENT, CONSULTANT UNDER CONTRACT, OR ANOTHER ENTITY OVER WHICH THE ENGINEER EXERCISES CONTROL TO THE EXTENT THAT THE DAMAGE IS CAUSED BY OR RESULTING FROM AN ACT OF NEGLIGENCE, INTENTIONAL TORT, INTELLECTUAL PROPERTY INFRINGEMENT, OR FAILURE TO PAY A SUBCONTRACTOR OR SUPPLIER. CITY IS ENTITLED TO RECOVER ITS REASONABLE ATTORNEY'S FEES IN PROPORTION TO THE ENGINEER'S LIABILITY.

G. Assignment

Neither party shall assign all or any part of this AGREEMENT without the prior written consent of the other party.

H. Jurisdiction

The law of the State of Texas shall govern the validity of this AGREEMENT, its interpretation and performance, and any other claims related to it. The venue for any litigation related to this AGREEMENT shall be Denton County, Texas.

I. Severability and Survival

If any of the provisions contained in this AGREEMENT are held for any reason to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability will not affect any other provision, and this AGREEMENT shall be construed as if such invalid, illegal, or unenforceable provision had never been contained herein. Sections 5.F., 6.B., 6.D., 6.F., 6.H., and 6.I. shall survive termination of this AGREEMENT for any cause.

J. Observe and Comply

ENGINEER shall at all times observe and comply with all federal and State laws and regulations and with all City ordinances and regulations which in any way affect this AGREEMENT and the work hereunder, and shall observe and comply with all orders, laws ordinances and regulations which may exist or may be enacted later by governing bodies having jurisdiction or authority for such enactment. No plea of misunderstanding or ignorance thereof shall be considered.

K. Immigration Nationality Act

ENGINEER shall verify the identity and employment eligibility of its employees who perform work under this AGREEMENT, including completing the Employment Eligibility Verification Form (I-9). Upon request by CITY, ENGINEER shall provide CITY with copies of all I-9 forms and supporting eligibility documentation for each employee who performs work under this AGREEMENT. ENGINEER shall adhere to all Federal and State laws as well as establish appropriate procedures and controls so that no services will be performed by any ENGINEER employee who is not legally eligible to perform such services. CITY, upon written notice to ENGINEER, shall have the right to immediately terminate this AGREEMENT for violations of this provision by ENGINEER.

L. Prohibition On Contracts With Companies Boycotting Israel

Engineer acknowledges that in accordance with Chapter 2271 of the Texas Government Code, City is prohibited from entering into a contract with a company for goods or services unless the contract contains a written verification from the company that it: (1) does not boycott Israel; and (2) will not boycott Israel during the term of the contract. The terms "boycott Israel" and "company" shall have the meanings ascribed to those terms in Section 808.001 of the Texas Government Code. ***By signing this agreement, Engineer certifies that Engineer's signature provides written verification to the City that Engineer: (1) does not boycott Israel; and (2) will not boycott Israel during the term of the agreement.*** Failure to meet or maintain the requirements under this provision will be considered a material breach.

M. Prohibition On Contracts With Companies Doing Business with Iran, Sudan, or a Foreign Terrorist Organization

Sections 2252 and 2270 of the Texas Government Code restricts CITY from contracting with companies that do business with Iran, Sudan, or a foreign terrorist organization. ***By signing this agreement, Engineer certifies that Engineer's signature provides written verification to the City that Engineer, pursuant to Chapters 2252 and 2270, is not ineligible to enter into this agreement and will not become ineligible to receive payments under this agreement by doing business with Iran, Sudan, or a***

foreign terrorist organization. Failure to meet or maintain the requirements under this provision will be considered a material breach.

N. Prohibition on Contracts with Companies Boycotting Certain Energy Companies

Engineer acknowledges that in accordance with Chapter 2274 of the Texas Government Code, City is prohibited from entering into a contract with a company for goods or services unless the contract contains written verification from the company that it (1) does not boycott energy companies; and (2) will not boycott energy companies during the term of the contract. The terms “boycott energy company” and “company” shall have the meanings ascribed to those terms in Section 809.001 of the Texas Government Code. ***By signing this agreement, Engineer certifies that Engineer’s signature provides written verification to the City that Engineer: (1) does not boycott energy companies; and (2) will not boycott energy companies during the term of the agreement.*** Failure to meet or maintain the requirements under this provision will be considered a material breach.

O. Prohibition on Contracts with Companies Boycotting Certain Firearm Entities and Firearm Trade Associations

Engineer acknowledges that in accordance with Chapter 2274 of the Texas Government Code, City is prohibited from entering into a contract with a company for goods or services unless the contract contains written verification from the company that it (1) does not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association; and (2) will not discriminate during the term of the contract against a firearm entity or firearm trade association. The terms “discriminate against a firearm entity or firearm trade association,” “firearm entity” and “firearm trade association” shall have the meanings ascribed to those terms in Chapter 2274 of the Texas Government Code. ***By signing this agreement, Engineer certifies that Engineer’s signature provides written verification to the City that Engineer: (1) does not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association; and (2) will not discriminate during the term of the contract against a firearm entity or firearm trade association.*** Failure to meet or maintain the requirements under this provision will be considered a material breach.

P. Termination Right for Contracts with Companies Doing Business with Certain Foreign-Owned Companies

The City of Denton may terminate this Contract immediately without any further liability if the City of Denton determines, in its sole judgment, that this Contract meets the requirements under Chapter 2274, and Engineer is, or will be in the future, (i) owned by or the majority of stock or other ownership interest of the company is held or controlled

by individuals who are citizens of China, Iran, North Korea, Russia, or other designated country (ii) directly controlled by the Government of China, Iran, North Korea, Russia, or other designated country, or (iii) is headquartered in China, Iran, North Korea, Russia, or other designated country.

Q. PROHIBITION AGAINST PERSONAL INTEREST IN CONTRACTS

No officer, employee, independent consultant, or elected official of the City who is involved in the development, evaluation, or decision-making process of the performance of any solicitation shall have a financial interest, direct or indirect, in the Contract resulting from that solicitation as defined in the City's Ethic Ordinance 18-757 and in the City Charter chapter 2 article XI(Ethics). Any willful violation of this section shall constitute impropriety in office, and any officer or employee guilty thereof shall be subject to disciplinary action up to and including dismissal. Any violation of this provision, with the knowledge, expressed or implied, of the Contractor shall render the Contract voidable by the City. The Contractor shall complete and submit the City's Conflict of Interest Questionnaire.

R. Agreement Documents

This AGREEMENT, including its attachments and schedules, constitutes the entire AGREEMENT, which supersedes all prior written or oral understandings, and may only be changed by a written amendment executed by both parties. This AGREEMENT may be executed in one or more counterparts and each counterpart shall, for all purposes, be deemed an original, but all such counterparts shall together constitute but one and the same instrument. The following attachments and schedules are hereby made a part of this AGREEMENT:

- Attachment A - RFQ 8209 Airport Engineering Services (on file at the purchasing office)
- Attachment B - Scope of Services, Compensation & Project Schedule

These documents make up the AGREEMENT documents and what is called for by one shall be as binding as if called for by all. In the event of an inconsistency or conflict in any of the provisions of the AGREEMENT documents, the inconsistency or conflict shall be resolved by giving precedence first to the written AGREEMENT then to the AGREEMENT documents in the order in which they are listed above.

The parties agree to transact business electronically. Any statutory requirements that certain terms be in writing will be satisfied using electronic documents and signing. Electronic signing of this document will be deemed an original for all legal purposes.

Duly executed by each party's designated representative to be effective on
08/28/2023_____.

THIS AGREEMENT HAS BEEN
BOTH REVIEWED AND APPROVED
as to financial and operational
obligations and business terms.

DocuSigned by:

Scott Gray

Signature

Airport Director
Title

Airport
Department

BY:
CITY OF DENTON, TEXAS

DocuSigned by:

Gabby Leeper

Authorized Agent

BY:
ENGINEER
Garver

DocuSigned by:

Mitchell McInally

Authorized Agent, Title

Attachment B - Scope of Services, Compensation & Project Schedule



3010 Gaylord Parkway
Suite 190
Frisco, TX 75034
TEL 972.377.7480
FAX 972.377.8380
www.GarverUSA.com

July 11, 2023

Scott Gray, CM, CAE
Denton Enterprise Airport
Airport Director
5000 Airport Road
Denton, TX 76207

Re: Denton Enterprise Airport (DTO)
Stormwater Pollution Prevention Plan (SWPPP) Update
Engineering Services Proposal

Dear Mr. Gray:

Garver is pleased to submit this proposal to provide engineering professional services related to the above referenced project.

COMPENSATION

For the Airport SWPPP Update project, the hourly not-to-exceed fee of **\$15,000.00** is based on the completion of SWPPP book update. A detailed breakdown of the proposed fee for these services is included within Exhibit B.

SCHEDULE

Garver acknowledges the importance of the project schedule to the City of Denton and agrees to put forth its best professional efforts to perform its services under this Agreement in a manner consistent with that schedule.

Barring unforeseen circumstances beyond the control of Garver, we would anticipate completing the work within a mutually agreeable schedule that aligns with the City of Denton.

Garver is pleased to have this opportunity to submit this proposal and look forward to working with you on this project. If you have any questions or would like any additional information, please feel free to call me anytime at 214-619-9023.

Sincerely,

A handwritten signature in blue ink that reads 'Mitchell McAnally'.

Mitchell McAnally, PE, PMP
Senior Project Manager

Attachments: Exhibit A – Scope of Services
Exhibit B – Fee Spreadsheet



**EXHIBIT B
(SCOPE OF SERVICES)**

Generally, the Scope of Services includes the following professional services for the Stormwater Pollution Prevention Plan (SWPPP) update at Denton Enterprise Airport (DTO).

1. ENVIRONMENTAL SERVICES

1.1. Garver (Consultant) shall perform environmental tasks to update current Spill Prevention Control and Countermeasure Plan and the Stormwater Pollution Prevention Plan. If required, the Consultant will coordinate with City staff for airport spill prevention and stormwater specifics for completion of the documents. The Consultant will provide the following services:

1.1.1. Update the Spill Prevention Control and Countermeasure (SPCC) Plan. The Consultant shall update the SPCC Plan based on City comments and suggestions.

1.1.2. Update the Stormwater Pollution Prevention Plan (SWPPP). The Consultant will apply the SPCC applicable comments to the SWPPP and confirm the SWPPP is current with the TCEQ permit.

2. PROJECT DELIVERABLES

2.1. The following deliverables will be submitted to the parties identified below. Unless otherwise noted below, all deliverables shall be electronic.

- Updated Airport SWPPP plan
- Updated SPCC plan as a part of the SWPPP Plan

3. ADDITIONAL SERVICES

3.1. The following items are not included under this agreement but will be considered as additional services to be added under Amendment if requested by the Owner.

- Redesign for the Owner's convenience or due to changed conditions after previous alternate direction and/or approval.
- Deliverables beyond those listed herein.
- Design of any utility relocation.
- Engineering, architectural, or other professional services beyond those listed herein.
- Environmental Handling and Documentation, including wetlands identification or mitigation plans or other work related to environmentally or historically (culturally) significant items.

4. SCHEDULE

4.1. Garver shall begin work under this Agreement upon execution of this Agreement and shall complete the work within a mutually agreeable schedule with the Owner.



Exhibit B
Denton Enterprise Airport (DTO)
SWPPP Update
Garver Hourly Rate Schedule: July 2023 - June 2024

Classification	Rates	Classification	Rates
Engineers / Architects		Resource Specialists	
E-1	\$ 161.00	RS-1	\$ 104.00
E-2	\$ 189.00	RS-2	\$ 137.00
E-3	\$ 225.00	RS-3	\$ 194.00
E-4	\$ 265.00	RS-4	\$ 268.00
E-5	\$ 322.00	RS-5	\$ 335.00
E-6	\$ 397.00	RS-6	\$ 411.00
E-7	\$ 444.00	RS-7	\$ 460.00
Planners		Environmental Specialists	
P-1	\$ 194.00	ES-1	\$ 104.00
P-2	\$ 230.00	ES-2	\$ 131.00
P-3	\$ 261.00	ES-3	\$ 168.00
P-4	\$ 320.00	ES-4	\$ 198.00
P-5	\$ 380.00	ES-5	\$ 248.00
Designers		ES-6	\$ 318.00
D-1	\$ 145.00	ES-7	\$ 398.00
D-2	\$ 164.00	ES-8	\$ 450.00
D-3	\$ 194.00	Project Controls	
D-4	\$ 227.00	PC-1	\$ 106.00
Technicians		PC-2	\$ 140.00
T-1	\$ 126.00	PC-3	\$ 178.00
T-2	\$ 170.00	PC-4	\$ 229.00
T-3	\$ 184.00	PC-5	\$ 280.00
T-4	\$ -	PC-6	\$ 361.00
Surveyors		PC-7	\$ 454.00
S-1	\$ 78.00	Administration / Management	
S-2	\$ 93.00	AM-1	\$ 75.00
S-3	\$ 128.00	AM-2	\$ 96.00
S-4	\$ 175.00	AM-3	\$ 134.00
S-5	\$ 230.00	AM-4	\$ 171.00
S-6	\$ 268.00	AM-5	\$ 209.00
2-Man Crew (Survey)	\$ 291.00	AM-6	\$ 272.00
3-Man Crew (Survey)	\$ 351.00	AM-7	\$ 320.00
2-Man Crew (GPS Survey)	\$ 344.00	M-1	\$ 510.00
3-Man Crew (GPS Survey)	\$ 403.00		
Construction Observation			
C-1	\$ 112.00		
C-2	\$ 140.00		
C-3	\$ 171.00		
C-4	\$ 221.00		
C-5	\$ 259.00		

Exhibit B

Denton Enterprise Airport (DTO) SWPPP Update

FEE SUMMARY

Title I Service	Estimated Fees
Environmental Services	\$ 15,000.00
Subtotal for Title I Service	\$ 15,000.00

Exhibit B**Denton Enterprise Airport (DTO)
SWPPP Update****Environmental Services**

WORK TASK DESCRIPTION	E-5	ES-4	ES-2	AM-2
	hr	hr	hr	hr
1. Categorical Exclusion (CATEX)				
Virtual Kickoff Meeting	1	1	2	
Coordination with Airport & City of Denton	1	4	2	
Site investigation to verify existing conditions		8	8	
Update SWPPP Document		8	16	
Update SPCC Plan		8	16	
Virtual Review Meeting		1	2	
Finalize SWPPP & SPCC Updates		2	4	
Project Administration	1	2		4
Subtotal - Categorical Exclusion (CATEX)	3	34	50	4

Hours **3** **34** **50** **4**

SUBTOTAL - SALARIES: **\$14,632.00**

DIRECT NON-LABOR EXPENSES

Document Printing/Reproduction/Assembly	\$123.00
Postage/Freight/Courier	\$30.00
Office Supplies/Equipment	\$25.00
Computer Modeling/Software Use	\$100.00
Travel Costs	\$90.00

SUBTOTAL - DIRECT NON-LABOR EXPENSES: **\$368.00**

SUBTOTAL: **\$15,000.00**

SUBCONSULTANTS FEE: **\$0.00**

TOTAL FEE: **\$15,000.00**

Certificate Of Completion

Envelope Id: B0FE7BEE6DE14CDE97861A59E5148936	Status: Completed
Subject: ***Purchasing Approval**8209 Airport Engineering Services	
Source Envelope:	
Document Pages: 24	Signatures: 3
Certificate Pages: 5	Initials: 1
AutoNav: Enabled	Envelope Originator:
Envelopeld Stamping: Enabled	Gabby Leeper
Time Zone: (UTC-06:00) Central Time (US & Canada)	901B Texas Street
	Denton, TX 76209
	Gabby.Leeper@cityofdenton.com
	IP Address: 198.49.140.10


Record Tracking

Status: Original	Holder: Gabby Leeper	Location: DocuSign
8/24/2023 4:33:53 PM	Gabby.Leeper@cityofdenton.com	


Signer Events

Signer Events	Signature	Timestamp
Gabby Leeper gabby.leeper@cityofdenton.com Buyer City of Denton Security Level: Email, Account Authentication (None)	Completed Using IP Address: 198.49.140.10	Sent: 8/24/2023 4:36:33 PM Viewed: 8/24/2023 4:36:41 PM Signed: 8/24/2023 4:39:46 PM

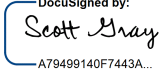
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Lori Hewell lori.hewell@cityofdenton.com Purchasing Manager City of Denton Security Level: Email, Account Authentication (None)	 Signature Adoption: Pre-selected Style Using IP Address: 198.49.140.10	Sent: 8/24/2023 4:39:47 PM Viewed: 8/25/2023 11:05:10 AM Signed: 8/25/2023 11:08:28 AM
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Electronic Record and Signature Disclosure:
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Mitchell McAnally MRMcAnally@GarverUSA.com Senior Project Manager Security Level: Email, Account Authentication (None)	 Signature Adoption: Pre-selected Style Using IP Address: 50.58.5.110	Sent: 8/25/2023 11:08:30 AM Resent: 8/28/2023 2:58:12 PM Viewed: 8/28/2023 2:59:22 PM Signed: 8/28/2023 2:59:42 PM
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Electronic Record and Signature Disclosure:
Accepted: 8/28/2023 2:59:22 PM
ID: e93cb10a-0cd2-4b32-a449-67e985e3427a

Scott Gray scott.gray@cityofdenton.com Airport Director x Security Level: Email, Account Authentication (None)	 Signature Adoption: Pre-selected Style Using IP Address: 198.49.140.10	Sent: 8/28/2023 2:59:44 PM Viewed: 8/28/2023 3:03:53 PM Signed: 8/28/2023 3:04:15 PM
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Electronic Record and Signature Disclosure:
Accepted: 8/28/2023 3:03:53 PM
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Agent Delivery Events	Status	Timestamp
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Intermediary Delivery Events	Status	Timestamp
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Certified Delivery Events	Status	Timestamp
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Carbon Copy Events	Status	Timestamp
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Cheyenne Defee cheyenne.defee@cityofdenton.com Procurement Administration Supervisor City of Denton Security Level: Email, Account Authentication (None)	<div style="border: 2px solid blue; padding: 5px; text-align: center; color: blue; font-weight: bold; font-size: 1.2em;">COPIED</div>	<p>Sent: 8/28/2023 3:20:12 PM</p>
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Electronic Record and Signature Disclosure:
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Witness Events	Signature	Timestamp
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Notary Events	Signature	Timestamp
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Envelope Summary Events	Status	Timestamps
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Signing Complete	Security Checked	8/28/2023 3:20:10 PM
Completed	Security Checked	8/28/2023 3:20:12 PM

Payment Events	Status	Timestamps
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Electronic Record and Signature Disclosure
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ELECTRONIC RECORD AND SIGNATURE DISCLOSURE

From time to time, City of Denton (we, us or Company) may be required by law to provide to you certain written notices or disclosures. Described below are the terms and conditions for providing to you such notices and disclosures electronically through your DocuSign, Inc. (DocuSign) Express user account. Please read the information below carefully and thoroughly, and if you can access this information electronically to your satisfaction and agree to these terms and conditions, please confirm your agreement by clicking the 'I agree' button at the bottom of this document.

Getting paper copies

At any time, you may request from us a paper copy of any record provided or made available electronically to you by us. For such copies, as long as you are an authorized user of the DocuSign system you will have the ability to download and print any documents we send to you through your DocuSign user account for a limited period of time (usually 30 days) after such documents are first sent to you. After such time, if you wish for us to send you paper copies of any such documents from our office to you, you will be charged a \$0.00 per-page fee. You may request delivery of such paper copies from us by following the procedure described below.

Withdrawing your consent

If you decide to receive notices and disclosures from us electronically, you may at any time change your mind and tell us that thereafter you want to receive required notices and disclosures only in paper format. How you must inform us of your decision to receive future notices and disclosure in paper format and withdraw your consent to receive notices and disclosures electronically is described below.

Consequences of changing your mind

If you elect to receive required notices and disclosures only in paper format, it will slow the speed at which we can complete certain steps in transactions with you and delivering services to you because we will need first to send the required notices or disclosures to you in paper format, and then wait until we receive back from you your acknowledgment of your receipt of such paper notices or disclosures. To indicate to us that you are changing your mind, you must withdraw your consent using the DocuSign 'Withdraw Consent' form on the signing page of your DocuSign account. This will indicate to us that you have withdrawn your consent to receive required notices and disclosures electronically from us and you will no longer be able to use your DocuSign Express user account to receive required notices and consents electronically from us or to sign electronically documents from us.

All notices and disclosures will be sent to you electronically

Unless you tell us otherwise in accordance with the procedures described herein, we will provide electronically to you through your DocuSign user account all required notices, disclosures, authorizations, acknowledgements, and other documents that are required to be provided or made available to you during the course of our relationship with you. To reduce the chance of you inadvertently not receiving any notice or disclosure, we prefer to provide all of the required notices and disclosures to you by the same method and to the same address that you have given us. Thus, you can receive all the disclosures and notices electronically or in paper format through the paper mail delivery system. If you do not agree with this process, please let us know as described below. Please also see the paragraph immediately above that describes the consequences of your electing not to receive delivery of the notices and disclosures electronically from us.

How to contact City of Denton:

You may contact us to let us know of your changes as to how we may contact you electronically, to request paper copies of certain information from us, and to withdraw your prior consent to receive notices and disclosures electronically as follows:

To contact us by email send messages to: purchasing@cityofdenton.com

To advise City of Denton of your new e-mail address

To let us know of a change in your e-mail address where we should send notices and disclosures electronically to you, you must send an email message to us at melissa.kraft@cityofdenton.com and in the body of such request you must state: your previous e-mail address, your new e-mail address. We do not require any other information from you to change your email address..

In addition, you must notify DocuSign, Inc to arrange for your new email address to be reflected in your DocuSign account by following the process for changing e-mail in DocuSign.

To request paper copies from City of Denton

To request delivery from us of paper copies of the notices and disclosures previously provided by us to you electronically, you must send us an e-mail to purchasing@cityofdenton.com and in the body of such request you must state your e-mail address, full name, US Postal address, and telephone number. We will bill you for any fees at that time, if any.

To withdraw your consent with City of Denton

To inform us that you no longer want to receive future notices and disclosures in electronic format you may:

- i. decline to sign a document from within your DocuSign account, and on the subsequent page, select the check-box indicating you wish to withdraw your consent, or you may;
- ii. send us an e-mail to purchasing@cityofdenton.com and in the body of such request you must state your e-mail, full name, IS Postal Address, telephone number, and account number. We do not need any other information from you to withdraw consent.. The consequences of your withdrawing consent for online documents will be that transactions may take a longer time to process..

Required hardware and software

Operating Systems:	Windows2000? or WindowsXP?
Browsers (for SENDERS):	Internet Explorer 6.0? or above
Browsers (for SIGNERS):	Internet Explorer 6.0?, Mozilla FireFox 1.0, NetScape 7.2 (or above)
Email:	Access to a valid email account
Screen Resolution:	800 x 600 minimum
Enabled Security Settings:	<ul style="list-style-type: none"> •Allow per session cookies •Users accessing the internet behind a Proxy Server must enable HTTP 1.1 settings via proxy connection

** These minimum requirements are subject to change. If these requirements change, we will provide you with an email message at the email address we have on file for you at that time providing you with the revised hardware and software requirements, at which time you will have the right to withdraw your consent.

Acknowledging your access and consent to receive materials electronically

To confirm to us that you can access this information electronically, which will be similar to other electronic notices and disclosures that we will provide to you, please verify that you were able to read this electronic disclosure and that you also were able to print on paper or electronically save this page for your future reference and access or that you were able to e-mail this disclosure and consent to an address where you will be able to print on paper or save it for your future reference and access. Further, if you consent to receiving notices and disclosures exclusively in electronic format on the terms and conditions described above, please let us know by clicking the 'I agree' button below.

By checking the 'I Agree' box, I confirm that:

- I can access and read this Electronic CONSENT TO ELECTRONIC RECEIPT OF ELECTRONIC RECORD AND SIGNATURE DISCLOSURES document; and
- I can print on paper the disclosure or save or send the disclosure to a place where I can print it, for future reference and access; and
- Until or unless I notify City of Denton as described above, I consent to receive from exclusively through electronic means all notices, disclosures, authorizations, acknowledgements, and other documents that are required to be provided or made available to me by City of Denton during the course of my relationship with you.

ORDINANCE NO.25-284

AN ORDINANCE OF THE CITY OF DENTON, A TEXAS HOME-RULE MUNICIPAL CORPORATION, AUTHORIZING THE APPROVAL OF A FIRST AMENDMENT TO A PROFESSIONAL SERVICES AGREEMENT BETWEEN THE CITY OF DENTON AND GARVER, LLC, AMENDING THE CONTRACT APPROVED BY PURCHASING ON AUGUST 28, 2023, IN THE NOT-TO-EXCEED AMOUNT OF \$15,000.00; SAID FIRST AMENDMENT TO PROVIDE A DRAINAGE STUDY FOR THE DENTON ENTERPRISE AIRPORT; PROVIDING FOR THE EXPENDITURE OF FUNDS THEREFOR; AND PROVIDING AN EFFECTIVE DATE (RFQ 8209 – PROVIDING FOR AN ADDITIONAL FIRST AMENDMENT EXPENDITURE AMOUNT NOT-TO-EXCEED \$70,000.00, WITH THE TOTAL CONTRACT AMOUNT NOT-TO-EXCEED \$85,000.00).

WHEREAS, on August 28, 2023, Purchasing awarded a contract to Garver, LLC in the amount of \$15,000.00, for Airport Engineering Services for the Denton Enterprise Airport; and

WHEREAS, this procurement was undertaken as part of the City’s governmental function; and

WHEREAS, the additional fees under the proposed First Amendment are fair and reasonable and are consistent with, and not higher than, the recommended practices and fees applicable to the Provider’s profession, and such fees do not exceed the maximum provided by law; NOW, THEREFORE,

THE COUNCIL OF THE CITY OF DENTON HEREBY ORDAINS:

SECTION 1. The First Amendment, increasing the amount of the contract between the City and Garver, LLC, which is on file in the office of the Purchasing Agent, in the amount of Seventy Thousand and 0/100 (\$70,000.00) Dollars, is hereby approved, and the expenditure of funds therefor is hereby authorized in accordance with said amendment which shall be effective upon the execution of the amendment attached hereto. The total contract amount increases to \$85,000.00.

SECTION 2. This ordinance shall become effective immediately upon its passage and approval.

The motion to approve this ordinance was made by Joe Holland and seconded by Brandon Chase McGee. This ordinance was passed and approved by the following vote [7 - 0]:

	Aye	Nay	Abstain	Absent
Mayor Gerard Hudspeth:	<u>X</u>	_____	_____	_____
Vicki Byrd, District 1:	<u>X</u>	_____	_____	_____
Brian Beck, District 2:	<u>X</u>	_____	_____	_____
Paul Meltzer, District 3:	<u>X</u>	_____	_____	_____
Joe Holland, District 4:	<u>X</u>	_____	_____	_____
Brandon Chase McGee, At Large Place 5:	<u>X</u>	_____	_____	_____
Jill Jester, At Large Place 6:	<u>X</u>	_____	_____	_____

PASSED AND APPROVED this the 18th day of February, 2025.



 GERARD HUDSPETH, MAYOR

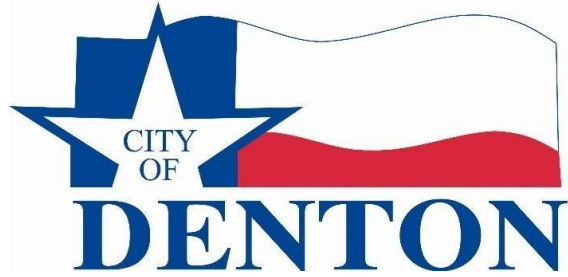
ATTEST:
 LAUREN THODEN, CITY SECRETARY

BY: 

APPROVED AS TO LEGAL FORM:
 MACK REINWAND, CITY ATTORNEY

BY: 





DocuSign City Council Transmittal Coversheet

RFQ	8209
File Name	Airport Engineering Services - Amendment 1
Purchasing Contact	Christina Dormady
City Council Target Date	FEBRUARY 18, 2025
Piggy Back Option	Not Applicable
Contract Expiration	N/A
Ordinance	25-284

**FIRST AMENDMENT TO CONTRACT
BY AND BETWEEN THE CITY OF DENTON, TEXAS
AND GRAVER, LLC
PSA 8209**

THE STATE OF TEXAS §

COUNTY OF DENTON §

THIS FIRST AMENDMENT TO CONTRACT 8209 (“Amendment”) by and between the City of Denton, Texas (“City”) and Garver, LLC (“Engineer”); to that certain contract executed on August 28, 2023, in the original not-to-exceed amount of \$15,000 (the “Agreement”); for services related to Airport Engineering Services.

WHEREAS, the City deems it necessary to further expand the services provided by Engineer to the City pursuant to the terms of the Agreement, and to provide an additional not-to-exceed amount \$70,000 with this Amendment for an aggregate not-to-exceed amount of \$85,000; and

FURTHERMORE, the City deems it necessary to further expand the goods/services provided by Engineer to the City;

NOW THEREFORE, the City and Engineer (hereafter collectively referred to as the “Parties”), in consideration of their mutual promises and covenants, as well as for other good and valuable considerations, do hereby AGREE to the following Amendment, which amends the following terms and conditions of the said Agreement, to wit:

1. The additional services described in Exhibit “A” of this Amendment, attached hereto and incorporated herein for all purposes, for professional services related to Drainage Study, are hereby authorized to be performed by Engineer. For and in consideration of the additional services to be performed by Engineer, the City agrees to pay, based on the cost estimate detail attached as Exhibit “A”, a total fee, including reimbursement for non-labor expenses an amount not to exceed \$70,000.
2. This Amendment modifies the Agreement amount to provide an additional \$70,000 for the additional services with a revised aggregate not to exceed total of \$85,000.

The Parties hereto agree, that except as specifically provided for by this Amendment, that all of the terms, covenants, conditions, agreements, rights, responsibilities, and obligations of the Parties, set forth in the Agreement remain in full force and effect.

IN WITNESS WHEREOF, the City and the Engineer, have each executed this Amendment electronically, by and through their respective duly authorized representatives and officers on this date 2/19/2025.

THIS CONTRACT HAS BEEN
BOTH REVIEWED AND APPROVED
as to financial and operational obligations
and business terms.

Signed by:
Ryan Adams Ryan Adams
SIGNATURE PRINTED NAME

Director of Airport
TITLE
Airport
DEPARTMENT

ATTEST:
LAUREN THODEN, CITY SECRETARY

DocuSigned by:
Lauren Thoden
D09D09CAD33D487...

APPROVED AS TO LEGAL FORM:
MACK REINWAND, CITY ATTORNEY

DocuSigned by:
Marcella Lunn
4B070831B4AA438...

DocuSigned by:
CONTRACTOR
Mitchell McAnally
AUTHORIZED SIGNATURE

Printed Name: Mitchell McAnally

Title: Vice President

214-619-9023
PHONE NUMBER

MRMcAnally@GarverUSA.com

EMAIL ADDRESS
2025-1258741

TEXAS ETHICS COMMISSION
CERTIFICATE NUMBER

CITY OF DENTON, TEXAS

DocuSigned by:
Sara Hensley
SARA HENSLEY
CITY MANAGER



3000 Internet Blvd
Suite 400
Frisco, TX 75034
TEL 972.377.7480
FAX 972.377.8380
www.GarverUSA.com

December 20, 2024

Ryan Adams
Airport Director
Denton Enterprise Airport (DTO)
5000 Airport Road
Denton, TX 76207

Re: Denton Enterprise Airport (DTO)
DTO Drainage Study
Professional Services Proposal (*Revision 1*)

Dear Mr. Adams,

Garver is pleased to submit this proposal to provide professional services relating to the improvements listed in "Exhibit A - Scope of Services" for the referenced project.

COMPENSATION

For the DTO Drainage Study, the not-to-exceed fee of **\$70,000.00** is based upon the scope of services provided in Exhibit A. A detailed breakdown of the proposed fee for the engineering services is included in Exhibit B. The area of study can be found within Exhibit C.

	<u>FEE AMOUNT</u>	<u>FEE TYPE</u>
Title I Services		
Drainage Study	\$70,000.00	LUMP SUM
Subtotal (Title I Services)	\$ 70,000.00	
Total	\$70,000.00	

Garver is pleased to have this opportunity to submit this proposal, and we look forward to working with you on this project. If you have any questions or would like any additional information, please feel free to call me at 214-619-9023.

Sincerely,
GARVER

Mitchell McAnally, PMP, PE
Senior Project Manager

Attachments: Exhibit A – Scope of Services
Exhibit B – Garver Fee Spreadsheet
Exhibit C – Area of Study



EXHIBIT A (SCOPE OF SERVICES)

Generally, the Scope of Services includes the following professional services for the Drainage Study at the Denton Enterprise Airport (DTO) with the study limits shown on the attached exhibit and stated in Section 2.4. The Drainage Study will be conducted as shown in the attached Exhibit C.

- Project Administration
- Drainage Study

1. PROJECT ADMINISTRATION

- 1.1. Garver will serve as the Owner's representative for the project and furnish consultation and advice to the Owner during the performance of this service. Garver will attend conferences alone or with Owner's representatives, local officials, state and federal agencies, and others regarding the scope of the proposed project, its general design, functions, and impacts.

2. DRAINAGE STUDY

Conduct a planning level Downstream Assessment based on guidance from the City of Denton Exhibit A Stormwater Design Criteria Manual, dated October 2024, and the North Central Texas Council of Governments (NCTCOG) integrated Stormwater Management (iSWM) Technical Manual, latest edition. The Downstream Assessment shall consider the current master development plan for the Denton Enterprise Airport (DTO) property and assume "full build out" developed conditions.

- 2.1. Garver will perform a data collection and data gathering task to obtain the following readily available and accessible information:
 - 2.1.1. Garver will prepare a FIS data request for the effective technical and administrative support documentation for Dry Fork Hickory Creek and Hickory Creek within the project approximate project limits. Garver will submit the data request and payment to the FEMA Engineering Library electronically by email to FEMA-EngineeringLibrary@fema.dhs.gov.
 - 2.1.2. Obtain existing as-built plans and drainage design data, including hydrologic and hydraulic model(s), and master development plan for the DTO property.
 - 2.1.3. Obtain publicly available GIS data, lidar topographic data, aerial photography, and NRCS SSURGO digital soils data for portions of Dry Fork Hickory Creek and Hickory Creek watersheds.
 - 2.1.4. Submit a data request to the City of Denton for any hydrologic and hydraulic models within the study area, FEMA effective FIS technical and administrative support documentation for Dry Fork Hickory Creek and Hickory Creek watersheds.
- 2.2. Garver will develop hydrologic models for the Downstream Assessments of Dry Fork Hickory Creek and Hickory Creek since portions of the airport property drain into both watersheds. The USACE HEC-HMS software will utilize the SCS Unit Hydrograph Method to estimate peak discharges for the 1-, 25-, and 100-year, 24-hour storm events. Modeling methodology and parameters will be selected in accordance with standard engineering practice and Owner standards. Modeling parameters, such as areas, slopes, drainage paths, distances, etc. will be obtained from publicly available Lidar, surveys, planimetric contour maps, and aerial photos.



- 2.2.1. Hydrologic analysis of the pre- and post-development on-site conditions based on the current airport master development plan.
 - 2.2.2. Offsite undeveloped areas will be considered as “full build-out” for both the pre- and post-development analyses based on the City of Denton’s future land use map and/or master development plan.
 - 2.2.3. The Downstream Assessment will evaluate streambank protection and flood mitigation storm events. Since this is a planning level study, the conveyance storm will only include the evaluation of the outlet discharges and will not include a detailed analysis of the individual on-site sub-basins and improvements needed for the full build-out (i.e., streets, sidewalks, inlets, storm drain pipe systems, etc.) to convey the on-site runoff to the drainage basin outlet(s).
- 2.3. Garver will review the effective hydraulic models, if available, from the FEMA FIS data request. If the models are provided in a usable electronic file format, and Garver determines the models to be adequate to represent current existing conditions, Garver will utilize the FEMA effective hydraulic model as the basis of the Downstream Assessment.
 - 2.4. If the FEMA effective hydraulic models are not provided in a usable electronic file format, Garver will develop hydraulic models for the Downstream Assessment of Dry Fork Hickory Creek and Hickory Creek. The USACE HEC-RAS software will be used to develop unsteady-flow one-dimensional hydraulic models to evaluate water surface elevations and velocities along the stream reach.
 - 2.4.1. The limits of the hydraulic modeling for Dry Fork Hickory Creek will begin at FEMA cross section “B” and continue upstream to FEMA cross section “J”.
 - 2.4.2. The limits of the hydraulic modeling for Hickory Creek will begin at FEMA cross section “F” and continue upstream to FEMA cross section “J”.
 - 2.5. If the result of the Downstream Assessment determines that stormwater detention is required for the “full build-out” of the DTO property, Garver will estimate the storage volume required to mitigate the increased peak discharges due to proposed site development leaving the site in accordance with the City of Denton Exhibit A Stormwater Design Criteria Manual, dated October 2024. This will include conceptual level planning and design only and shall not include the detailed design of a stormwater detention facility.
 - 2.6. Garver will develop a brief drainage analysis and this information will be included in the final engineer’s report. The drainage analysis report will include the following:
 - Pre-development drainage methodology and results
 - Conceptual planning level post-development drainage methodology and results
 - Planning level drainage recommendations

3. DESIGN SERVICES

- 3.1. General: Garver will prepare detailed drainage study for the Denton Enterprise Airport (DTO). These designs shall conform to the standards of practice ordinarily used by members of Garver’s profession practicing under similar conditions and shall be submitted to the City of Denton from which approval must be obtained.



3.2. Owner / Agency Coordination: Garver's project manager and/or design team will coordinate with the Owner as necessary to coordinate design decisions, site visits, document procurement, or other design needs.

3.3. Project Management Plan / Quality Control Procedures

5.3.1 Garver will develop a project specific project management plan. The project management plan will include the project background, scope of work, stakeholder contact information, project team organization and roles, design criteria, project schedule, deliverables, and quality control procedures.

5.3.2 Garver will complete quality control reviews for each deliverable prior to any design submission to Owner and/or FAA. Quality control reviews will be completed by qualified project managers, project engineers, and/or senior construction observers who are experienced in the relevant discipline and design elements under review. Weekly internal progress meetings will be held during all design phases to ensure adequate quality control throughout the design phases.

4. PROJECT DELIVERABLES

4.1. The following deliverables will be submitted to the parties identified below. Unless otherwise noted below, all deliverables shall be electronic.

- PDF Drainage Study Report describing the findings of the planning level analyses to the City of Denton and Denton Enterprise Airport (DTO)
 - One hard copy
- Other electronic files as requested.

5. ADDITIONAL SERVICES

5.1. The following items are not included under this agreement but will be considered as additional services to be added under Amendment if requested by the Owner.

- Redesign for the Owner's convenience or due to changed conditions after previous alternate direction and/or approval.
- Deliverables beyond those listed herein.
- Engineering, architectural, or other professional services beyond those listed herein.
- Preparation of a Storm Water Pollution Prevention Plan (SWPPP). The construction contract documents will require the Contractor to prepare, maintain, and submit a SWPPP to DEQ.
- Construction Administration Services, On-Site Construction Observation, and/or Construction Materials Testing.
- Environmental Handling and Documentation, including wetlands identification or mitigation plans or other work related to environmentally or historically (culturally) significant items.
- Coordination with FEMA and preparation/submittal of a CLOMR and/or LOMR.
- Services after construction, such as warranty follow-up, operations support, and Part 139 inspection support.



6. SCHEDULE

6.1. Garver shall begin work under this Agreement within ten (10) days of execution of this Agreement and shall complete the work in accordance with the schedule below:

Design Phase	Calendar Months
Drainage Study Report	4 Months from the receipt of Client furnished as-builts and/or FEMA Effective model, whichever is latest

Exhibit B

**Denton Enterprise Airport (DTO)
 DTO Drainage Study**

DRAINAGE STUDY

WORK TASK DESCRIPTION	E-6	E-5	E-4	E-3	E-2	E-1	AM-2
	\$316.00	\$257.00	\$211.00	\$180.00	\$157.00	\$135.00	\$100.00
	hr	hr	hr	hr	hr	hr	hr
1. Project Management							
Administration and Internal Coordination	10		16		8		
Review meeting (virtual)			2		2		
Subtotal - Project Management	10	0	18	0	10	0	0
2. Data Collection and Gathering							
FEMA FIS data request					2		
DTO data request			2				
Online GIS data collection					2	2	
City of Denton data request			2				
Subtotal - Data Collection and Gathering	0	0	4	0	4	2	0
3. Hydrologic Analyses							
Pre-Development (Existing) Conditions							
Review/evaluate as-built data			2		2		
Lidar surface processing and preparation					1	2	
GIS base map preparation					2	2	
Delineate watershed and subbasin boundaries					2	4	
Develop land use and CN polygons					4	8	
Determine time of concentration/lag times					2	8	
Develop HEC-HMS model					2	8	
Execute and revise HEC-HMS model					2	4	
Extract model results and format data					1	2	
QA/QC and revisions			4		4	8	
Post-Development (Proposed) Conditions							
Develop land use and CN polygons					2	8	
Delineate watershed and subbasin boundaries					2	4	
Determine time of concentration/lag times					2	8	
Develop HEC-HMS model					2	8	
Execute and revise HEC-HMS model					2	4	
Extract model results and format data					1	2	
QA/QC and revisions			4		4	8	
Subtotal - Hydrologic Analyses	0	0	10	0	37	88	0
4. Hydraulic Analyses							
Dry Fork Hickory Creek HEC-RAS Model							
Develop base mapping					2	4	
Develop cross section geometry (15 sections)					8	24	
Develop roadway geometry (4 crossings)					2	4	
Develop pre-development flow data						2	
Execute and revise pre-development plan			4			12	
Develop post-development flow data						2	
Execute and revise post-development plan			2			8	
Hickory Creek HEC-RAS Model							
Develop base mapping					2	4	
Develop cross section geometry (8 sections)					4	16	
Develop roadway geometry (1 crossing)					1	2	
Develop pre-development flow data						2	

Execute and revise pre-development plan			4			8	
Develop post-development flow data						2	
Execute and revise post-development plan			2			4	
QA/QC and revisions			12		8	8	
Subtotal - Hydraulic Analyses	0	0	24	0	27	102	0
5. Stormwater Detention Analyses							
Estimate basin size					10	20	
Develop HEC-HMS model parameters			4		4	8	
Execute and revise HEC-HMS model parameters					2	4	
Extract model results and format data					2	4	
QA/QC and revisions			4				
Subtotal - Stormwater Detention Analyses	0	0	8	0	18	36	0
6. Drainage Report							
Prepare drainage report					12	16	
QA/QC and revisions			4		4	8	
Subtotal - Drainage Report	0	0	4	0	16	24	0

Hours	10	0	68	0	112	252	0
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SUBTOTAL - SALARIES: \$69,112.00

DIRECT NON-LABOR EXPENSES

Document Printing/Reproduction/Assembly	\$210.00
Postage/Freight/Courier	\$108.00
FEMA FIS Data Request	\$400.00
Travel Costs	\$170.00

SUBTOTAL - DIRECT NON-LABOR EXPENSES: \$888.00

SUBTOTAL: \$70,000.00

SUBCONSULTANTS FEE: \$0.00

TOTAL FEE: \$70,000.00

Certificate Of Completion

Envelope Id: 41856D41-CA8E-4473-B2B2-8CD62C7CF97D

Status: Completed

Subject: Please DocuSign: City Council Contract - 8209 Airport Engineering Services - Amendment 1

Source Envelope:

Document Pages: 10

Signatures: 5

Envelope Originator:

Certificate Pages: 6

Initials: 1

Christina Dormady

AutoNav: Enabled

901B Texas Street

Envelopeld Stamping: Enabled

Denton, TX 76209

Time Zone: (UTC-06:00) Central Time (US & Canada)

christina.dormady@cityofdenton.com

IP Address: 198.49.140.10

Record Tracking

Status: Original

Holder: Christina Dormady

Location: DocuSign

1/17/2025 8:22:14 AM

christina.dormady@cityofdenton.com

Signer Events

Signature

Timestamp

Christina Dormady

Completed

Sent: 1/17/2025 8:29:02 AM

christina.dormady@cityofdenton.com

Viewed: 1/17/2025 8:29:09 AM

Buyer

Signed: 1/17/2025 8:29:52 AM

City of Denton

Using IP Address: 198.49.140.10

Security Level: Email, Account Authentication
(None)

Electronic Record and Signature Disclosure:

Not Offered via DocuSign

Lori Hewell

Sent: 1/17/2025 8:29:54 AM

lori.hewell@cityofdenton.com

Viewed: 1/17/2025 8:39:54 AM

Purchasing Manager

Signed: 1/17/2025 8:40:31 AM

City of Denton

Signature Adoption: Pre-selected Style

Security Level: Email, Account Authentication
(None)

Using IP Address: 198.49.140.104

Electronic Record and Signature Disclosure:

Not Offered via DocuSign

Marcella Lunn

DocuSigned by:

48070831B4AA438...

Sent: 1/17/2025 8:40:34 AM

marcella.lunn@cityofdenton.com

Viewed: 1/17/2025 4:05:26 PM

Senior Deputy City Attorney

Signed: 1/17/2025 4:06:13 PM

City of Denton

Signature Adoption: Pre-selected Style

Security Level: Email, Account Authentication
(None)

Using IP Address: 198.49.140.104

Electronic Record and Signature Disclosure:

Not Offered via DocuSign

Mitchell McAnally

DocuSigned by:

D86D2056A6A64C0...

Sent: 1/17/2025 4:06:15 PM

MRMcAnally@GarverUSA.com

Viewed: 1/17/2025 4:22:53 PM

Vice President

Signed: 1/20/2025 9:36:12 AM

Security Level: Email, Account Authentication
(None)



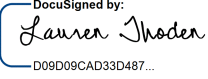
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Electronic Record and Signature Disclosure:

Accepted: 1/17/2025 4:22:53 PM

ID: f3cdee80-17ea-4b6f-8156-0f5648d970b0

Signer Events	Signature	Timestamp
<p>Ryan Adams ryan.adams@cityofdenton.com Director of Airport Security Level: Email, Account Authentication (None)</p> <p>Electronic Record and Signature Disclosure: Accepted: 1/20/2025 11:16:16 AM ID: c4881605-e132-4632-b387-abcfaa27b9f0</p>	<p>Signed by:  76544D73C36F499...</p> <p>Signature Adoption: Pre-selected Style Using IP Address: 104.28.50.134 Signed using mobile</p>	<p>Sent: 1/20/2025 9:36:15 AM Viewed: 1/20/2025 11:16:16 AM Signed: 1/20/2025 11:17:04 AM</p>
<p>Cheyenne Defee cheyenne.defee@cityofdenton.com Procurement Administration Supervisor City of Denton Security Level: Email, Account Authentication (None)</p> <p>Electronic Record and Signature Disclosure: Not Offered via DocuSign</p>	<p>Completed</p> <p>Using IP Address: 198.49.140.10</p>	<p>Sent: 1/20/2025 11:17:07 AM Viewed: 2/19/2025 8:38:46 AM Signed: 2/19/2025 8:39:02 AM</p>
<p>Sara Hensley sara.hensley@cityofdenton.com City Manager City of Denton Security Level: Email, Account Authentication (None)</p> <p>Electronic Record and Signature Disclosure: Not Offered via DocuSign</p>	<p>DocuSigned by:  5236DB296270423...</p> <p>Signature Adoption: Pre-selected Style Using IP Address: 107.77.197.70 Signed using mobile</p>	<p>Sent: 2/19/2025 8:39:04 AM Viewed: 2/19/2025 8:39:39 AM Signed: 2/19/2025 8:39:46 AM</p>
<p>Lauren Thoden lauren.thoden@cityofdenton.com City Secretary Security Level: Email, Account Authentication (None)</p> <p>Electronic Record and Signature Disclosure: Not Offered via DocuSign</p>	<p>DocuSigned by:  D09D09CAD33D487...</p> <p>Signature Adoption: Pre-selected Style Using IP Address: 198.49.140.10</p>	<p>Sent: 2/19/2025 8:39:49 AM Viewed: 2/19/2025 8:42:15 AM Signed: 2/19/2025 8:43:48 AM</p>

In Person Signer Events	Signature	Timestamp
Editor Delivery Events	Status	Timestamp
Agent Delivery Events	Status	Timestamp
Intermediary Delivery Events	Status	Timestamp
Certified Delivery Events	Status	Timestamp
Carbon Copy Events	Status	Timestamp
<p>Cheyenne Defee cheyenne.defee@cityofdenton.com Procurement Administration Supervisor City of Denton Security Level: Email, Account Authentication (None)</p> <p>Electronic Record and Signature Disclosure: Not Offered via DocuSign</p>	<div style="border: 2px solid blue; padding: 5px; text-align: center; font-weight: bold; font-size: 1.2em; color: blue;">COPIED</div>	<p>Sent: 1/17/2025 8:29:54 AM</p>

Carbon Copy Events	Status	Timestamp
Gretna Jones gretna.jones@cityofdenton.com Legal Secretary City of Denton Security Level: Email, Account Authentication (None) Electronic Record and Signature Disclosure: Not Offered via DocuSign	COPIED	Sent: 1/20/2025 11:17:06 AM Viewed: 1/21/2025 12:39:01 PM
City Secretary Office citysecretary@cityofdenton.com Security Level: Email, Account Authentication (None) Electronic Record and Signature Disclosure: Not Offered via DocuSign	COPIED	Sent: 2/19/2025 8:43:50 AM
Chase Patterson chase.patterson@cityofdenton.com Security Level: Email, Account Authentication (None) Electronic Record and Signature Disclosure: Accepted: 11/26/2024 9:22:49 AM ID: 3efe3689-4ec1-434f-9513-baabcef8f516	COPIED	Sent: 2/19/2025 8:43:51 AM Viewed: 2/19/2025 9:00:40 AM

Witness Events	Signature	Timestamp
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Notary Events	Signature	Timestamp
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Envelope Summary Events	Status	Timestamps
Envelope Sent	Hashed/Encrypted	1/17/2025 8:29:02 AM
Certified Delivered	Security Checked	2/19/2025 8:42:15 AM
Signing Complete	Security Checked	2/19/2025 8:43:48 AM
Completed	Security Checked	2/19/2025 8:43:51 AM

Payment Events	Status	Timestamps
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Electronic Record and Signature Disclosure
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ELECTRONIC RECORD AND SIGNATURE DISCLOSURE

From time to time, City of Denton (we, us or Company) may be required by law to provide to you certain written notices or disclosures. Described below are the terms and conditions for providing to you such notices and disclosures electronically through your DocuSign, Inc. (DocuSign) Express user account. Please read the information below carefully and thoroughly, and if you can access this information electronically to your satisfaction and agree to these terms and conditions, please confirm your agreement by clicking the 'I agree' button at the bottom of this document.

Getting paper copies

At any time, you may request from us a paper copy of any record provided or made available electronically to you by us. For such copies, as long as you are an authorized user of the DocuSign system you will have the ability to download and print any documents we send to you through your DocuSign user account for a limited period of time (usually 30 days) after such documents are first sent to you. After such time, if you wish for us to send you paper copies of any such documents from our office to you, you will be charged a \$0.00 per-page fee. You may request delivery of such paper copies from us by following the procedure described below.

Withdrawing your consent

If you decide to receive notices and disclosures from us electronically, you may at any time change your mind and tell us that thereafter you want to receive required notices and disclosures only in paper format. How you must inform us of your decision to receive future notices and disclosure in paper format and withdraw your consent to receive notices and disclosures electronically is described below.

Consequences of changing your mind

If you elect to receive required notices and disclosures only in paper format, it will slow the speed at which we can complete certain steps in transactions with you and delivering services to you because we will need first to send the required notices or disclosures to you in paper format, and then wait until we receive back from you your acknowledgment of your receipt of such paper notices or disclosures. To indicate to us that you are changing your mind, you must withdraw your consent using the DocuSign 'Withdraw Consent' form on the signing page of your DocuSign account. This will indicate to us that you have withdrawn your consent to receive required notices and disclosures electronically from us and you will no longer be able to use your DocuSign Express user account to receive required notices and consents electronically from us or to sign electronically documents from us.

All notices and disclosures will be sent to you electronically

Unless you tell us otherwise in accordance with the procedures described herein, we will provide electronically to you through your DocuSign user account all required notices, disclosures, authorizations, acknowledgements, and other documents that are required to be provided or made available to you during the course of our relationship with you. To reduce the chance of you inadvertently not receiving any notice or disclosure, we prefer to provide all of the required notices and disclosures to you by the same method and to the same address that you have given us. Thus, you can receive all the disclosures and notices electronically or in paper format through the paper mail delivery system. If you do not agree with this process, please let us know as described below. Please also see the paragraph immediately above that describes the consequences of your electing not to receive delivery of the notices and disclosures electronically from us.

How to contact City of Denton:

You may contact us to let us know of your changes as to how we may contact you electronically, to request paper copies of certain information from us, and to withdraw your prior consent to receive notices and disclosures electronically as follows:

To contact us by email send messages to: purchasing@cityofdenton.com

To advise City of Denton of your new e-mail address

To let us know of a change in your e-mail address where we should send notices and disclosures electronically to you, you must send an email message to us at melissa.kraft@cityofdenton.com and in the body of such request you must state: your previous e-mail address, your new e-mail address. We do not require any other information from you to change your email address..

In addition, you must notify DocuSign, Inc to arrange for your new email address to be reflected in your DocuSign account by following the process for changing e-mail in DocuSign.

To request paper copies from City of Denton

To request delivery from us of paper copies of the notices and disclosures previously provided by us to you electronically, you must send us an e-mail to purchasing@cityofdenton.com and in the body of such request you must state your e-mail address, full name, US Postal address, and telephone number. We will bill you for any fees at that time, if any.

To withdraw your consent with City of Denton

To inform us that you no longer want to receive future notices and disclosures in electronic format you may:

- i. decline to sign a document from within your DocuSign account, and on the subsequent page, select the check-box indicating you wish to withdraw your consent, or you may;
- ii. send us an e-mail to purchasing@cityofdenton.com and in the body of such request you must state your e-mail, full name, IS Postal Address, telephone number, and account number. We do not need any other information from you to withdraw consent.. The consequences of your withdrawing consent for online documents will be that transactions may take a longer time to process..

Required hardware and software

Operating Systems:	Windows2000? or WindowsXP?
Browsers (for SENDERS):	Internet Explorer 6.0? or above
Browsers (for SIGNERS):	Internet Explorer 6.0?, Mozilla FireFox 1.0, NetScape 7.2 (or above)
Email:	Access to a valid email account
Screen Resolution:	800 x 600 minimum
Enabled Security Settings:	<ul style="list-style-type: none"> •Allow per session cookies •Users accessing the internet behind a Proxy Server must enable HTTP 1.1 settings via proxy connection

** These minimum requirements are subject to change. If these requirements change, we will provide you with an email message at the email address we have on file for you at that time providing you with the revised hardware and software requirements, at which time you will have the right to withdraw your consent.

Acknowledging your access and consent to receive materials electronically

To confirm to us that you can access this information electronically, which will be similar to other electronic notices and disclosures that we will provide to you, please verify that you were able to read this electronic disclosure and that you also were able to print on paper or electronically save this page for your future reference and access or that you were able to e-mail this disclosure and consent to an address where you will be able to print on paper or save it for your future reference and access. Further, if you consent to receiving notices and disclosures exclusively in electronic format on the terms and conditions described above, please let us know by clicking the 'I agree' button below.

By checking the 'I Agree' box, I confirm that:

- I can access and read this Electronic CONSENT TO ELECTRONIC RECEIPT OF ELECTRONIC RECORD AND SIGNATURE DISCLOSURES document; and
- I can print on paper the disclosure or save or send the disclosure to a place where I can print it, for future reference and access; and
- Until or unless I notify City of Denton as described above, I consent to receive from exclusively through electronic means all notices, disclosures, authorizations, acknowledgements, and other documents that are required to be provided or made available to me by City of Denton during the course of my relationship with you.

ORDINANCE NO. 25-652

AN ORDINANCE OF THE CITY OF DENTON, A TEXAS HOME-RULE MUNICIPAL CORPORATION, AUTHORIZING THE APPROVAL OF A SECOND AMENDMENT TO A PROFESSIONAL SERVICES AGREEMENT BETWEEN THE CITY OF DENTON AND GARVER, LLC, AMENDING THE CONTRACT APPROVED BY PURCHASING ON AUGUST 28, 2023, IN THE NOT-TO-EXCEED AMOUNT OF \$15,000.00; AMENDED BY AMENDMENT 1 APPROVED BY CITY COUNCIL; SAID SECOND AMENDMENT TO PROVIDE A TAXIWAY REHABILITATION PRIORITY REPORT FOR THE DENTON ENTERPRISE AIRPORT; PROVIDING FOR THE EXPENDITURE OF FUNDS THEREFOR; AND PROVIDING AN EFFECTIVE DATE (RFQ 8209 – PROVIDING FOR AN ADDITIONAL SECOND AMENDMENT EXPENDITURE AMOUNT NOT-TO-EXCEED \$53,200.00, WITH THE TOTAL CONTRACT AMOUNT NOT-TO-EXCEED \$138,200.00).

WHEREAS, on August 28, 2023, Purchasing awarded a contract to Garver, LLC in the amount of \$15,000.00, for Airport Engineering Services for the Denton Enterprise Airport; and

WHEREAS, on February 18, 2025, City Council awarded a First Amendment to Garver, LLC in the amount of \$70,000.00, to provide a drainage study for the Denton Enterprise Airport; and

WHEREAS, this procurement was undertaken as part of the City's governmental function; and

WHEREAS, the additional fees under the proposed Second Amendment are fair and reasonable and are consistent with, and not higher than, the recommended practices and fees applicable to the Provider's profession, and such fees do not exceed the maximum provided by law; NOW, THEREFORE,

THE COUNCIL OF THE CITY OF DENTON HEREBY ORDAINS:

SECTION 1. The Second Amendment, increasing the amount of the contract between the City and Garver, LLC, which is on file in the office of the Purchasing Agent, in the amount of Fifty-Three Thousand Two Hundred and 0/100 (\$53,200.00) Dollars, is hereby approved, and the expenditure of funds therefor is hereby authorized in accordance with said amendment which shall be effective upon the execution of the amendment attached hereto. The total contract amount increases to \$138,200.00.

SECTION 2. This ordinance shall become effective immediately upon its passage and approval.

The motion to approve this ordinance was made by Brandon Chase McGee and seconded by Vicki Byrd. This ordinance was passed and approved by the following vote [7 - 0]:

	Aye	Nay	Abstain	Absent
Mayor Gerard Hudspeth:	<u>X</u>	_____	_____	_____
Vicki Byrd, District 1:	<u>X</u>	_____	_____	_____
Brian Beck, District 2:	<u>X</u>	_____	_____	_____
Paul Meltzer, District 3:	<u>X</u>	_____	_____	_____
Joe Holland, District 4:	<u>X</u>	_____	_____	_____
Brandon Chase McGee, At Large Place 5:	<u>X</u>	_____	_____	_____
Jill Jester, At Large Place 6:	<u>X</u>	_____	_____	_____

PASSED AND APPROVED this the 6th day of May, 2025.



 GERARD HUDSPETH, MAYOR

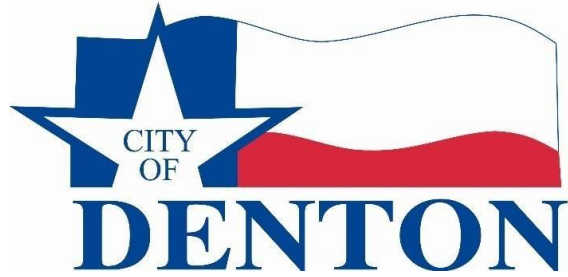
ATTEST:
 LAUREN THODEN, CITY SECRETARY

BY: 



APPROVED AS TO LEGAL FORM:
 MACK REINWAND, CITY ATTORNEY

BY: 



DocuSign City Council Transmittal Coversheet

PSA	8209
File Name	Airport Engineering Services - Amendment 2
Purchasing Contact	Christina Dormady
City Council Target Date	MAY 6, 2025
Piggy Back Option	Not Applicable
Contract Expiration	N/A
Ordinance	25-652

**SECOND AMENDMENT TO CONTRACT
BY AND BETWEEN THE CITY OF DENTON, TEXAS
AND GARVER, LLC
PSA 8209**

THE STATE OF TEXAS §

COUNTY OF DENTON §

THIS SECOND AMENDMENT TO CONTRACT 8209 (“Amendment”) by and between the City of Denton, Texas (“City”) and Garver, LLC (“Engineer”); to that certain contract executed on August 28, 2023, in the original not-to-exceed amount of \$15,000 (the “Original Agreement”); amended on February 19, 2025 in the additional amount of \$70,000 aggregating a not-to-exceed amount of \$85,000 (the “First Amendment”); (collectively, the Original Agreement, the First Amendment, are the “Agreement”) for services related to the design of the Airport Engineering Services.

WHEREAS, the City deems it necessary to further expand the services provided by Engineer to the City pursuant to the terms of the Agreement, and to provide an additional not-to-exceed amount \$53,200 with this Amendment for an aggregate not-to-exceed amount of \$138,200; and

FURTHERMORE, the City deems it necessary to further expand the goods/services provided by Engineer to the City;

NOW THEREFORE, the City and Engineer (hereafter collectively referred to as the “Parties”), in consideration of their mutual promises and covenants, as well as for other good and valuable considerations, do hereby AGREE to the following Amendment, which amends the following terms and conditions of the said Agreement, to wit:

1. The additional services described in Exhibit “A” of this Amendment, attached hereto and incorporated herein for all purposes, for professional services related to the Taxiway Rehab Prioritization, are hereby authorized to be performed by Engineer. For and in consideration of the additional services to be performed by Engineer, the City agrees to pay, based on the cost estimate detail attached as Exhibit “B” to this Amendment, attached hereto and incorporated herein for all purposes, a total fee, including reimbursement for non-labor expenses an amount not to exceed \$53,200.
2. This Amendment modifies the Agreement amount to provide an additional \$53,200 for the additional services with a revised aggregate not to exceed total of \$138,200.

The Parties hereto agree, that except as specifically provided for by this Amendment, that all of the terms, covenants, conditions, agreements, rights, responsibilities, and obligations of the Parties, set forth in the Agreement remain in full force and effect.

IN WITNESS WHEREOF, the City and the Engineer, have each executed this Amendment electronically, by and through their respective duly authorized representatives and officers on this date 5/7/2025.

“Engineer”

GARVER, LLC

DocuSigned by:
By: Mitchell McNally
1065D244A9E452...
AUTHORIZED SIGNATURE, TITLE

APPROVED AS TO LEGAL FORM:
MACK REINWAND, CITY ATTORNEY

DocuSigned by:
By: Marcella Lunn
4B070831B4AA438...

“CITY”

CITY OF DENTON, TEXAS
A Texas Municipal Corporation

DocuSigned by:
By: Sara Hensley
5236DB296270423...

ATTEST:
LAUREN THODEN, CITY SECRETARY

DocuSigned by:
By: Lauren Thoden
D09D09CAD33D487...

THIS AGREEMENT HAS BEEN
BOTH REVIEWED AND APPROVED
as to financial and operational
obligations and business terms.

Signed by: Ryan Adams Ryan Adams
78467394794... PRINTED NAME

Director of Airport

TITLE

Denton Enterprise Airport

DEPARTMENT



3000 Internet Blvd
Suite 400
Frisco, TX 75034
TEL 972.377.7480
FAX 972.377.8380
www.GarverUSA.com

March 11, 2025

Ryan Adams
Denton Enterprise Airport
Airport Director
5000 Airport Road
Denton, TX 76207

Re: Denton Enterprise Airport (DTO)
Taxiway Rehabilitation Prioritization
Engineering Services Proposal

Dear Mr. Adams:

Garver is pleased to submit this proposal to provide engineering professional services related to the above referenced project.

COMPENSATION

For the Taxiway Rehabilitation Prioritization project, the hourly not-to-exceed fee of **\$53,200.00** is based on the services included in Exhibit A. A detailed breakdown of the proposed fee for these services is included within Exhibit B.

SCHEDULE

Garver acknowledges the importance of the project schedule to the City of Denton and agrees to put forth its best professional efforts to perform its services under this Agreement in a manner consistent with that schedule.

Barring unforeseen circumstances beyond the control of Garver, we would anticipate completing the work within a mutually agreeable schedule that aligns with the City of Denton.

Garver is pleased to have this opportunity to submit this proposal and look forward to working with you on this project. If you have any questions or would like any additional information, please feel free to call me anytime at 214-619-9048.

Sincerely,

A handwritten signature in blue ink that reads 'Sara Andrews'.

Sara Andrews, PE
Senior Project Manager

Attachments: Exhibit A – Scope of Services
Exhibit B – Fee Spreadsheet



EXHIBIT A (SCOPE OF SERVICES)

Generally, the Scope of Services includes the following professional services for the prioritization of taxiway rehabilitation projects at Denton Enterprise Airport (DTO).

1. DESIGN SERVICES

1.1. Garver (Consultant) shall perform engineering services to evaluate the existing conditions of taxiways listed below and provide recommendations for rehabilitation. Evaluation will include a site investigation to document existing conditions. A prioritization of projects based on the rehabilitation recommendations and cost estimates will be provided to Denton Enterprise Airport for consideration of additional design services. The taxiways under evaluation are the following:

- 1.1.1. Taxiway A
- 1.1.2. Taxiway C
- 1.1.3. Taxiway D
- 1.1.4. Taxiway F
- 1.1.5. Taxiway H
- 1.1.6. Taxiway J
- 1.1.7. Taxiway M
- 1.1.8. Taxiway B
- 1.1.9. Taxiway K
- 1.1.10. Taxiway O

1.2. Additional design services will be provided upon acceptance of proposed recommendations included in the preliminary engineering report letter

1.3. Garver will help prepare the Grant Applications for the use of the IIJA funds for the remaining funds for Fiscal Year 2022 and planned funds for Fiscal Year 2023.

2. PROJECT DELIVERABLES

2.1. The following deliverables will be submitted to the parties identified below. Unless otherwise noted below, all deliverables shall be electronic.

- Pavement Study
- Preliminary Engineering Report Letter
- Engineer's Opinion of Probable Cost
- Executive Summary

3. ADDITIONAL SERVICES

3.1. The following items are not included under this agreement but will be considered as additional services to be added under Amendment if requested by the Owner.

- Redesign for the Owner's convenience or due to changed conditions after previous alternate direction and/or approval.
- Geotechnical services
- Surveying services
- Deliverables beyond those listed herein.



- Design of any utility relocation.
- Engineering, architectural, or other professional services beyond those listed herein.
- Environmental Handling and Documentation, including wetlands identification or mitigation plans or other work related to environmentally or historically (culturally) significant items.

4. SCHEDULE

- 4.1. Garver shall begin work under this Agreement upon execution of this Agreement and shall complete the work within a mutually agreeable schedule with the Owner.

Exhibit B

**Denton Enterprise Airport (DTO)
Taxiway Rehab Prioritization**

Conceptual Design (15%)

WORK TASK DESCRIPTION	E-5	E-4	E-1	T-3
	hr	hr	hr	hr
1. Civil Engineering				
In-Person Kickoff Meeting	3	4	3	
Coordination with Airport & City of Denton	1	4	2	
Site investigation to verify existing conditions	3	8	8	2
Develop Rehabilitation Recommendations & Exhibits	2	12	24	12
Develop Engineer's Opinion of Probable Costs	2	12	24	
Develop Taxiway Rehabilitation Priority Plan	2	8	12	
Develop Preliminary Engineering Report Letter	6	24	8	
Develop Executive Summary of PER Findings	2	5	6	6
Virtual Review Meeting	1	2	1	
Finalize letter based on Review Comments	2	4	6	
Prepare IIJA 2022 Grant Application for Pavement Study	1	4		
Prepare IIJA 2023 Grant Application for Pavement Design	1	4		
Project Administration	1	4		
Subtotal - Civil Engineering	27	95	94	20

Hours	27	95	94	20
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SUBTOTAL - SALARIES: \$52,683.00

DIRECT NON-LABOR EXPENSES

Document Printing/Reproduction/Assembly	\$202.00
Postage/Freight/Courier	\$30.00
Office Supplies/Equipment	\$65.00
Computer Modeling/Software Use	\$120.00
Travel Costs	\$100.00

SUBTOTAL - DIRECT NON-LABOR EXPENSES: \$517.00

SUBTOTAL: \$53,200.00

SUBCONSULTANTS FEE: \$0.00

TOTAL FEE: \$53,200.00

Certificate Of Completion

Envelope Id: 92B5DE11-86FA-47D9-BE40-1F2F88C6B471

Subject: Please DocuSign: City Council Contract 8209 Airport Engineering Services - Amendment 2

Source Envelope:

Document Pages: 7

Certificate Pages: 6

AutoNav: Enabled

Envelopeld Stamping: Enabled

Time Zone: (UTC-06:00) Central Time (US & Canada)

Status: Completed

Envelope Originator:

Christina Dormady

901B Texas Street

Denton, TX 76209

christina.dormady@cityofdenton.com

IP Address: 198.49.140.104

Record Tracking

Status: Original

3/20/2025 2:42:23 PM

Holder: Christina Dormady

christina.dormady@cityofdenton.com

Location: DocuSign

Signer Events

Christina Dormady

christina.dormady@cityofdenton.com

Buyer

City of Denton

Security Level: Email, Account Authentication
(None)

Electronic Record and Signature Disclosure:

Not Offered via DocuSign

Lori Hewell

lori.hewell@cityofdenton.com

Purchasing Manager

City of Denton

Security Level: Email, Account Authentication
(None)

Electronic Record and Signature Disclosure:

Not Offered via DocuSign

Marcella Lunn

marcella.lunn@cityofdenton.com

Senior Deputy City Attorney

City of Denton

Security Level: Email, Account Authentication
(None)

Electronic Record and Signature Disclosure:

Not Offered via DocuSign

Mitchell McAnally

MRMcAnally@GarverUSA.com

Vice President

Security Level: Email, Account Authentication
(None)

Electronic Record and Signature Disclosure:

Accepted: 3/21/2025 7:50:04 PM

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Signature

Completed

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Signature Adoption: Pre-selected Style

Using IP Address: 198.49.140.104

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Marcella Lunn
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Signature Adoption: Pre-selected Style

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Mitchell McAnally
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Signature Adoption: Pre-selected Style

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Viewed: 3/20/2025 2:45:55 PM

Signed: 3/20/2025 2:46:25 PM

Sent: 3/20/2025 2:46:27 PM

Viewed: 3/21/2025 8:17:44 AM

Signed: 3/21/2025 8:18:35 AM

Sent: 3/21/2025 8:18:37 AM

Viewed: 3/21/2025 4:16:45 PM

Signed: 3/21/2025 4:20:52 PM


Sent: 3/21/2025 4:20:53 PM

Viewed: 3/21/2025 7:50:04 PM

Signed: 3/24/2025 12:19:51 PM

Signer Events	Signature	Timestamp
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Ryan Adams
 Ryan.adams@cityofdenton.com
 Director of Airport
 Security Level: Email, Account Authentication (None)

Signed by:

 76544D73C36F499...
 Signature Adoption: Pre-selected Style
 Using IP Address: 198.49.140.10

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 Signed: 3/24/2025 3:50:10 PM

Electronic Record and Signature Disclosure:
 Accepted: 3/24/2025 12:20:15 PM
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Cheyenne Defee
 cheyenne.defee@cityofdenton.com
 Procurement Administration Supervisor
 City of Denton
 Security Level: Email, Account Authentication (None)

Completed
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 Signed: 5/7/2025 9:36:07 AM

Electronic Record and Signature Disclosure:
 Not Offered via Docusign

Sara Hensley
 sara.hensley@cityofdenton.com
 City Manager
 City of Denton
 Security Level: Email, Account Authentication (None)

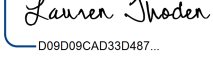
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 Signed using mobile

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 Signed: 5/7/2025 9:36:56 AM

Electronic Record and Signature Disclosure:
 Not Offered via Docusign

Lauren Thoden
 lauren.thoden@cityofdenton.com
 City Secretary
 Security Level: Email, Account Authentication (None)

DocuSigned by:

 D09D09CAD33D487...
 Signature Adoption: Pre-selected Style
 Using IP Address: 198.49.140.10

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 Signed: 5/7/2025 11:16:56 AM

Electronic Record and Signature Disclosure:
 Not Offered via Docusign

In Person Signer Events	Signature	Timestamp
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Editor Delivery Events	Status	Timestamp
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Agent Delivery Events	Status	Timestamp
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Intermediary Delivery Events	Status	Timestamp
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Certified Delivery Events	Status	Timestamp
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Carbon Copy Events	Status	Timestamp
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Cheyenne Defee
 cheyenne.defee@cityofdenton.com
 Procurement Administration Supervisor
 City of Denton
 Security Level: Email, Account Authentication (None)

COPIED

Sent: 3/20/2025 2:46:27 PM

Electronic Record and Signature Disclosure:
 Not Offered via Docusign

Carbon Copy Events	Status	Timestamp
<p>Gretna Jones gretna.jones@cityofdenton.com Legal Secretary City of Denton Security Level: Email, Account Authentication (None)</p> <p>Electronic Record and Signature Disclosure: Not Offered via DocuSign</p>	<div style="border: 2px solid blue; padding: 5px; display: inline-block; font-weight: bold; color: blue; font-size: 1.2em;">COPIED</div>	<p>Sent: 3/24/2025 3:50:12 PM Viewed: 3/25/2025 11:32:59 AM</p>
<p>City Secretary Office citysecretary@cityofdenton.com Security Level: Email, Account Authentication (None)</p> <p>Electronic Record and Signature Disclosure: Not Offered via DocuSign</p>	<div style="border: 2px solid blue; padding: 5px; display: inline-block; font-weight: bold; color: blue; font-size: 1.2em;">COPIED</div>	<p>Sent: 5/7/2025 11:16:58 AM</p>
<p>Chase Patterson chase.patterson@cityofdenton.com Security Level: Email, Account Authentication (None)</p> <p>Electronic Record and Signature Disclosure: Accepted: 4/28/2025 4:48:59 PM ID: 256cc461-d7c4-4c1c-a668-501f3f084a69</p>	<div style="border: 2px solid blue; padding: 5px; display: inline-block; font-weight: bold; color: blue; font-size: 1.2em;">COPIED</div>	<p>Sent: 5/7/2025 11:17:00 AM</p>

Witness Events	Signature	Timestamp
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Notary Events	Signature	Timestamp
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Envelope Summary Events	Status	Timestamps
Envelope Sent	Hashed/Encrypted	3/20/2025 2:45:44 PM
Certified Delivered	Security Checked	5/7/2025 11:16:38 AM
Signing Complete	Security Checked	5/7/2025 11:16:56 AM
Completed	Security Checked	5/7/2025 11:17:00 AM

Payment Events	Status	Timestamps
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Electronic Record and Signature Disclosure
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ELECTRONIC RECORD AND SIGNATURE DISCLOSURE

From time to time, City of Denton (we, us or Company) may be required by law to provide to you certain written notices or disclosures. Described below are the terms and conditions for providing to you such notices and disclosures electronically through your DocuSign, Inc. (DocuSign) Express user account. Please read the information below carefully and thoroughly, and if you can access this information electronically to your satisfaction and agree to these terms and conditions, please confirm your agreement by clicking the 'I agree' button at the bottom of this document.

Getting paper copies

At any time, you may request from us a paper copy of any record provided or made available electronically to you by us. For such copies, as long as you are an authorized user of the DocuSign system you will have the ability to download and print any documents we send to you through your DocuSign user account for a limited period of time (usually 30 days) after such documents are first sent to you. After such time, if you wish for us to send you paper copies of any such documents from our office to you, you will be charged a \$0.00 per-page fee. You may request delivery of such paper copies from us by following the procedure described below.

Withdrawing your consent

If you decide to receive notices and disclosures from us electronically, you may at any time change your mind and tell us that thereafter you want to receive required notices and disclosures only in paper format. How you must inform us of your decision to receive future notices and disclosure in paper format and withdraw your consent to receive notices and disclosures electronically is described below.

Consequences of changing your mind

If you elect to receive required notices and disclosures only in paper format, it will slow the speed at which we can complete certain steps in transactions with you and delivering services to you because we will need first to send the required notices or disclosures to you in paper format, and then wait until we receive back from you your acknowledgment of your receipt of such paper notices or disclosures. To indicate to us that you are changing your mind, you must withdraw your consent using the DocuSign 'Withdraw Consent' form on the signing page of your DocuSign account. This will indicate to us that you have withdrawn your consent to receive required notices and disclosures electronically from us and you will no longer be able to use your DocuSign Express user account to receive required notices and consents electronically from us or to sign electronically documents from us.

All notices and disclosures will be sent to you electronically

Unless you tell us otherwise in accordance with the procedures described herein, we will provide electronically to you through your DocuSign user account all required notices, disclosures, authorizations, acknowledgements, and other documents that are required to be provided or made available to you during the course of our relationship with you. To reduce the chance of you inadvertently not receiving any notice or disclosure, we prefer to provide all of the required notices and disclosures to you by the same method and to the same address that you have given us. Thus, you can receive all the disclosures and notices electronically or in paper format through the paper mail delivery system. If you do not agree with this process, please let us know as described below. Please also see the paragraph immediately above that describes the consequences of your electing not to receive delivery of the notices and disclosures electronically from us.

How to contact City of Denton:

You may contact us to let us know of your changes as to how we may contact you electronically, to request paper copies of certain information from us, and to withdraw your prior consent to receive notices and disclosures electronically as follows:

To contact us by email send messages to: purchasing@cityofdenton.com

To advise City of Denton of your new e-mail address

To let us know of a change in your e-mail address where we should send notices and disclosures electronically to you, you must send an email message to us at melissa.kraft@cityofdenton.com and in the body of such request you must state: your previous e-mail address, your new e-mail address. We do not require any other information from you to change your email address..

In addition, you must notify DocuSign, Inc to arrange for your new email address to be reflected in your DocuSign account by following the process for changing e-mail in DocuSign.

To request paper copies from City of Denton

To request delivery from us of paper copies of the notices and disclosures previously provided by us to you electronically, you must send us an e-mail to purchasing@cityofdenton.com and in the body of such request you must state your e-mail address, full name, US Postal address, and telephone number. We will bill you for any fees at that time, if any.

To withdraw your consent with City of Denton

To inform us that you no longer want to receive future notices and disclosures in electronic format you may:

- i. decline to sign a document from within your DocuSign account, and on the subsequent page, select the check-box indicating you wish to withdraw your consent, or you may;
- ii. send us an e-mail to purchasing@cityofdenton.com and in the body of such request you must state your e-mail, full name, IS Postal Address, telephone number, and account number. We do not need any other information from you to withdraw consent.. The consequences of your withdrawing consent for online documents will be that transactions may take a longer time to process..

Required hardware and software

Operating Systems:	Windows2000? or WindowsXP?
Browsers (for SENDERS):	Internet Explorer 6.0? or above
Browsers (for SIGNERS):	Internet Explorer 6.0?, Mozilla FireFox 1.0, NetScape 7.2 (or above)
Email:	Access to a valid email account
Screen Resolution:	800 x 600 minimum
Enabled Security Settings:	<ul style="list-style-type: none"> •Allow per session cookies •Users accessing the internet behind a Proxy Server must enable HTTP 1.1 settings via proxy connection

** These minimum requirements are subject to change. If these requirements change, we will provide you with an email message at the email address we have on file for you at that time providing you with the revised hardware and software requirements, at which time you will have the right to withdraw your consent.

Acknowledging your access and consent to receive materials electronically

To confirm to us that you can access this information electronically, which will be similar to other electronic notices and disclosures that we will provide to you, please verify that you were able to read this electronic disclosure and that you also were able to print on paper or electronically save this page for your future reference and access or that you were able to e-mail this disclosure and consent to an address where you will be able to print on paper or save it for your future reference and access. Further, if you consent to receiving notices and disclosures exclusively in electronic format on the terms and conditions described above, please let us know by clicking the 'I agree' button below.

By checking the 'I Agree' box, I confirm that:

- I can access and read this Electronic CONSENT TO ELECTRONIC RECEIPT OF ELECTRONIC RECORD AND SIGNATURE DISCLOSURES document; and
- I can print on paper the disclosure or save or send the disclosure to a place where I can print it, for future reference and access; and
- Until or unless I notify City of Denton as described above, I consent to receive from exclusively through electronic means all notices, disclosures, authorizations, acknowledgements, and other documents that are required to be provided or made available to me by City of Denton during the course of my relationship with you.

ORDINANCE NO. _____

AN ORDINANCE OF THE CITY OF DENTON, A TEXAS HOME-RULE MUNICIPAL CORPORATION, AUTHORIZING THE APPROVAL OF A THIRD AMENDMENT TO A PROFESSIONAL SERVICES AGREEMENT BETWEEN THE CITY OF DENTON AND GARVER, LLC, AMENDING THE CONTRACT APPROVED BY PURCHASING ON AUGUST 28, 2023, IN THE NOT-TO-EXCEED AMOUNT OF \$15,000.00; AMENDED BY AMENDMENTS 1 AND 2 APPROVED BY CITY COUNCIL; SAID THIRD AMENDMENT TO PROVIDE A TAXIWAY DESIGN FOR TAXIWAYS H, J, AND M, AND A PRELIMINARY ENGINEERING REPORT FOR TAXIWAY ALPHA FOR THE DENTON ENTERPRISE AIRPORT; PROVIDING FOR THE EXPENDITURE OF FUNDS THEREFOR; AND PROVIDING AN EFFECTIVE DATE (RFQ 8209 – PROVIDING FOR AN ADDITIONAL THIRD AMENDMENT EXPENDITURE AMOUNT NOT-TO-EXCEED \$888,000.00, WITH THE TOTAL CONTRACT AMOUNT NOT-TO-EXCEED \$1,026,200.00).

WHEREAS, on August 28, 2023, Purchasing awarded a contract to Garver, LLC in the amount of \$15,000.00, for Airport Engineering Services for the Denton Enterprise Airport; and

WHEREAS, on February 18, 2025, City Council awarded a First Amendment to Garver, LLC in the amount of \$70,000.00, to provide a drainage study for the Denton Enterprise Airport; and

WHEREAS, on May 6, 2025, City Council awarded a Second Amendment to Garver, LLC in the amount of \$53,200.00, to provide a taxiway rehabilitation priority report for the Denton Enterprise Airport; and

WHEREAS, this procurement was undertaken as part of the City’s governmental function; and

WHEREAS, the additional fees under the proposed Third Amendment are fair and reasonable and are consistent with, and not higher than, the recommended practices and fees applicable to the Provider’s profession, and such fees do not exceed the maximum provided by law; NOW, THEREFORE,

THE COUNCIL OF THE CITY OF DENTON HEREBY ORDAINS:

SECTION 1. The Third Amendment, increasing the amount of the contract between the City and Garver, LLC, which is on file in the office of the Purchasing Agent, in the amount of Eight Hundred Eighty-Eight Thousand and 0/100 (\$888,000.00) Dollars, is hereby approved, and the expenditure of funds therefor is hereby authorized in accordance with said amendment which shall be effective upon the execution of the amendment attached hereto. The total contract amount increases to \$1,026,200.00.

SECTION 2. This ordinance shall become effective immediately upon its passage and approval.

The motion to approve this ordinance was made by _____ and seconded by _____. The ordinance was passed and approved by the

following vote [___ - ___]:

	Aye	Nay	Abstain	Absent
Mayor Chris Watts:	_____	_____	_____	_____
Jordan Villarreal, District 1:	_____	_____	_____	_____
Nick Stevens, District 2:	_____	_____	_____	_____
Suzi Rumohr, District 3:	_____	_____	_____	_____
Joe Holland, District 4:	_____	_____	_____	_____
George Ferrie, At Large Place 5:	_____	_____	_____	_____
Jill Jester, At Large Place 6:	_____	_____	_____	_____

PASSED AND APPROVED this the _____ day of _____, 2026.

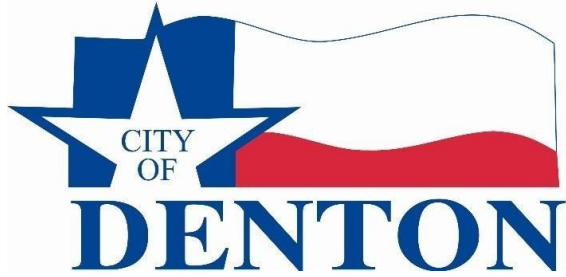
CHRIS WATTS, MAYOR

ATTEST:
KRISTI FOGLE, INTERIM CITY SECRETARY

BY: _____

APPROVED AS TO LEGAL FORM:
MACK REINWAND, CITY ATTORNEY

BY: *Leah Bush* _____



DocuSign City Council Transmittal Coversheet

PSA	8209
File Name	Airport Engineering Services Amendment 3
Purchasing Contact	Christina Dormady
City Council Target Date	
Piggy Back Option	Not Applicable
Contract Expiration	
Ordinance	

**THIRD AMENDMENT TO CONTRACT
BY AND BETWEEN THE CITY OF DENTON, TEXAS
AND GARVER, LLC
PSA 8209**

THE STATE OF TEXAS §

COUNTY OF DENTON §

THIS THIRD AMENDMENT TO CONTRACT 8209 (“Amendment”) by and between the City of Denton, Texas (“City”) and Garver, LLC (“Engineer”); to that certain contract executed on August 28, 2023, in the original not-to-exceed amount of \$15,000 (the “Original Agreement”); amended on February 19, 2025 in the additional amount of \$70,000 aggregating a not-to-exceed amount of \$85,000 (the “First Amendment”); amended on May 7, 2025 in the additional amount of \$53,200 aggregating a not-to-exceed amount of \$138,200 (the “Second Amendment”); (collectively, the Original Agreement, the First Amendment, the Second Amendment, are the “Agreement”) for services related to the design of the Airport Engineering Services.

WHEREAS, the City deems it necessary to further expand the services provided by Engineer to the City pursuant to the terms of the Agreement, and to provide an additional not-to-exceed amount \$888,000 with this Amendment for an aggregate not-to-exceed amount of \$1,026,200; and

FURTHERMORE, the City deems it necessary to further expand the goods/services provided by Engineer to the City;

NOW THEREFORE, the City and Engineer (hereafter collectively referred to as the “Parties”), in consideration of their mutual promises and covenants, as well as for other good and valuable considerations, do hereby AGREE to the following Amendment, which amends the following terms and conditions of the said Agreement, to wit:

1. The additional services described in Attachment “A” of this Amendment, attached hereto and incorporated herein for all purposes, for professional services related to the Preliminary Engineering Report (PER) for Taxiway A Reconstruction project, are hereby authorized to be performed by Engineer. For and in consideration of the additional services to be performed by Engineer, the City agrees to pay, based on the cost estimate detail attached as Attachment “A” to this Amendment, a total fee, including reimbursement for non-labor expenses, an amount not to exceed \$408,000.
2. The additional services described in Attachment “B” of this Amendment, attached hereto and incorporated herein for all purposes, for professional services related to

the design of Taxiways H, J, and M Reconstruction project, are hereby authorized to be performed by Engineer. For and in consideration of the additional services to be performed by Engineer, the City agrees to pay, based on the cost estimate detail attached as Attachment "B" to this Amendment, a total fee, including reimbursement for non-labor expenses, an amount not to exceed \$480,000.

- 3. This Amendment modifies the Agreement amount to provide an additional \$888,000 for the additional services, with a revised aggregate not to exceed total of \$1,026,200.

The Parties hereto agree that, except as specifically provided for by this Amendment, that all of the terms, covenants, conditions, agreements, rights, responsibilities, and obligations of the Parties, set forth in the Agreement, remain in full force and effect.

IN WITNESS WHEREOF, the City and the Engineer, have each executed this Amendment electronically, by and through their respective duly authorized representatives and officers on this date _____.

"Engineer"

GARVER, LLC

DocuSigned by:
By Mitchell McNally Vice President
106502446A9E4C2
AUTHORIZED SIGNATURE, TITLE

"CITY"

CITY OF DENTON, TEXAS
A Texas Municipal Corporation

By: _____

APPROVED AS TO LEGAL FORM:
MACK REINWAND, CITY ATTORNEY

ATTEST:

Signed by:
By Leah Bush
3A6254145BDA469...

By: _____

THIS AGREEMENT HAS BEEN
BOTH REVIEWED AND APPROVED
as to financial and operational
obligations and business terms.

Signed by:
Ryan Adams
76341071C39F493
SIGNATURE PRINTED NAME

Director of Airport
TITLE

Airport
DEPARTMENT

Attachment A



1508 Industrial Blvd
Suite 204
McKinney, TX 75069
TEL 972.377.7480
FAX 972.377.8380
www.GarverUSA.com

May 4, 2026

Ryan Adams, CM
Denton Enterprise Airport (DTO)
5000 Airport Rd.
Denton, TX 76207

Re: Denton Enterprise Airport (DTO)
Taxiway A Reconstruction Preliminary Engineering Report (PER)
Professional Services Proposal

Dear Mr. Adams,

Garver is pleased to submit this proposal to provide professional services relating to the improvements listed in "Exhibit A - Scope of Services" for the referenced project.

COMPENSATION

For the Preliminary Engineering Report (PER) for Taxiway A Reconstruction project, the not-to-exceed fee of **\$408,000.00** is based upon the scope of services provided in Exhibit A. A detailed breakdown of the proposed fee for the engineering services is included in Exhibit B. The Garver Hourly Rate schedule can be found within Exhibit C.

Title I Service	Estimated Fees
Surveys (Lamb Star Engineering)	\$ 57,500.00
Geotechnical (ECS)	\$ 87,100.00
Preliminary Engineering Report	\$ 263,400.00
Subtotal for Title I Service	\$ 408,000.00

Garver is pleased to have this opportunity to submit this proposal, and we look forward to working with you on this project. If you have any questions or would like any additional information, please feel free to call me at 214-619-9048.

Sincerely,
GARVER

Sara Andrews, PE
Senior Project Manager

- Attachments:
- Exhibit A – Scope of Services
 - Exhibit B – Garver Fee Spreadsheet
 - Exhibit C – Garver Hourly Rate Schedule
 - Exhibit D – Lamb Star Engineering Proposal (Survey)
 - Exhibit E – ECS Proposal (Geotech)



EXHIBIT A (SCOPE OF SERVICES)

Generally, the Scope of Services includes professional services for a Preliminary Engineering Report (PER) for the improvements to Taxiway A at Denton Enterprise Airport (DTO). Improvements will consist primarily of the reconstruction of Taxiway A shown in Exhibit C. The following professional services are included in this agreement.

- Surveying Services
- Geotechnical Services
- Design Services
 - Preliminary Engineering Report

1. SURVEYING SERVICES

- 1.1. Design Surveys. Lamb Star Engineering, as a subconsultant to Garver, will provide field survey data from field work for designing the project, and this survey will be tied to the Owner's control network. Lamb Star Engineering has provided a lump-sum cost within their proposal found in Exhibit D.
- 1.2. Team members will be escorted by Garver staff currently badged at the Airport or Survey team members will complete badge training at the Airport prior to conducting survey
- 1.3. Lamb Star Engineering will conduct field surveys, utilizing radial topography methods, at intervals and for distances at and/or along the project site as appropriate for modeling the existing ground, including locations of pertinent features or improvements. Buildings and other structures, airfield pavements, streets, drainage features, airfield lights and signs, fences, trees over eight inches in diameter, visible utilities as well as those underground utilities marked by their owners and/or representatives, and any other pertinent topographic features that may be present at and/or along the project site, will be located. Control points will be established for use during construction. All surveys shall be conducted during normal working hours.
- 1.4. Lamb Star Engineering will assemble data obtained during the performance of the field surveys in an AutoCAD Civil3D base map drawing to be utilized for design of the project.

2. GEOTECHNICAL SERVICES

- 2.1. ECS, as a subconsultant to Garver, will be responsible for obtaining, interpreting, and evaluating geotechnical data necessary for the design of this project. The summary of the geotechnical services provided under this Scope of Services is noted in Exhibit E.

3. DESIGN SERVICES

- 3.1. General: Garver will prepare detailed construction drawings, specifications, instructions to bidders, and general provisions and special provisions, all based on guides furnished to Garver by the Owner and FAA, or internally developed by Garver. Contract Documents (Plans, Specifications, and Estimates) will be prepared for award of one (1) construction contract. These designs shall conform to the standards of practice ordinarily used by members of Garver's profession practicing under similar conditions and shall be submitted to TxDOT Aviation from which approval must be obtained.



3.2. Project Administration

3.2.1. Garver will serve as the Owner's representative for the project and furnish consultation and advice to the Owner during the performance of this service. Garver will attend conferences alone or with Owner's representatives, local officials, state and federal agencies, and others regarding the scope of the proposed project, its general design, functions, and impacts.

3.2.2. Garver will assist in the development of grant reimbursement packets for review, execution, and submittal to TxDOT Aviation by the Owner.

3.3. Owner / Agency Coordination: Garver's project manager and/or design team will coordinate with the Owner as necessary to coordinate design decisions, site visits, document procurement, or other design needs.

3.4. Project Management Plan / Quality Control Procedures

5.3.1 Garver will develop a project specific project management plan. The project management plan will include the project background, scope of work, stakeholder contact information, project team organization and roles, design criteria, project schedule, deliverables, and quality control procedures.

5.3.2 Garver will complete quality control reviews for each deliverable prior to any design submission to Owner and/or FAA. Quality control reviews will be completed by qualified project managers and project engineers who are experienced in the relevant discipline and design elements under review. Weekly internal progress meetings will be held during all design phases to ensure adequate quality control throughout the design phases.

3.5. Environmental Coordination

3.5.1. Garver will develop a Stormwater Pollution Prevention Plan (SWPPP), including erosion control plans and details. Upon Owner review, the SWPPP shall be submitted to TxDOT Aviation for review. Garver will incorporate comments from the review agency.

3.5.2. Garver will coordinate and complete documentation for submission to FAA to receive environmental clearance for the project. Documentation will include that required by the documented Section 163 and CATEX questionnaire of FAA SOP 5.0. No environmental agency coordination is expected for this project area

3.6. Airspace Analysis: Garver will prepare and submit the project to the FAA for permanent airspace clearance on the Obstruction Evaluation and Airport Airspace Analysis (OE/AAA) website and coordinate with FAA representatives.

3.7. Existing Conditions Review

3.7.1. Record Document Review: Garver will review record document data from the vicinity of the construction site to evaluate existing conditions. Record document data may include record drawings, record surveys, utility maps, GIS data, and previous design reports.



3.7.2. Site Visits: Garver's civil and electrical engineers will perform up to two (2) site visits to the project site to review existing conditions and evaluate survey and record document data.

3.8. Pavement Design: Garver will develop a fleet mix for the proposed project based on aircraft fleet data from the Airport Operator / Airport Master Plan / Traffic Flow Management System Counts (TFMSC). Upon completion of the aircraft fleet mix, Garver will submit the fleet to the Owner for review. Upon approval by the Owner, Garver will use FAARFIELD and life cycle cost analysis methods to develop a recommendation for the most economical pavement design. Based on this analysis and discussions with the Owner, a pavement design for the project will be chosen. For concrete pavement design, Garver will design joint patterns and jointing details.

3.9. Geometric Design: Garver will provide geometric design in accordance with FAA AC 150/5300-13 (latest edition) or other local standards. The following design criteria will be used for airfield design:

- Airplane Design Group (ADG) – II
- Aircraft Approach Category (AAC) – D
- Taxiway Design Group (TDG) – 2B

3.10. Airfield Electrical

3.10.1. Airfield Lighting and Signage: Garver will provide electrical engineering services to design the new lighting improvements on the project including but not limited to the following: taxiway edge lighting and guidance signage.

3.11. Design Services Submission and Meeting Summary: The following design submittal phases shall be included in the fee summary. A summary of each design phase and the associated review meetings is included below.

3.11.1. Preliminary Engineering Report

3.11.1.1. Garver will develop a Preliminary Engineering Report and submit to the Owner for review. Garver will develop up to two (2) reconstruction options for Taxiway Alpha and cost estimates to execute the reconstruction of Taxiway Alpha. It is anticipated that the Owner will review the design submission within two weeks.

3.11.1.2. At the completion of the Owner review period, Garver will meet with the Owner to review the Preliminary Engineering Report and to receive Owner comments and direction.

4. PROJECT DELIVERABLES

4.1. The following deliverables will be submitted to the parties identified below. Unless otherwise noted below, all deliverables shall be electronic.

- Preliminary Engineering Report to the Owner
 - One hard copy to the Owner and TxDOT Aviation
- Other electronic files as requested



5. ADDITIONAL SERVICES

5.1. The following items are not included under this agreement but will be considered as additional services to be added under Amendment if requested by the Owner.

- Redesign for the Owner's convenience or due to changed conditions after previous alternate direction. Changes conditions may include, but are not limited to major changes to pavement, building, or utility alignments.
- Deliverables beyond those listed herein.
- Design of any utility relocation
- Subsurface Utility Exploration (SUE).
- Underdrain Design.
- DBE Program Goal Setting or Reporting.
- Final Engineering Report
- Pavement Design beyond that furnished in the Geotechnical Report.
- Runway Safety Area Inventory
- Engineering, architectural, or other professional services beyond those listed herein.
- Retaining walls or other significant structural design.
- Construction Administration Services, On-Site Construction Observation, and/or Construction Materials Testing.
- Environmental Handling and Documentation, including wetlands identification or mitigation plans or other work related to environmentally or historically (culturally) significant items.
- Permitting for environmentally sensitive areas.
- Coordination with FEMA and preparation/submittal of a CLOMR and/or LOMR.
- Services after construction, such as warranty follow-up, operations support, and Part 139 inspection support.
- The construction contract documents will require the Contractor to prepare, maintain, and submit a SWPPP to DEQ

6. SCHEDULE

6.1. Garver shall begin work under this Agreement within a mutually agreeable schedule with the Owner and execution of this Agreement. All design phases will start with a Notice to Proceed (NTP) and stakeholder review comments from the subsequent phase.

Design Phase	Calendar Days
Preliminary Engineering Report	10 Weeks from Agreement Execution, NTP, and Design Kickoff Meeting

EXHIBIT B

Denton Enterprise Airport (DTO) Taxiway A Reconstruction PER

FEE SUMMARY

Title I Service	Estimated Fees
Surveys (Lamb Star Engineering)	\$ 57,500.00
Geotechnical (ECS)	\$ 87,100.00
Preliminary Engineering Report	\$ 263,400.00
Subtotal for Title I Service	\$ 408,000.00

EXHIBIT B

**Denton Enterprise Airport (DTO)
Taxiway A Reconstruction PER**

Preliminary Engineering Report

WORK TASK DESCRIPTION	E-5	E-4	E-3	E-2	E-1	D-2	AM-2
	hr	hr	hr	hr	hr	hr	hr
1. Civil Engineering							
Coordination with FAA	2	2					
Coordination with TxDOT		2					
Coordination with Airport (DTO)		8					
Surveyor Field Work Coordination		4		8			
Geotechnical Field Work Coordination		4		8			
Prepare for Project Pre-Design Meeting (External)		2		2			
Attend Project Pre-Design Meeting (External)		2		2			
Analyze Survey Data				4		8	
Analyze Geotechnical Bores		2	6	6			
Analyze Geotechnical Draft Report		2	6	6			
Records research and review			6	6			
Site Visit (3 people, 2 trips)		2	6	6			
Setup Base Maps				6	12		
Setup Report Template			6				
Develop Project Management Plan		2	4				
Develop Quality Control Plan		2	4				
Conduct internal design kickoff meeting		2	2	2	2	2	2
Internal Weekly Meetings		12	12	12	12	12	12
Establish Design Criteria		2	2				
Develop Fleet Mix using available data (TFMSC, 5010, etc.)		2	8				
Develop Pavement Design		2	12				
Perform Program Civil 3D Modeling			6	24	30		
Develop Taxiway A Program Profiles			6	16	24		
Develop Program Markings			6		18		
Prepare Preliminary Engineering Report							
Develop Report Outline		2	8				4
Develop Executive Summary		2	8				4
Project Background Narrative			8				
Design Standards Narrative		2	8				
Program Layout Geometry Narrative		2	10				
Program Layout Connector Location Narrative		2	8				
Program Layout Naming Convention Narrative			8				
Existing Utility Infrastructure Narrative		2	10				
Proposed Utility Infrastructure Narrative		2	10				
Program Marking Layout Narrative		2	8				
Pavement Design Narrative		4	8				
Construction Safety & Phasing Plans (CSPP) Narrative		4	8				
Project Schedule Narrative		2	8				
Engineer's Estimate Narrative		2	8				
Prepare Preliminary Engineering Report Exhibits							
Develop Program Layout Plan Exhibit		4	6	8	10	12	
Develop Project Layout Plan Exhibit (Phase I)		4	6	8	10	12	
Develop Existing Drainage Area Map (Phase I Only)			6	8	10	12	
Develop Proposed Drainage Area Map (Phase I Only)			6	8	10	12	
Develop Construction Safety & Phasing Plans (Phase I Only)		4	6	8	10	12	
Develop Utility Map Exhibit			6	8	10	12	
Quantities (Phase I)				8	10	12	
Quantities (Phase II)				8	10	12	
Quantities (Phase III)				8	10	12	
Develop opinion of probable cost (Phase I)				8			
Develop opinion of probable cost (Phase II)				8			
Develop opinion of probable cost (Phase III)				8			
Review Construction Emissions Inventory from Subconsultant		2	4				
Develop Emissions Report Narrative		2	6				
Internal Draft Report QC	20	30					
Revisions to Draft Report based on QC Review			12	12	12	12	
Prepare for Report Review Meeting		2	4				2
Attend Report Review Meeting (3 People, on-site)	4	4	4				
Prepare and Distribute Report Review Meeting Minutes and Tasks		2	6				
Subtotal - Civil Engineering	26	136	282	216	200	142	24

2. Electrical Engineering							
Coordination with FAA		2					
Coordination with Airport (TKI)		4					
Records research and review		4		4			
Locate Existing Circuits		4		4			
Lighting and Signage Assessment		4		4			
Prepare Preliminary Engineering Report							
Develop Report Outline		8		8			
Existing Electrical Narrative		6		6			
Existing Navigational Aids Narrative		2		2			
Proposed Lighting and Signage Narrative		4		4			
Visual Aids Narrative		2		2			
Construction Safety & Phasing Plans (CSPP) Temporary Electrical Phasing Narrative		4		8			
Existing Dry Utility Narrative		4		8			
Proposed Dry Utility Narrative		4		8			
Prepare Preliminary Engineering Report Exhibits							
Develop CSPP Temporary Electrical Exhibit (Phase I Only)		8		16			
Develop Utility Map Exhibit		8		16			
Perform Electrical Load Calculations		6		12			
Internal Draft Report QC	16	16					
Revisions to Draft Report based on QC Review		16		16			
Subtotal - Electrical Engineering	16	106	0	118	0	0	0

Hours 42 242 282 334 200 142 24

SUBTOTAL - SALARIES: \$262,022.00

DIRECT NON-LABOR EXPENSES

Document Printing/Reproduction/Assembly \$408.00
 Postage/Freight/Courier \$200.00
 Office Supplies/Equipment \$200.00
 Computer Modeling/Software Use \$300.00
 Travel Costs \$270.00

SUBTOTAL - DIRECT NON-LABOR EXPENSES: \$1,378.00

SUBTOTAL: \$263,400.00

SUBCONSULTANTS FEE: \$0.00

TOTAL FEE: \$263,400.00



Exhibit C
Denton Enterprise Airport (DTO)
Taxiway A Reconstruction PER
Garver Hourly Rate Schedule: July 2023 - June 2024

Classification	Rates	Classification	Rates
Engineers / Architects		Resource Specialists	
E-1	\$ 161.00	RS-1	\$ 104.00
E-2	\$ 189.00	RS-2	\$ 137.00
E-3	\$ 225.00	RS-3	\$ 194.00
E-4	\$ 265.00	RS-4	\$ 268.00
E-5	\$ 322.00	RS-5	\$ 335.00
E-6	\$ 397.00	RS-6	\$ 411.00
E-7	\$ 444.00	RS-7	\$ 460.00
Planners		Environmental Specialists	
P-1	\$ 194.00	ES-1	\$ 104.00
P-2	\$ 230.00	ES-2	\$ 131.00
P-3	\$ 261.00	ES-3	\$ 168.00
P-4	\$ 320.00	ES-4	\$ 198.00
P-5	\$ 380.00	ES-5	\$ 248.00
Designers		ES-6	\$ 318.00
D-1	\$ 145.00	ES-7	\$ 398.00
D-2	\$ 164.00	ES-8	\$ 450.00
D-3	\$ 194.00	Project Controls	
D-4	\$ 227.00	PC-1	\$ 106.00
Technicians		PC-2	\$ 140.00
T-1	\$ 126.00	PC-3	\$ 178.00
T-2	\$ 170.00	PC-4	\$ 229.00
T-3	\$ 184.00	PC-5	\$ 280.00
T-4	\$ 218.00	PC-6	\$ 361.00
Surveyors		PC-7	\$ 454.00
S-1	\$ 78.00	Administration / Management	
S-2	\$ 93.00	AM-1	\$ 75.00
S-3	\$ 128.00	AM-2	\$ 96.00
S-4	\$ 175.00	AM-3	\$ 134.00
S-5	\$ 230.00	AM-4	\$ 171.00
S-6	\$ 268.00	AM-5	\$ 209.00
2-Man Crew (Survey)	\$ 344.00	AM-6	\$ 272.00
3-Man Crew (Survey)	\$ 403.00	AM-7	\$ 320.00
2-Man Crew (GPS Survey)	\$ 344.00	M-1	\$ 510.00
3-Man Crew (GPS Survey)	\$ 403.00		
Construction Observation			
C-1	\$ 112.00		
C-2	\$ 140.00		
C-3	\$ 171.00		
C-4	\$ 221.00		
C-5	\$ 259.00		



3801 Parkwood Blvd. Suite 550
Frisco, TX 75034
214.440.3600
TBPLS # 10048300

March 6, 2026

Garver Engineers
Attn: Austin Hayes
3010 Gaylord Parkway, Suite 190
Frisco, TX 75034

RE: Denton Enterprise Airport (DTO) – Taxiway A Reconstruction

Dear Mr. Hayes,

Per your request, Lamb-Star Engineering, LLC. is pleased to submit this proposal for professional surveying services. The general area is as shown on the attached Exhibit – 01 and defined in the attached scope of work.

The lump sum fee for this scope of services, as defined on the attached Survey Scope is **\$50,007.45**

All fees are exclusive of sales tax, if applicable, and reimbursable expenses. Services and products not specifically included in this proposal shall be considered additional services and are not included in the lump sum fee. Additional services will be negotiated and contracted as an addendum to or separately from this agreement, as agreed upon by Garver, LLC and Lamb-Star Engineering, LLC.

Please provide a Task Order as defined in the Master Services Agreement between Garver, LLC and Lamb-Star Engineering, LLC dated November 9, 2012. Work will begin upon receipt of a fully executed Task Order and notice to proceed (NTP). All deliverables will be provided within 30 business days from written NTP for each mobilization.

Thank you for the opportunity to submit this proposal. Lamb-Star looks forward to working with you on this project. Please call Travis Stanley at (469) 668-0629, or Robert Davis at (214) 440-3606 should you have any questions or comments.

Sincerely,

A handwritten signature in blue ink, appearing to read "Robert Davis". The signature is stylized with a large loop at the end.

Robert Davis, RPLS, PLS

Survey Scope of Work:

1. Establish horizontal & vertical control utilizing the primary and secondary airport control stations. Provide a control statement describing how horizontal and vertical control is established. All control will be based on NAD83 (2011) horizontal datum and NAVD88 Geoid 12B vertical datum.
 - a. Establish a minimum of two horizontal control points and one vertical benchmark for each quarter mile or route survey or each 15 acres of site survey, unless otherwise specified.
 - b. Survey shall be provided in grid (Texas North Central Zone 4202) coordinates with a conversion factor for ground.

2. Survey limits will cover an area encompassed as shown on attached Exhibit - 01.

3. The Design Survey shall provide field measurements at distances as appropriate for modeling the existing ground to one half foot (0.5') contour intervals, including locations or pertinent features and improvements, with a minimum grid of 50 feet. Items to be tied in include, but are not limited to:
 - a. Ditches & swales with flow line, top & toe of bank
 - b. Electrical structures, edge lights (including center of light and foundation) signs (foundations) cable and duct markers.
 - c. Storm Sewer Manholes and pipes with flow line and outfall data to the next drainage structure, even if located outside project limits as well as pipe sizes.
 1. Note invert flow directions based on N, S, E, W or NW, SE etc.
 2. Pipe sizes, shape, and material.
 3. For inlets, note the number and size of grates.
 - d. Existing visible above-ground utility structure and markers shall be located and referenced by name (i.e. Oncor, Verizon, AT&T, FAA, etc.)
 - e. Pavement centerlines, edges, joints, and lips. All survey limits shall end at the nearest existing pavement joint.
 - f. Other pavement features (gravel, asphalt roads, etc.) within limits.
 - g. Pavement markings.
 - h. Building finished floor elevations.
 - i. Navigational Aids (wind cone, glideslope, signs, PAPI's, lights, etc.)
 - j. Provide survey for design tie-in location as shown in the attached exhibit. This information shall include elevation points at the edge of pavement tie-in and elevation points one concrete panel away from the edge of pavement tie-in.

4. Coordination & Site Access.
 - a. Lamb-Star will contact Garver before field crew arrives at Project site.
 - b. Garver will provide onsite contact information regarding escort and in and privileges along with if the airfield will be operational while the work is being performed.
 - c. Work will be performed during closed operation hours between the hours of 10 pm and 6 am (night work)

5. Submit.

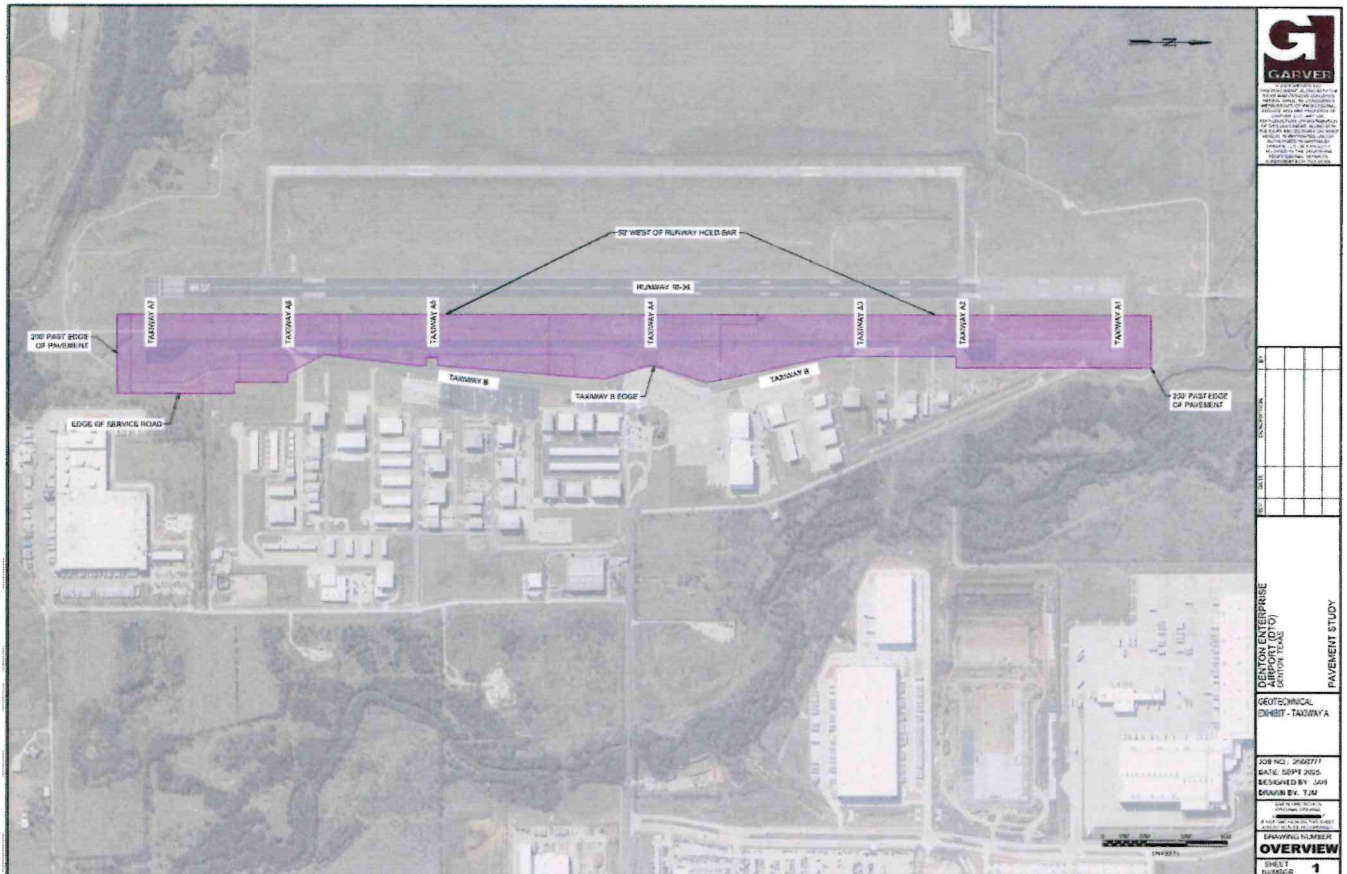
The Surveyor shall process the survey data and provide the Engineer with one (1) copy of the following within 30 calendar days of the signed agreement and Notice to Proceed:

- a. TIN file to sufficient detail suitable for uploading into AutoCAD Civil3D.
- b. ASCII/CSV file of the survey control with 3D coordinates formatted as Point Number; Northing; Easting; Elevation and Description.
- c. Any additional information that may be deemed helpful to the engineer including planimetric drawings, pictures, and field notes.
- d. Information required in attachment titled "Requirements for Survey to be Provided by Subconsultant" if specifically requested and in so far as it is not in conflict with other requirements previously requested by the Engineer.

6. Exclusions (The following have been omitted by Garver

- a. Provide survey shots of published runway end points/pins.
- b. Dig Tess 811 Calls
- c. Provide traffic control, barricades, signage and traffic maintenance personnel as appropriate in accordance with the FAA Advisory Circular 150/5370-2G.

EXHIBIT - 01





ECS Southwest, LLP

Scope and Fee for Subsurface Exploration and Geotechnical Engineering Services

DTO Taxiway A Reconstruction

5000 Airport Road
Denton, Denton County, Texas

ECS ID No. 63:4596-GP

March 19, 2026





ECS SOUTHWEST, LLP

TX Registered Engineering No. F-8461

Geotechnical • Construction Materials • Environmental • Facilities

March 19, 2026

Mr. Austin Hayes
Garver
3000 Internet Blvd
Suite 400
Frisco, Texas 75034

ECS ID No. 63:4596-GP

Reference: Scope and Fee for Subsurface Exploration and Geotechnical Engineering Services
DTO Taxiway A Reconstruction
5000 Airport Road
Denton, Denton County, Texas

Dear Mr. Hayes:

As requested, ECS Southwest, LLP (ECS), is pleased to be selected for this project and providing the following lump sum scope and fee for subsurface exploration and geotechnical engineering services for the above-mentioned project. Our understanding of the project is based on our review of the available geological and geotechnical information in our files in vicinity of the site and Request for Geotechnical Proposal (prepared by Garver, LLC., dated March 2, 2026) and geotechnical exhibit – Taxiway A (prepared by Garver, LLC., dated September 2025) in the email dated March 16, 2026. This scope and fee outlines our understanding of the project, the proposed scope of services, activity schedule, fees, and authorization requirements.

PROJECT BACKGROUND INFORMATION

Existing Site Conditions

The project site is located at 5000 Airport Road in Denton, Denton County, Texas (GPS: 33.1986 N, 97.1967 W). ECS did not visit the site prior to preparing this scope and fee. Based on Google Earth aerial maps, the site is developed with structures and pavements. The existing Taxiway A pavement are constructed from asphalt. Based on the information provided by the client, distresses including fatigue cracking, longitudinal and transverse cracks and block cracking were observed on the site.

Project Description

Based on the information and plan provided, we understand the proposed project will include the reconstruction of Taxiway A. The taxiway and apron will be used by aircraft having gross weights of 60,000 lbs or more. Based on the information provided in Request for Geotechnical Proposal, final grade of new pavement will roughly match existing pavement grades to promote surface drainage from the taxiways to the turfed areas adjacent to the taxiways.

2621 WESTSIDE DRIVE, FORT WORTH, TX 76107 • T: (682) 350-2250 • F: (817) 847-8616

ECS Florida, LLC • ECS Mid-Atlantic, LLC • ECS Midwest, LLC • ECS Pacific, Inc. • ECS Southeast, LLC • ECS Southwest, LLP
ECS New York Engineering, PLLC – An Associate of ECS Group of Companies • www.ecslimited.com

“ONE FIRM. ONE MISSION.”

Please note that a topographic drawing and grading plan were not available at the time of this scope and fee. ECS should be provided with topographic drawings and a grading plan prior to initiating our services to review our proposed depth of borings regarding actual cut/fill depths and make changes to our proposed scope and fee as necessary.

SCOPE OF SERVICES

Our integrated services will include drilling borings by drilling crews based on instructions provided by ECS. Our services will also include laboratory testing of representative soil samples, and engineering analyses presented in a site-specific engineering report.

Utility Clearance

Per state law, we will contact Texas 811 the public utility to locate underground utilities at the site. Typically, Texas 811 will not locate utilities beyond the point of distribution (meters or gauge points) on private property. The risk of hitting utilities that Texas 811 did not mark can be reduced by engaging a private utility locating service. The risks include hitting gas lines, electrical lines, fiber optic lines, and many other utility service lines. This can result in electrocution, gas leaks or explosions, loss of services to businesses as well as tremendous costs for lost business, interruption of service, and repair along with potential legal liability.

We have included the cost of a private utility line locator in our “Base Services”. Private utility locator services can aid in identifying utilities that incorporate significant iron content in the conduit materials. However, utilities without significant ferrous (iron) content are more difficult to detect. These include most sanitary sewer alignments, copper or PVC water lines, fiber optic lines without tracer ribbons, copper electric lines with no surface exposure, drainage tiles/pipes, irrigation lines, etc.

Using a private utility locator does not guarantee that all utilities will be identified. However, this service lowers the risk and potential liability of the client while also protecting the safety of our field exploration crews.

We will coordinate our exploration locations around marked utilities and utilities pointed out to us by the owner/client. However, we will not be responsible for any utilities not marked or not pointed out to us by the landowner or client.

Site Access

Based on our review of available aerial photographs, the site appears to be accessible to a truck-mounted drilling rig.

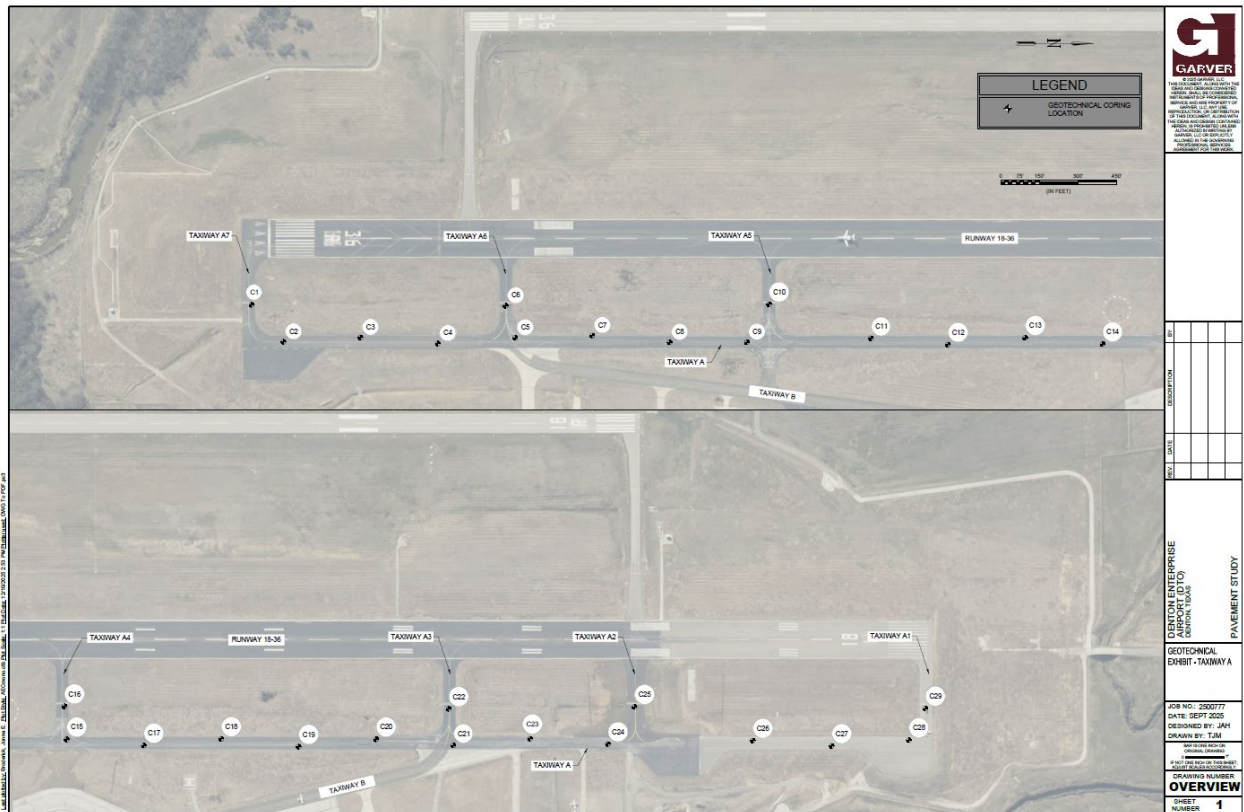
Regarding site access, we have made the following assumptions:

- This scope and fee assume that no special permits will be required. The pavement coring and drilling will take place during nighttime (10 pm to 6 am).
- Landowner notification will be provided by the client. ECS will work with the project team in providing site access diagrams for the drill rig as needed, but actual coordination with landowners to obtain access permission will be provided by the client.
- Taxing within the work areas will be blocked off prior to our arrival. ECS cannot be held responsible for damage to, nor the cleanliness of, vehicles not moved from the work area.

Field Exploration

ECS proposes to perform the following in general accordance with the local standards and practices listed:

- a. Field locate the test locations by handheld GPS unit / taping and pacing from existing site features / available plans. Elevations will be interpolated from the plans provided/or referenced from published topographical maps.
- b. Obtain a public utility locate ticket for location of underground lines. See further information in the Utility Clearance section above.
- c. Private utility locate service to clear the boring locations.
- d. Mobilize a pavement coring crew and core the pavement in twenty-nine (29) locations as requested.
- e. Mobilize a truck mounted drilling rig to the site.
- f. As requested, twenty-nine (29) borings will be drilled on the project site. These boring locations will be cored and drilled within the taxiway areas to a depth of 10 feet below the existing grades. The approximate locations are shown in the figure below.



- g. Perform testing and sampling in general accordance with ASTM standards and local practices.
- h. Measure the depth of groundwater within each exploration location at the time of drilling and prior to backfilling.
- i. Obtain bulk samples of auger cuttings from select borings for laboratory testing.

The explorations will be extended to the depths listed above or to mechanical refusal (shallow rock or other impenetrable obstructions), whichever occurs first.

Site Departure Conditions

Upon completion of subsurface exploration, we will backfill each of the locations with the soil removed and mound the excess spoils back up over the test location. In pavement areas, we will patch the asphalt or concrete surface with cold mix asphalt patch or quick setting concrete of an equivalent or greater

thickness. Some post drilling settlement of the boreholes should be expected and may require future maintenance to repair any settlement and prevent a tripping hazard. This maintenance is not included in our scope of services or fees. No other restoration will be provided. ECS will not be responsible for restoration of, but not limited to the following: grass, shrubs, trees, flower beds, or ruts caused by drilling operations. The client must communicate areas that must not be disturbed in advance of field operations.

Typically, we will not provide site repairs beyond what is outlined above unless specifically contracted. Alternatively, we will remove excess spoils from job sites and dispose of them in an approved manner for a negotiated fee.

Please note that some disturbance to off-pavement, gravel-covered, grass-covered areas, including the possible cutting of trees, or running over of brush and understory in wooded areas might occur. We will attempt to limit such disturbance; however, we have not budgeted for site repairs including filling of tire ruts, seeding of lawn areas, replacement of bushes or the planting of trees, etc. If necessary, additional site repairs can be provided at an additional cost.

Laboratory Testing

Upon completion of field exploration operations, the samples will be returned to our laboratory for further identification, visual classification, and testing. Laboratory testing may include the following:

LABORATORY TEST
Natural Moisture Content
Gradation Analysis
Atterberg Limits
Standard/Modified Proctor
California Bearing Ration (CBR)
Swell Test
Unconfined Compressive Strength of Soil
Sulfate Content, pH, Organic content
Lime pH Series

Engineering Report

Upon completion of the field exploration, laboratory testing, and engineering analyses, we will prepare a written engineering report that will include:

- a. A review of published soils mapping and/or geologic information.
- b. Observations from our site reconnaissance and personnel on the drill rig, including current site conditions, surface drainage features, and surface topographic conditions, and/or available satellite imagery.
- c. A description of the field exploration and laboratory tests performed.
- d. A site location diagram and a field exploration diagram.
- e. Final logs of the soil borings in accordance with industry standard practices for geotechnical engineering. Elevations will be interpolated from civil drawings or referenced from topographic information that you supply.
- f. Photographs with a visual scale indicating pavement thickness for all pavement cores.
- g. The results of the laboratory tests will be plotted on the final exploration logs and/or included on separate test report pages.
- h. Discussion of the subsurface materials encountered along with groundwater conditions observed.

- i. Subsurface cross sections/profiles may be included that graphically represent the subsurface conditions.
- j. Recommendations for preparation of subgrade for the reconstructed taxiway pavement (lime treated subgrade, cement treated subgrade, cement treated base, etc.).
- k. Recommendations regarding preparation of existing soils (native or otherwise) including recommendations regarding undercut and backfill.
- l. Pavement design value recommendations – ECS to provide k-value, CBR, resilient modulus, etc recommended for pavement design. Garver will perform the pavement design based on the subgrade recommendations. All paving materials will follow the FAA specification requirements for construction.
- m. Testing and recommendations for pavement design related to sulfates.
- n. Recommendations regarding surface and subsurface drainage, during and after construction.
- o. Recommendations for embankment design and construction, if required.
- p. Recommendations for suitable configuration(s) of cut slopes, fill slopes, temporary excavations, if required.

FEE

ECS will provide the services outlined in this scope and fee for a lump sum fee of **\$75,800.00**.

Our fee assumes that the site is accessible based upon our assumptions detailed in this document. If additional services are requested or required based on differing site conditions, we will contact you for verbal and written authorization to proceed with the additional services.

SCHEDULE

Our ability to access the site and perform the field exploration may be impacted by precipitation, excessive temperatures, or other atmospheric conditions. Field exploration will be performed during nighttime (10 pm to 6 am) Monday through Friday.

We have assumed that the client will assist in accessing the site (with the current site owners/occupants). We anticipate being able to mobilize to the site within approximately 2 to 3 weeks after receiving authorization to proceed, notification that on-site personnel if any has been made, and upon clearing utilities.

We anticipate that the drilling operations will require about 3 to 4 nights, and that the laboratory testing, will require about 7 to 14 days, followed by our engineering analyses. For time budget purposes, the entire scope should take about 6 to 8 weeks from initial authorization through final report submission. If there is a specific due date for the report, please let us know. Verbal comments on findings can be provided within 7 days of completion of the borings, if requested.

CLOSING

If other services are required because of unexpected field conditions, or because of a request for additional services, they will be invoiced in accordance with a negotiated fee. Before modifying or expanding the extent of our exploration program, we will contact you for your review and authorization.

Our insurance carrier requires that we receive written authorization prior to initiation of work, and a signed contract prior to the release of any work product. This letter is the agreement for our services.

ECS Southwest, LLP

March 19, 2026

Your acceptance of this scope and fee may be indicated by signing and returning a copy of this document to us. We are pleased to have this opportunity to offer our services and look forward to working with you on the project.

Respectfully submitted,

ECS SOUTHWEST, LLP



Ishtiaque Hossain, PhD, P.E.
Vice President, Office Manager
IHossain@ecslimited.com



Michael Batuna, P.E.
Vice President, Asst. Office Manager
MBatuna@ecslimited.com

Enclosures: Scope and Fee Acceptance Sheet

SCOPE AND FEE ACCEPTANCE

Scope and Fee No.: 63:4596-GP
 Scope of Work: Subsurface Exploration and Geotechnical Engineering Services
 Project: DTO Taxiway A Reconstruction
 Location: 5000 Airport Road, Denton, Denton County, Texas
 Base Services: \$75,800.00

Client Signature: _____ Date: _____
 Printed Name: _____ Title: _____

Please complete this page and return one copy to ECS to indicate acceptance of this scope and fee and to initiate work on the above-referenced project.

BILLING INFORMATION
 (please print or type)

Contact Person: _____
 Telephone No. of Contact Person: _____
 Email of Contact Person: _____
 Party Responsible for Payment: _____
 Company Name: _____
 Billing Address: _____
 Telephone Number: _____
 Accounts Payable Email Address: _____
 Client Project/Account Number: _____
 Special Conditions for Invoices: _____

ECS offers a full array of services to assist you with *all* phases of your project, including but not limited to:

- Phase I, II and III Environmental Site Assessments	- Third Party Mechanical, Electrical, Plumbing Inspections Services	- Building Envelope, Roofing, and Waterproofing Consultation
- Wetlands Delineations	- Construction Materials Testing and Special Inspections	- Specialty Materials and Forensics Testing
- Asbestos/Lead Paint Services	- LEED® Consulting Services	- Monitoring Services
- Indoor Air Quality/Mold Services	- Geo-Structural Design	- Pre- and Post-Construction Condition Assessments
- Natural Resources		
- Groundwater Remediation		

Attachment B



1508 Industrial Blvd
Suite 204
McKinney, TX 75069
TEL 972.377.7480
FAX 972.377.8380
www.GarverUSA.com

May 4, 2026

Ryan Adams, CM
Denton Enterprise Airport (DTO)
5000 Airport Rd.
Denton, TX 76207

Re: Denton Enterprise Airport (DTO)
Taxiways H, J, M Reconstruction Design
Professional Services Proposal

Dear Mr. Adams,

Garver is pleased to submit this proposal to provide professional services relating to the improvements listed in "Exhibit A - Scope of Services" for the referenced project.

COMPENSATION

For the design of Taxiways H, J, and M Reconstruction project, the not-to-exceed fee of **\$480,000.00** is based upon the scope of services provided in Exhibit A. A detailed breakdown of the proposed fee for the engineering services is included in Exhibit B. The Garver Hourly Rate schedule can be found within Exhibit C.

Title I Service	Estimated Fees
<i>Surveys (Lamb Star Engineering)</i>	\$ 50,500.00
<i>Geotechnical (ECS)</i>	\$ 38,500.00
60% Preliminary Design	\$ 200,000.00
90% Final Design	\$ 161,000.00
Bidding Services	\$ 30,000.00
Subtotal for Title I Service	\$ 480,000.00

Garver is pleased to have this opportunity to submit this proposal, and we look forward to working with you on this project. If you have any questions or would like any additional information, please feel free to call me at 214-619-9048.

Sincerely,
GARVER

Sara Andrews, PE
Senior Project Manager

- Attachments:
- Exhibit A – Scope of Services
 - Exhibit B – Garver Fee Spreadsheet
 - Exhibit C – Garver Hourly Rate Schedule
 - Exhibit D – Lamb Star Engineering Proposal (Survey)
 - Exhibit E – ECS Proposal (Geotech)



EXHIBIT A (SCOPE OF SERVICES)

Generally, the Scope of Services includes professional services for improvements to Taxiways H, J, and M at Denton Enterprise Airport (DTO). Improvements will consist primarily of the reconstruction of Taxiways H, J, and M shown in Exhibit C. The following professional services are included in this agreement.

- Surveying Services
- Geotechnical Services
- Design Services
 - 60% Preliminary Design
 - 90% Final Design
 - 100% Issued for Bid
- Bidding Services

1. SURVEYING SERVICES

- 1.1. Design Surveys. Lamb Star Engineering, as a subconsultant to Garver, will provide field survey data from field work for designing the project, and this survey will be tied to the Owner's control network. Lamb Star Engineering has provided a lump-sum cost within their proposal found in Exhibit D.
- 1.2. Team members will be escorted by Garver staff currently badged at the Airport or Survey team members will complete badge training at the Airport prior to conducting survey
- 1.3. Lamb Star Engineering will conduct field surveys, utilizing radial topography methods, at intervals and for distances at and/or along the project site as appropriate for modeling the existing ground, including locations of pertinent features or improvements. Buildings and other structures, airfield pavements, streets, drainage features, airfield lights and signs, fences, trees over eight inches in diameter, visible utilities as well as those underground utilities marked by their owners and/or representatives, and any other pertinent topographic features that may be present at and/or along the project site, will be located. Control points will be established for use during construction. All surveys shall be conducted during normal working hours.
- 1.4. Lamb Star Engineering will assemble data obtained during the performance of the field surveys in an AutoCAD Civil3D base map drawing to be utilized for design of the project.

2. GEOTECHNICAL SERVICES

- 2.1. ECS, as a subconsultant to Garver, will be responsible for obtaining, interpreting, and evaluating geotechnical data necessary for the design of this project. The summary of the geotechnical services provided under this Scope of Services is noted in Exhibit E.



3. DESIGN SERVICES

3.1. General: Garver will prepare detailed construction drawings, specifications, instructions to bidders, and general provisions and special provisions, all based on guides furnished to Garver by the Owner and FAA, or internally developed by Garver. Contract Documents (Plans, Specifications, and Estimates) will be prepared for award of one (1) construction contract. These designs shall conform to the standards of practice ordinarily used by members of Garver's profession practicing under similar conditions and shall be submitted to TxDOT Aviation from which approval must be obtained.

3.2. Project Administration

3.2.1. Garver will serve as the Owner's representative for the project and furnish consultation and advice to the Owner during the performance of this service. Garver will attend conferences alone or with Owner's representatives, local officials, state and federal agencies, and others regarding the scope of the proposed project, its general design, functions, and impacts.

3.2.2. Garver will assist in the development of grant reimbursement packets for review, execution, and submittal to TxDOT Aviation by the Owner.

3.3. Owner / Agency Coordination: Garver's project manager and/or design team will coordinate with the Owner as necessary to coordinate design decisions, site visits, document procurement, or other design needs.

3.4. Project Management Plan / Quality Control Procedures

5.3.1 Garver will develop a project specific project management plan. The project management plan will include the project background, scope of work, stakeholder contact information, project team organization and roles, design criteria, project schedule, deliverables, and quality control procedures.

5.3.2 Garver will complete quality control reviews for each deliverable prior to any design submission to Owner and/or FAA. Quality control reviews will be completed by qualified project managers and project engineers who are experienced in the relevant discipline and design elements under review. Weekly internal progress meetings will be held during all design phases to ensure adequate quality control throughout the design phases.

3.5. Environmental Coordination

3.5.1. Garver will develop a Stormwater Pollution Prevention Plan (SWPPP), including erosion control plans and details. Upon Owner review, the SWPPP shall be submitted to TxDOT Aviation for review. Garver will incorporate comments from the review agency.

3.5.2. Garver will coordinate and complete documentation for submission to FAA to receive environmental clearance for the project. Documentation will include that required by the documented Section 163 and CATEX questionnaire of FAA SOP 5.0. No environmental agency coordination is expected for this project area



3.6. Airspace Analysis: Garver will prepare and submit the project to the FAA for permanent airspace clearance on the Obstruction Evaluation and Airport Airspace Analysis (OE/AAA) website and coordinate with FAA representatives.

3.7. Construction Safety and Phasing Plan

3.7.1. Garver will develop a construction safety and phasing plan (CSPP) for the project. During development of the CSPP, Garver will hold a meeting with Airport staff and other stakeholders at the Airport's request to obtain feedback regarding operations during each proposed phase of construction.

3.7.2. After receiving comments from the meeting, Garver will develop a preliminary CSPP for the Owner's review prior to submission to the FAA. After incorporating Owner comments, the CSPP will be submitted to FAA for review through the OE/AAA website.

3.8. Existing Conditions Review

3.8.1. Record Document Review: Garver will review record document data from the vicinity of the construction site to evaluate existing conditions. Record document data may include record drawings, record surveys, utility maps, GIS data, and previous design reports.

3.8.2. Site Visits: Garver's civil and electrical engineers will perform up to two (2) site visits to the project site to review existing conditions and evaluate survey and record document data.

3.9. Pavement Design: Garver will develop a fleet mix for the proposed project based on aircraft fleet data from the Airport Operator / Airport Master Plan / Traffic Flow Management System Counts (TFMSC). Upon completion of the aircraft fleet mix, Garver will submit the fleet to the Owner for review. Upon approval by the Owner, Garver will use FAARFIELD and life cycle cost analysis methods to develop a recommendation for the most economical pavement design. Based on this analysis and discussions with the Owner, a pavement design for the project will be chosen. For concrete pavement design, Garver will design joint patterns and jointing details.

3.10. Geometric Design: Garver will provide geometric design in accordance with FAA AC 150/5300-13 (latest edition) or other local standards. The following design criteria will be used for airfield design:

- Airplane Design Group (ADG) – II
- Aircraft Approach Category (AAC) – D
- Taxiway Design Group (TDG) – 2B

3.11. Modeling: Garver will develop preliminary vertical alignments based on the requirements of FAA AC 150/5300-13 (latest edition). Upon the completion of vertical alignments, assemblies will be developed based on the pavement design and corridors will be modeled for each taxiway alignment. Modeling will include all surface changes from centerline of corridor to tie into existing grade for the project site. At the completion of individual corridor developments, all corridors will be combined into a final grading surface. Modeling will be an iterative process to determine the most efficient design solution.



- 3.12. Grading and Drainage: Grading and drainage design shall be completed in accordance with FAA AC 150/5300-13 (Airport Design), FAA AC 150-5320-5 (Airport Drainage Design), and applicable local drainage codes.
- 3.13. Airfield Electrical
 - 3.13.1. Airfield Lighting and Signage: Garver will provide no electrical engineering services to design the new lighting improvements on the project.
- 3.14. Specifications and Contract Documents
 - 3.14.1. Technical Specifications: Detailed specifications shall be developed using FAA "Standards for Specifying Construction for Airports" AC 150/5370-10 (latest edition) or other appropriate standards approved for use by the FAA. Additional supplementary specifications will be developed for project requirements not covered by FAA AC150/5370-10 or when state or local standards are approved by the FAA.
 - 3.14.2. Construction Contract Documents: Garver will develop construction contract documents based on TxDOT Aviation standards. TxDOT Aviation will complete all front-end documents. A specimen copy of the General Provisions and applicable prevailing wage rates will be obtained by Garver from the FAA and/or Department of Labor as appropriate for incorporation into the specifications for the proposed project. Final construction contract documents will be submitted to the Owner for final review and approval.
- 3.15. Quantities and Engineer's Opinion of Probable Cost: Garver will develop detailed quantities in PDF format for use in construction cost estimating for each design phase. Quantities will be completed by pay item. Upon the completion of quantity development, Garver will review previous cost data and market conditions and complete an Engineer's Opinion of Probable Cost.
- 3.16. Design Services Submission and Meeting Summary: The following design submittal phases shall be included in the fee summary. A summary of each design phase and the associated review meetings is included below.
 - 3.16.1. 60% Preliminary Design
 - 3.16.1.1. Garver will develop 60% preliminary design plans, specifications, and engineer's report and submit these to the Owner and TxDOT for review. It is anticipated that the Owner and TxDOT will review the design submission within one week.
 - 3.16.1.2. At the completion of the Owner review period, Garver will meet with the Owner and TxDOT to review the 60% preliminary design plans, specifications, and engineer's report and to receive Owner and TxDOT comments and direction.
 - 3.16.2. 90% Final Design
 - 3.16.2.1. Garver will develop 90% final design plans, specifications, and engineer's report and submit these to the Owner and TxDOT.



3.16.2.2. At the completion of the Owner review period, Garver will meet with the Owner and TxDOT to review the 90% Final design plans, specifications, and engineer's report and to receive Owner and TxDOT comments and direction.

3.16.3. 100% Issued for Bid (IFB)

3.16.3.1. Garver will develop 100% IFB plans and specifications and submit these to the Owner for review. It is anticipated that the Owner will review the IFB submission within two weeks.

4. BIDDING SERVICES

4.1. Bidding. Garver will assist City of Denton in advertising for and obtaining bids or negotiating proposals for one prime contract for construction, materials, equipment and services; and, where applicable, maintain a record of prospective bidders to whom Bidding Documents have been issued, attend a pre-bid conference, and attend the Bid Opening. The Owner will pay advertising costs outside of this contract.

4.2. Garver will issue addenda as appropriate to interpret, clarify or expand the Bidding Documents. Garver will consult with and advise the Owner as to the acceptability of subcontractors, suppliers and other persons and organizations proposed by the prime contractor(s) (herein called "Contractor(s)") for those portions of the work as to which such acceptability is required by the Bidding Documents. Garver will consult with the Owner concerning the acceptability of substitute materials and equipment proposed by Contractor(s) when substitution prior to the award of contracts is allowed by the Bidding Documents.

4.3. Garver will attend the bid opening, prepare a bid tabulation, and assist the Owner in evaluating bids or proposals and in assembling and awarding contracts for construction, materials, equipment, and services. Garver will assist the Owner in the execution of all contract documents and furnish a sufficient number of executed documents for the Owner, Contractor and TxDOT Aviation.

5. PROJECT DELIVERABLES

5.1. The following deliverables will be submitted to the parties identified below. Unless otherwise noted below, all deliverables shall be electronic.

- 60% Preliminary Design Plans, Specifications, and Engineer's Estimate of Probable Cost to the Owner, and TxDOT Aviation.
- 90% Final Design Plans, Specifications, and Engineer's Estimate of Probable Cost to the Owner, and TxDOT Aviation. Other electronic files as requested.
- 100% Issued for Bid Plans, Specifications, and Engineer's Estimate of Probable Cost to the Owner and FAA.
- Other electronic files as requested

6. ADDITIONAL SERVICES

6.1. The following items are not included under this agreement but will be considered as additional services to be added under Amendment if requested by the Owner.



- Redesign for the Owner's convenience or due to changed conditions after previous alternate direction. Changes conditions may include, but are not limited to major changes to pavement, building, or utility alignments.
- Deliverables beyond those listed herein.
- Design of any utility relocation
- Subsurface Utility Exploration (SUE).
- Underdrain Design.
- DBE Program Goal Setting or Reporting.
- Preliminary Engineering Report
- Final Engineering Report
- Pavement Design beyond that furnished in the Geotechnical Report.
- Runway Safety Area Inventory
- Engineering, architectural, or other professional services beyond those listed herein.
- Retaining walls or other significant structural design.
- Construction Administration Services, On-Site Construction Observation, and/or Construction Materials Testing.
- Environmental Handling and Documentation, including wetlands identification or mitigation plans or other work related to environmentally or historically (culturally) significant items.
- Permitting for environmentally sensitive areas.
- Coordination with FEMA and preparation/submittal of a CLOMR and/or LOMR.
- Services after construction, such as warranty follow-up, operations support, and Part 139 inspection support.
- The construction contract documents will require the Contractor to prepare, maintain, and submit a SWPPP to DEQ

7. SCHEDULE

7.1. Garver shall begin work under this Agreement within a mutually agreeable schedule with the Owner and execution of this Agreement. All design phases will start with a Notice to Proceed (NTP) and stakeholder review comments from the subsequent phase.

Design Phase	Calendar Days
60% Preliminary Design	6 Weeks from Agreement Execution, NTP, and Design Kickoff Meeting
90% Final Design	5 Weeks from Receipt of 60% Preliminary Design Comments
100% Issued for Bid	2 Weeks from Receipt of 90% Final Design Comments

Exhibit B

Denton Enterprise Airport (DTO) Taxiways H, J, and M Reconstruction

FEE SUMMARY

	Title I Service	Estimated Fees
Lump Sum	<i>Surveys (Lamb Star Engineering)</i>	\$ 50,500.00
Lump Sum	<i>Geotechnical (ECS)</i>	\$ 38,500.00
Lump Sum	60% Preliminary Design	\$ 200,000.00
Lump Sum	90% Final Design	\$ 161,000.00
Lump Sum	Bidding Services	\$ 30,000.00
	Subtotal for Title I Service	\$ 480,000.00

Exhibit B

Denton Enterprise Airport (DTO)
Taxiways H, J, and M Reconstruction

60% Preliminary Design

WORK TASK DESCRIPTION	E-5	E-4	E-3	E-2	E-1	D-2	AM-2
	hr	hr	hr	hr	hr	hr	hr
1. Civil Engineering							
Coordination with FAA	1	2					
Coordination with Airport (DTO)	2	2					
Coordination with TxDOT		2					
Internal Preliminary Design Kickoff Meeting		2	2	2	2	2	2
Internal Weekly Progress Meetings		2	4	4	4	4	4
Design Kickoff Meeting	2	2	2	2	2	2	2
Site Visit (3 people, 2 trip)		12		12	12		
Project Management Plan Development		4	6				
Base Map Setup			2	4	8	16	
Establish Design Criteria and Parameters		2	2	8			
Review As-Built Drawings			2	4	8		
Develop Preliminary Construction Safety and Phasing Plan		2	2	6	12		
CSPP Submission to FAA Through OEAAA			2	4	8		
CATEX Documentation		4	4	8		10	12
Develop Geometric Layout			2	4	12		
Develop Horizontal Alignments			2	4	12		
Develop Vertical Alignments			2	4	18		
Develop Assemblies			1	2	6		
Develop Corridor Model			2	8	30		
Develop Fleet Mix		4	2	4			
Develop Pavement Design		4	2	4			
Pre-Development Flow Calculations		1	1	2	4		
Post-Development Flow Calculations		1	1	2	4		
Drainage Structural Design Calculations		2					
Preliminary Plans							
Cover Sheet			1	2		2	
Sheet Index			1	2		2	
General Notes			1	2		4	
Project Layout Plan			1	4		8	
Survey Control Plan			1	4		8	
Construction Safety Plans			1	8		16	
Construction Safety Details			1	4		8	
Existing Conditions Plans			1	4		8	
Erosion Control Plans			1	6		12	
Erosion Control Details			1	4		8	
Demolition Plans			4	8		16	
Demolition Details			1	4		8	
Drainage Plans			6	12		24	
Drainage Details		2	2	4		8	
Typical Sections			2	8		16	
Paving Plans			2	8		16	
Paving Details			1	4		8	
Grading Plans			2	8		16	
Grading Details			1	4		8	
Joint Layout Plans			1	4		8	
Joint Details			1	4		8	
Pavement Marking Plans			2	8		16	
Pavement Marking Details			1	4		8	
Develop Preliminary Construction Contract Documents		4	4	4			
Develop Preliminary Technical Specifications		4	4	4			
Develop Preliminary Supplemental Specifications			4	4			
Develop Preliminary Quantities			2	10	10		
Develop Preliminary Opinions of Probable Construction Costs		4	6				
Internal Quality Control (QC) Review	40	30	4	4	4	4	4
Incorporate QC Review Comments		2	4	8	24	24	
Prepare for Preliminary Plan Review Meeting		2	2	6			2
Attend Preliminary Plan Review Meeting (3 People, on-site)		6	6	6			
Prepare and Distribute Preliminary Review Meeting Minutes and Tasks		1	2	4			2
Prepare and Submit Permanent Airspace Study			1	2	4		
Subtotal - Civil Engineering	45	103	118	260	184	298	28

Hours 45 103 118 260 184 298 28

SUBTOTAL - SALARIES: \$198,659.00

DIRECT NON-LABOR EXPENSES

Document Printing/Reproduction/Assembly	\$391.00
Postage/Freight/Courier	\$50.00
Office Supplies/Equipment	\$200.00
Computer Modeling/Software Use	\$500.00
Travel Costs	\$200.00

SUBTOTAL - DIRECT NON-LABOR EXPENSES: \$1,341.00

SUBTOTAL: \$200,000.00

SUBCONSULTANTS FEE: \$0.00

TOTAL FEE: \$200,000.00

Exhibit B

**Denton Enterprise Airport (DTO)
Taxiways H, J, and M Reconstruction**

90% Final Design

WORK TASK DESCRIPTION	E-5	E-4	E-3	E-2	E-1	D-2	AM-2
	hr	hr	hr	hr	hr	hr	hr
1. Civil Engineering							
Coordination with FAA		2	2				
Coordination with Airport (DTO)		2	2				
Coordination with TxDOT		2	2				
Internal Weekly Progress Meetings		4	4	4	4	4	4
Site Visit (2 people, 2 trips)			12	12			
Prepare for Final Plan Review Meeting		2	2				
Attend Final Plan Review Meeting (3 People, on-site)		4	4	4			2
Prepare and Distribute Final Review Meeting Minutes and Tasks			2				2
Incorporate (Owner/FAA/State) CSPP Comments			2	4	4	4	
Prepare Final Construction Safety and Phasing Plan			2	4	4		
CSPP Submission to FAA Through OEAAA			2	4			
Update Construction Safety and Phasing Plan				1	2		
Update Geometric Layout				1	2		
Update Horizontal Alignments				1	2		
Update Vertical Alignments				1	2		
Update Assemblies				1	2		
Update Corridor Model				2	4		
Update Fleet Mix using available data (TFMSC, 5010, etc.)			2				
Update Pavement Design			2				
Update Drainage Basin Development			2	4			
FAA Design Checklist			2	4			
Final Plans							
Cover Sheet					1	2	
Sheet Index					1	2	
General Notes			1		2	2	
Project Layout Plan			1	1	4	4	
Survey Control Plan			1	1	2	4	
Construction Safety Plans			4	2	6	6	
Construction Safety Details			1		6	6	
Existing Conditions Plans			3		6	6	
Erosion Control Plans				4	8	8	
Erosion Control Details			1		4	8	
Demolition Plans			1	2		6	
Demolition Details			1			4	
Drainage Plans			1		4	8	
Drainage Details			1		4	8	
Underdrain Plans			2		6	6	
Underdrain Details			2		6	8	
Utility Plans			1			6	
Utility Details			1		6	8	
Typical Sections					6	8	
Paving Plans			1	4		8	
Paving Details			2	8		16	
Grading Plans			1	4	8	10	
Grading Details				2	8	10	
Joint Layout Plans				2	8	8	
Joint Details					8	8	
Elevation Plans			1	6	8	8	
Elevation Details			1		8	8	
Pavement Marking Plans				1	6	12	
Pavement Marking Details				1	6	12	
Cross Sections					6	12	
Develop Final Technical Specifications		4	10				
Develop Final Supplemental Specifications		4	10				
Develop Final Quantities			5	10	10	10	
Develop Final Opinions of Probable Construction Costs		4	8				
Final Engineer's Report		2	12				5
Final Engineer's Report		2	12				5
Internal Quality Control (QC) Review	40	30					
Incorporate QC Review Comments		3	6	12	12	12	
Incorporate Final (Owner/FAA/State) Review Comments			6	6	6	6	4
Develop and Submission of CATEX		4					
Subtotal - Civil Engineering	40	69	141	113	192	258	22

Hours

40

69

141

113

192

258

22

SUBTOTAL - SALARIES:

\$159,583.00

DIRECT NON-LABOR EXPENSES

Document Printing/Reproduction/Assembly	\$492.00
Postage/Freight/Courier	\$50.00
Office Supplies/Equipment	\$200.00
Computer Modeling/Software Use	\$500.00
Travel Costs	\$175.00

SUBTOTAL - DIRECT NON-LABOR EXPENSES: \$1,417.00

SUBTOTAL: \$161,000.00

SUBCONSULTANTS FEE: \$0.00

TOTAL FEE: \$161,000.00



Exhibit C
Denton Enterprise Airport (DTO)
Taxiways H, J, and M Reconstruction
Garver Hourly Rate Schedule: July 2023 - June 2024

Classification	Rates	Classification	Rates
Engineers / Architects		Resource Specialists	
E-1	\$ 161.00	RS-1	\$ 104.00
E-2	\$ 189.00	RS-2	\$ 137.00
E-3	\$ 225.00	RS-3	\$ 194.00
E-4	\$ 265.00	RS-4	\$ 268.00
E-5	\$ 322.00	RS-5	\$ 335.00
E-6	\$ 397.00	RS-6	\$ 411.00
E-7	\$ 444.00	RS-7	\$ 460.00
Planners		Environmental Specialists	
P-1	\$ 194.00	ES-1	\$ 104.00
P-2	\$ 230.00	ES-2	\$ 131.00
P-3	\$ 261.00	ES-3	\$ 168.00
P-4	\$ 320.00	ES-4	\$ 198.00
P-5	\$ 380.00	ES-5	\$ 248.00
Designers		ES-6	\$ 318.00
D-1	\$ 145.00	ES-7	\$ 398.00
D-2	\$ 164.00	ES-8	\$ 450.00
D-3	\$ 194.00	Project Controls	
D-4	\$ 227.00	PC-1	\$ 106.00
D-5	\$ 274.00	PC-2	\$ 140.00
Technicians		PC-3	\$ 178.00
T-1	\$ 126.00	PC-4	\$ 229.00
T-2	\$ 170.00	PC-5	\$ 280.00
T-3	\$ 184.00	PC-6	\$ 361.00
T-4	\$ 218.00	PC-7	\$ 454.00
Surveyors		Management / Administration	
S-1	\$ 78.00	AM-1	\$ 75.00
S-2	\$ 93.00	AM-2	\$ 96.00
S-3	\$ 128.00	AM-3	\$ 134.00
S-4	\$ 175.00	AM-4	\$ 171.00
S-5	\$ 230.00	AM-5	\$ 209.00
S-6	\$ 268.00	AM-6	\$ 272.00
S-7	\$ 291.00	AM-7	\$ 320.00
S-8	\$ 351.00	M-1	\$ 510.00
2-Man Crew (Survey)	\$ 344.00		
3-Man Crew (Survey)	\$ 403.00		
2-Man Crew (GPS Survey)	\$ 344.00		
3-Man Crew (GPS Survey)	\$ 403.00		
Construction Observation			
C-1	\$ 112.00		
C-2	\$ 140.00		
C-3	\$ 171.00		
C-4	\$ 221.00		
C-5	\$ 259.00		



3801 Parkwood Blvd. Suite 550
Frisco, TX 75034
214.440.3600
TBPLS # 10048300

March 6, 2026

Garver Engineers
Attn: Austin Hayes
3010 Gaylord Parkway, Suite 190
Frisco, TX 75034

RE: Denton Enterprise Airport (DTO) – Taxiways H, J, and M Reconstruction

Dear Mr. Hayes,

Per your request, Lamb-Star Engineering, LLC. is pleased to submit this proposal for professional surveying services. The general area is as shown on the attached Exhibit – 01 and defined in the attached scope of work.

The lump sum fee for this scope of services, as defined on the attached Survey Scope is **\$28,847.45**

All fees are exclusive of sales tax, if applicable, and reimbursable expenses. Services and products not specifically included in this proposal shall be considered additional services and are not included in the lump sum fee. Additional services will be negotiated and contracted as an addendum to or separately from this agreement, as agreed upon by Garver, LLC and Lamb-Star Engineering, LLC.

Please provide a Task Order as defined in the Master Services Agreement between Garver, LLC and Lamb-Star Engineering, LLC dated November 9, 2012. Work will begin upon receipt of a fully executed Task Order and notice to proceed (NTP). All deliverables will be provided within 30 business days from written NTP for each mobilization.

Thank you for the opportunity to submit this proposal. Lamb-Star looks forward to working with you on this project. Please call Travis Stanley at (469) 668-0629, or Robert Davis at (214) 440-3606 should you have any questions or comments.

Sincerely,

A handwritten signature in blue ink, appearing to read "Robert Davis". The signature is fluid and cursive, with a large loop at the end.

Robert Davis, RPLS, PLS

Survey Scope of Work:

1. Establish horizontal & vertical control utilizing the primary and secondary airport control stations. Provide a control statement describing how horizontal and vertical control is established. All control will be based on NAD83 (2011) horizontal datum and NAVD88 Geoid 12B vertical datum.
 - a. Establish a minimum of two horizontal control points and one vertical benchmark for each quarter mile or route survey or each 15 acres of site survey, unless otherwise specified.
 - b. Survey shall be provided in grid (Texas North Central Zone 4202) coordinates with a conversion factor for ground.
2. Survey limits will cover an area encompassed as shown on attached Exhibit - 01.
3. The Design Survey shall provide field measurements at distances as appropriate for modeling the existing ground to one half foot (0.5') contour intervals, including locations or pertinent features and improvements, with a minimum grid of 50 feet. Items to be tied in include, but are not limited to:
 - a. Ditches & swales with flow line, top & toe of bank
 - b. Electrical structures, edge lights (including center of light and foundation) signs (foundations) cable and duct markers.
 - c. Storm Sewer Manholes and pipes with flow line and outfall data to the next drainage structure, even if located outside project limits as well as pipe sizes.
 1. Note invert flow directions based on N, S, E, W or NW, SE etc.
 2. Pipe sizes, shape, and material.
 3. For inlets, note the number and size of grates.
 - d. Existing visible aboveground utility structure and markers shall be located and referenced by name (i.e. Oncor, Verizon, AT&T, FAA, etc.)
 - e. Pavement centerlines, edges, joints, and lips. All survey limits shall end at the nearest existing pavement joint.
 - f. Other pavement features (gravel, asphalt roads, etc.) within limits.
 - g. Pavement markings.
 - h. Building finished floor elevations.
 - i. Navigational Aids (wind cone, glideslope, signs, PAPI's, lights, etc.)
 - j. Provide survey for design tie-in location as shown in the attached exhibit. This information shall include elevation points at the edge of pavement tie-in and elevation points one concrete panel away from the edge of pavement tie-in.
4. Coordination & Site Access.
 - a. Lamb-Star will contact Garver before field crew arrives at Project site.
 - b. Garver will provide onsite contact information regarding escort and in and privileges along with if the airfield will be operational while the work is being performed.
 - c. Work will be performed during normal operation hours between the hours of 6 am and 10 pm.

5. Submit.

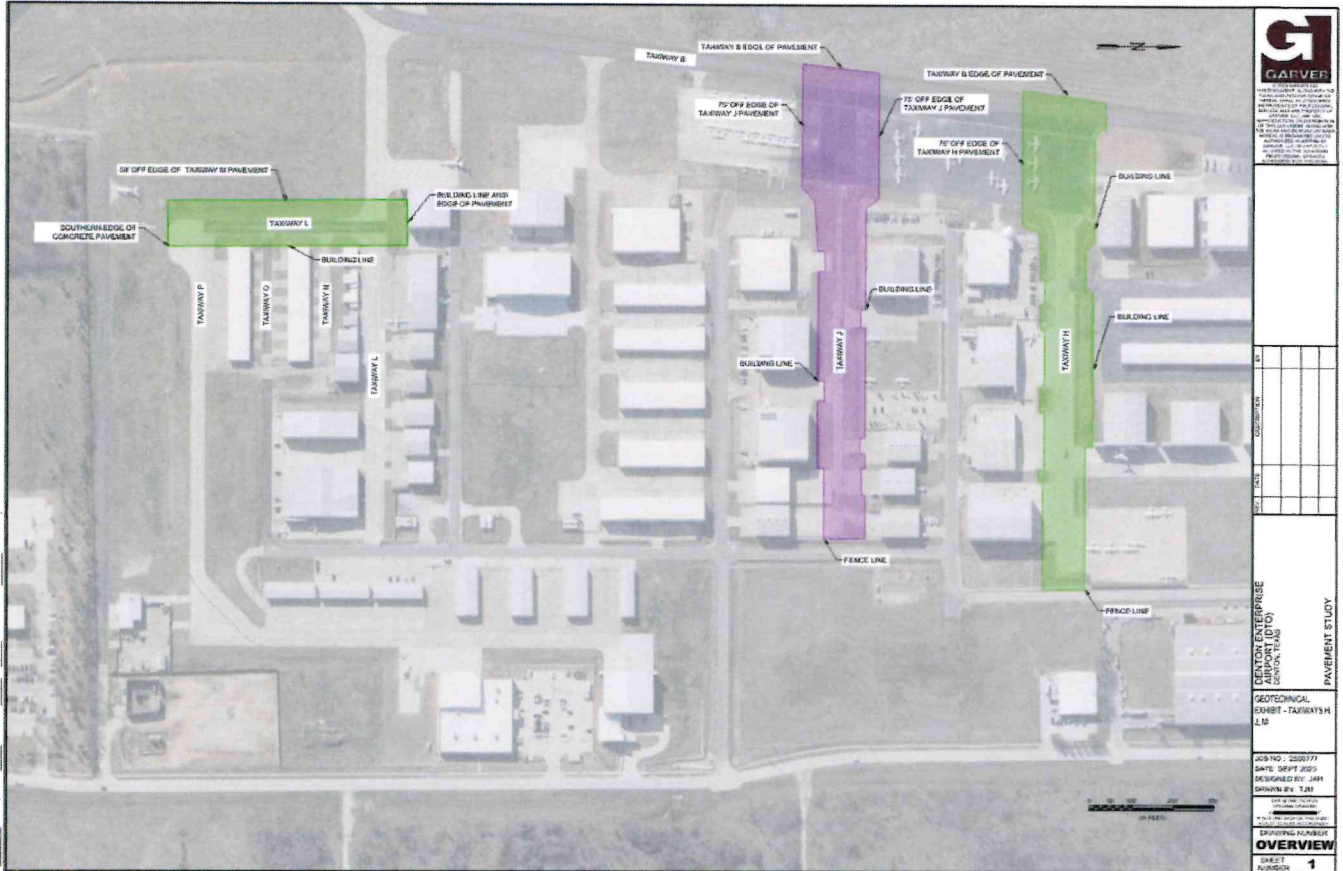
The Surveyor shall process the survey data and provide the Engineer with one (1) copy of the following within 30 calendar days of the signed agreement and Notice to Proceed:

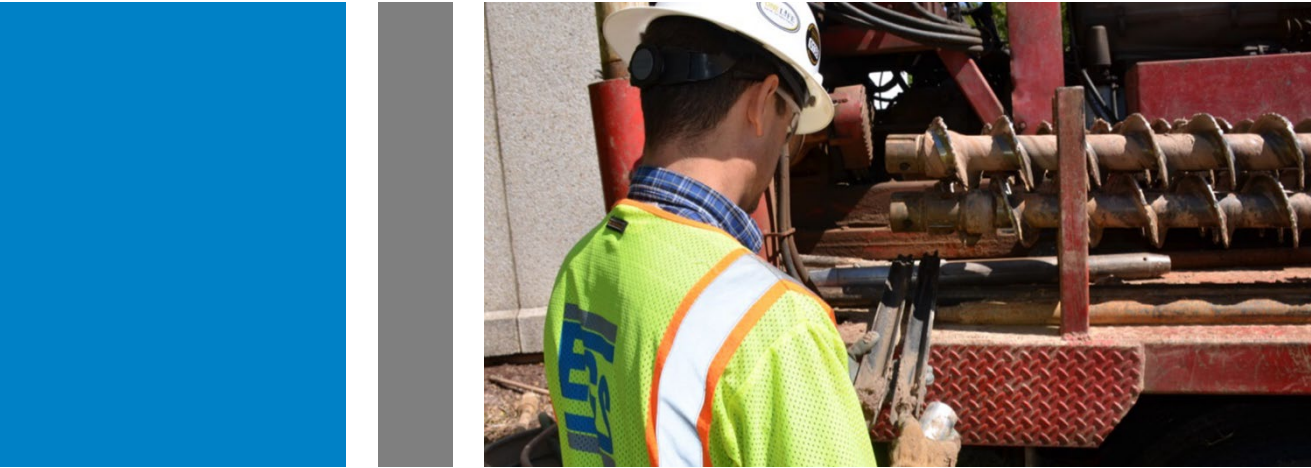
- a. TIN file to sufficient detail suitable for uploading into AutoCAD Civil3D.
- b. ASCII/CSV file of the survey control with 3D coordinates formatted as Point Number; Northing; Easting; Elevation and Description.
- c. Any additional information that may be deemed helpful to the engineer including planimetric drawings, pictures, and field notes.
- d. Information required in attachment titled "Requirements for Survey to be Provided by Subconsultant" if specifically requested and in so far as it is not in conflict with other requirements previously requested by the Engineer.

6. Exclusions (The following have been omitted by Garver)

- a. Provide survey shots of published runway end points/pins.
- b. Dig Tess 811 Calls
- c. Provide traffic control, barricades, signage and traffic maintenance personnel as appropriate in accordance with the FAA Advisory Circular 150/5370-2G.

EXHIBIT - 01





ECS Southwest, LLP

Scope and Fee for Subsurface Exploration and Geotechnical Engineering Services

DTO Taxiways H, J and M Reconstruction

5000 Airport Road
Denton, Denton County, Texas

ECS ID No. 63:4557-GP (Rev.1)

March 19, 2026





March 19, 2026

Mr. Austin Hayes
Garver
3000 Internet Blvd
Suite 400
Frisco, Texas 75034

ECS ID No. 63:4557-GP (Rev.1)

Reference: Scope and Fee for Subsurface Exploration and Geotechnical Engineering Services
DTO Taxiways H, J and M Reconstruction
5000 Airport Road
Denton, Denton County, Texas

Dear Mr. Hayes:

As requested, ECS Southwest, LLP (ECS), is pleased to be selected for this project and providing the following lump sum scope and fee for subsurface exploration and geotechnical engineering services for the above-mentioned project. Our understanding of the project is based on our review of the available geological and geotechnical information in our files in vicinity of the site and Request for Geotechnical Proposal (prepared by Garver, LLC., dated March 2, 2026) and geotechnical exhibit – Taxiways H, J and M (prepared by Garver, LLC., dated September 2025) in the email dated March 2, 2026. This scope and fee outlines our understanding of the project, the proposed scope of services, activity schedule, fees, and authorization requirements.

PROJECT BACKGROUND INFORMATION

Existing Site Conditions

The project site is located at 5000 Airport Road in Denton, Denton County, Texas (GPS: 33.2000 N, 97.1938 W). ECS did not visit the site prior to preparing this scope and fee. Based on Google Earth aerial maps, the site is developed with structures and pavements. The existing Taxiways H, J, and M pavement are constructed from asphalt. Based on the information provided by the client, distresses including fatigue cracking, longitudinal and transverse cracks, and PCC shoving down the entire length of the taxiway were observed on the site.

Project Description

Based on the information and plan provided, we understand the proposed project will include the reconstruction of Taxiways H, J and M. The taxiway and apron will be used by aircraft having gross weights of 60,000 lbs or more. Based on the information provided in Request for Geotechnical Proposal, final

grade of new pavement will roughly match existing pavement grades to promote surface drainage from the taxiways to the turfed areas adjacent to the taxiways.

Please note that a topographic drawing and grading plan were not available at the time of this scope and fee. ECS should be provided with topographic drawings and a grading plan prior to initiating our services to review our proposed depth of borings regarding actual cut/fill depths and make changes to our proposed scope and fee as necessary.

SCOPE OF SERVICES

Our integrated services will include drilling borings by drilling crews based on instructions provided by ECS. Our services will also include laboratory testing of representative soil samples, and engineering analyses presented in a site-specific engineering report.

Utility Clearance

Per state law, we will contact Texas 811 the public utility to locate underground utilities at the site. Typically, Texas 811 will not locate utilities beyond the point of distribution (meters or gauge points) on private property. The risk of hitting utilities that Texas 811 did not mark can be reduced by engaging a private utility locating service. The risks include hitting gas lines, electrical lines, fiber optic lines, and many other utility service lines. This can result in electrocution, gas leaks or explosions, loss of services to businesses as well as tremendous costs for lost business, interruption of service, and repair along with potential legal liability.

We have included the cost of a private utility line locator in our "Base Services". Private utility locator services can aid in identifying utilities that incorporate significant iron content in the conduit materials. However, utilities without significant ferrous (iron) content are more difficult to detect. These include most sanitary sewer alignments, copper or PVC water lines, fiber optic lines without tracer ribbons, copper electric lines with no surface exposure, drainage tiles/pipes, irrigation lines, etc.

Using a private utility locator does not guarantee that all utilities will be identified. However, this service lowers the risk and potential liability of the client while also protecting the safety of our field exploration crews.

We will coordinate our exploration locations around marked utilities and utilities pointed out to us by the owner/client. However, we will not be responsible for any utilities not marked or not pointed out to us by the landowner or client.

Site Access

Based on our review of available aerial photographs, the site appears to be accessible to a truck-mounted drilling rig.

Regarding site access, we have made the following assumptions:

- This scope and fee assume that no special permits will be required. The pavement coring and drilling will take place during nighttime (10 pm to 6 am).
- Landowner notification will be provided by the client. ECS will work with the project team in providing site access diagrams for the drill rig as needed, but actual coordination with landowners to obtain access permission will be provided by the client.

- Taxing within the work areas will be blocked off prior to our arrival. ECS cannot be held responsible for damage to, nor the cleanliness of, vehicles not moved from the work area.

Field Exploration

ECS proposes to perform the following in general accordance with the local standards and practices listed:

- Field locate the test locations by handheld GPS unit / taping and pacing from existing site features / available plans. Elevations will be interpolated from the plans provided/or referenced from published topographical maps.
- Obtain a public utility locate ticket for location of underground lines. See further information in the Utility Clearance section above.
- Private utility locate service to clear the boring locations.
- Mobilize a pavement coring crew and core the pavement in ten (10) locations as requested.
- Mobilize a truck mounted drilling rig to the site.
- As requested, ten (10) borings will be drilled on the project site. These boring locations will be cored and drilled within the taxiway areas to a depth of 10 feet below the existing grades. The approximate locations are shown in the figure below.



 Approximate 10-ft Boring Locations

- Perform testing and sampling in general accordance with ASTM standards and local practices.
- Measure the depth of groundwater within each exploration location at the time of drilling and prior to backfilling.
- Obtain bulk samples of auger cuttings from select borings for laboratory testing.

The explorations will be extended to the depths listed above or to mechanical refusal (shallow rock or other impenetrable obstructions), whichever occurs first.

Site Departure Conditions

Upon completion of subsurface exploration, we will backfill each of the locations with the soil removed and mound the excess spoils back up over the test location. In pavement areas, we will patch the asphalt

or concrete surface with cold mix asphalt patch or quick setting concrete of an equivalent or greater thickness. Some post drilling settlement of the boreholes should be expected and may require future maintenance to repair any settlement and prevent a tripping hazard. This maintenance is not included in our scope of services or fees. No other restoration will be provided. ECS will not be responsible for restoration of, but not limited to the following: grass, shrubs, trees, flower beds, or ruts caused by drilling operations. The client must communicate areas that must not be disturbed in advance of field operations.

Typically, we will not provide site repairs beyond what is outlined above unless specifically contracted. Alternatively, we will remove excess spoils from job sites and dispose of them in an approved manner for a negotiated fee.

Please note that some disturbance to off-pavement, gravel-covered, grass-covered areas, including the possible cutting of trees, or running over of brush and understory in wooded areas might occur. We will attempt to limit such disturbance; however, we have not budgeted for site repairs including filling of tire ruts, seeding of lawn areas, replacement of bushes or the planting of trees, etc. If necessary, additional site repairs can be provided at an additional cost.

Laboratory Testing

Upon completion of field exploration operations, the samples will be returned to our laboratory for further identification, visual classification, and testing. Laboratory testing may include the following:

LABORATORY TEST
Natural Moisture Content
Gradation Analysis
Atterberg Limits
Standard/Modified Proctor
California Bearing Ration (CBR)
Swell Test
Unconfined Compressive Strength of Soil
Sulfate Content, pH, Organic content
Lime pH Series

Engineering Report

Upon completion of the field exploration, laboratory testing, and engineering analyses, we will prepare a written engineering report that will include:

- a. A review of published soils mapping and/or geologic information.
- b. Observations from our site reconnaissance and personnel on the drill rig, including current site conditions, surface drainage features, and surface topographic conditions, and/or available satellite imagery.
- c. A description of the field exploration and laboratory tests performed.
- d. A site location diagram and a field exploration diagram.
- e. Final logs of the soil borings in accordance with industry standard practices for geotechnical engineering. Elevations will be interpolated from civil drawings or referenced from topographic information that you supply.
- f. Photographs with a visual scale indicating pavement thickness for all pavement cores.
- g. The results of the laboratory tests will be plotted on the final exploration logs and/or included on separate test report pages.

- h. Discussion of the subsurface materials encountered along with groundwater conditions observed.
- i. Subsurface cross sections/profiles may be included that graphically represent the subsurface conditions.
- j. Recommendations for preparation of subgrade for the reconstructed taxiway pavement (lime treated subgrade, cement treated subgrade, cement treated base, etc.).
- k. Recommendations regarding preparation of existing soils (native or otherwise) including recommendations regarding undercut and backfill.
- l. Pavement design value recommendations – ECS to provide k-value, CBR, resilient modulus, etc recommended for pavement design. Garver will perform the pavement design based on the subgrade recommendations. All paving materials will follow the FAA specification requirements for construction.
- m. Testing and recommendations for pavement design related to sulfates.
- n. Recommendations regarding surface and subsurface drainage, during and after construction.
- o. Recommendations for embankment design and construction, if required.
- p. Recommendations for suitable configuration(s) of cut slopes, fill slopes, temporary excavations, if required.

FEE

ECS will provide the services outlined in this scope and fee for a lump sum fee of **\$33,400.00**.

Our fee assumes that the site is accessible based upon our assumptions detailed in this document. If additional services are requested or required based on differing site conditions, we will contact you for verbal and written authorization to proceed with the additional services.

SCHEDULE

Our ability to access the site and perform the field exploration may be impacted by precipitation, excessive temperatures, or other atmospheric conditions. Field exploration will be performed during nighttime (10 pm to 6 am) Monday through Friday.

We have assumed that the client will assist in accessing the site (with the current site owners/occupants). We anticipate being able to mobilize to the site within approximately 2 to 3 weeks after receiving authorization to proceed, notification that on-site personnel if any has been made, and upon clearing utilities.

We anticipate that the drilling operations will require about 1 to 2 nights, and that the laboratory testing, will require about 7 to 14 days, followed by our engineering analyses. For time budget purposes, the entire scope should take about 5 to 7 weeks from initial authorization through final report submission. If there is a specific due date for the report, please let us know. Verbal comments on findings can be provided within 7 days of completion of the borings, if requested.

CLOSING

If other services are required because of unexpected field conditions, or because of a request for additional services, they will be invoiced in accordance with a negotiated fee. Before modifying or expanding the extent of our exploration program, we will contact you for your review and authorization.

Our insurance carrier requires that we receive written authorization prior to initiation of work, and a signed contract prior to the release of any work product. This letter is the agreement for our services.

ECS Southwest, LLP

March 19, 2026

Your acceptance of this scope and fee may be indicated by signing and returning a copy of this document to us. We are pleased to have this opportunity to offer our services and look forward to working with you on the project.

Respectfully submitted,

ECS SOUTHWEST, LLP



Ishtiaque Hossain, PhD, P.E.
Vice President, Office Manager
IHossain@ecslimited.com



Michael Batuna, P.E.
Vice President, Asst. Office Manager
MBatuna@ecslimited.com

Enclosures: Scope and Fee Acceptance Sheet

SCOPE AND FEE ACCEPTANCE

Scope and Fee No.: 63:4557-GP (Rev.1)
Scope of Work: Subsurface Exploration and Geotechnical Engineering Services
Project: DTO Taxiways H, J and M Reconstruction
Location: 5000 Airport Road, Denton, Denton County, Texas
Base Services: \$33,400.00

Client Signature: _____ Date: _____
Printed Name: _____ Title: _____

Please complete this page and return one copy to ECS to indicate acceptance of this scope and fee and to initiate work on the above-referenced project.

BILLING INFORMATION

(please print or type)

Contact Person: _____
Telephone No. of Contact Person: _____
Email of Contact Person: _____
Party Responsible for Payment: _____
Company Name: _____
Billing Address: _____

Telephone Number: _____
Accounts Payable Email Address: _____
Client Project/Account Number: _____
Special Conditions for Invoices: _____

ECS offers a full array of services to assist you with *all* phases of your project, including but not limited to:

- Phase I, II and III Environmental Site Assessments	- Third Party Mechanical, Electrical, Plumbing Inspections Services	- Building Envelope, Roofing, and Waterproofing Consultation
- Wetlands Delineations	- Construction Materials Testing and Special Inspections	- Specialty Materials and Forensics Testing
- Asbestos/Lead Paint Services	- LEED® Consulting Services	- Monitoring Services
- Indoor Air Quality/Mold Services	- Geo-Structural Design	- Pre- and Post-Construction Condition Assessments
- Natural Resources		
- Groundwater Remediation		

Certificate Of Completion

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Status: Sent

Subject: Please DocuSign: City Council Contract 8209 Airport Engineering Services - Amendment 3

Source Envelope:

Document Pages: 50

Signatures: 3

Envelope Originator:

Certificate Pages: 6

Initials: 1

Christina Dormady

AutoNav: Enabled

901B Texas Street

Envelopeld Stamping: Enabled

Denton, TX 76209

Time Zone: (UTC-06:00) Central Time (US & Canada)

christina.dormady@cityofdenton.com

IP Address: 198.49.140.10

Record Tracking

Status: Original

Holder: Christina Dormady

Location: DocuSign

5/8/2026 11:37:49 AM

christina.dormady@cityofdenton.com

Signer Events

Signature

Timestamp

Christina Dormady

Completed

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christina.dormady@cityofdenton.com

Viewed: 5/8/2026 11:43:34 AM

Buyer

Signed: 5/8/2026 11:44:33 AM

City of Denton

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(None)

Electronic Record and Signature Disclosure:

Not Offered via DocuSign

Lori Hewell

Initial

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lori.hewell@cityofdenton.com

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Purchasing Manager

Signed: 5/11/2026 7:18:45 AM

City of Denton

Signature Adoption: Pre-selected Style

Security Level: Email, Account Authentication
(None)

Using IP Address: 198.49.140.104

Electronic Record and Signature Disclosure:

Not Offered via DocuSign

Leah Bush

Signed by:

3A6254145BDA469...

Sent: 5/11/2026 7:18:47 AM

leah.bush@cityofdenton.com

Viewed: 5/11/2026 9:09:52 AM

Assistant City Attorney

Signed: 5/11/2026 9:40:10 AM

Security Level: Email, Account Authentication
(None)

Signature Adoption: Pre-selected Style

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Electronic Record and Signature Disclosure:

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Mitchell McAnally

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MRMcAnally@GarverUSA.com

Resent: 5/26/2026 9:07:41 AM

Vice President

Resent: 6/2/2026 8:43:17 AM

Security Level: Email, Account Authentication
(None)

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Signature Adoption: Pre-selected Style

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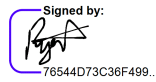
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Signer Events

Ryan Adams
 Ryan.adams@cityofdenton.com
 Director of Airport
 Security Level: Email, Account Authentication
 (None)

Signature

Signature Adoption: Drawn on Device
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 Signed using mobile

Timestamp

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 Signed: 6/22/2026 8:52:28 AM

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Cheyenne Defee
 cheyenne.defee@cityofdenton.com
 Procurement Administration Supervisor
 City of Denton
 Security Level: Email, Account Authentication
 (None)

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Electronic Record and Signature Disclosure:

Not Offered via DocuSign

Cassey Ogden
 Cassey.Ogden@cityofdenton.com
 Security Level: Email, Account Authentication
 (None)

Electronic Record and Signature Disclosure:

Not Offered via DocuSign

Kristi Fogle
 Kristi.Fogle@cityofdenton.com
 Security Level: Email, Account Authentication
 (None)

Electronic Record and Signature Disclosure:

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In Person Signer Events**Signature****Timestamp****Editor Delivery Events****Status****Timestamp****Agent Delivery Events****Status****Timestamp****Intermediary Delivery Events****Status****Timestamp****Certified Delivery Events****Status****Timestamp****Carbon Copy Events****Status****Timestamp**

Cheyenne Defee
 cheyenne.defee@cityofdenton.com
 Procurement Administration Supervisor
 City of Denton
 Security Level: Email, Account Authentication
 (None)



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Carbon Copy Events	Status	Timestamp
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Gretna Jones
gretna.jones@cityofdenton.com
Legal Secretary
City of Denton
Security Level: Email, Account Authentication (None)

COPIED

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City Secretary Office
citysecretary@cityofdenton.com
Security Level: Email, Account Authentication (None)

Electronic Record and Signature Disclosure:
Not Offered via DocuSign

Chase Patterson
chase.patterson@cityofdenton.com
Security Level: Email, Account Authentication (None)

Electronic Record and Signature Disclosure:
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Notary Events	Signature	Timestamp
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Electronic Record and Signature Disclosure
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At any time, you may request from us a paper copy of any record provided or made available electronically to you by us. For such copies, as long as you are an authorized user of the DocuSign system you will have the ability to download and print any documents we send to you through your DocuSign user account for a limited period of time (usually 30 days) after such documents are first sent to you. After such time, if you wish for us to send you paper copies of any such documents from our office to you, you will be charged a \$0.00 per-page fee. You may request delivery of such paper copies from us by following the procedure described below.

Withdrawing your consent

If you decide to receive notices and disclosures from us electronically, you may at any time change your mind and tell us that thereafter you want to receive required notices and disclosures only in paper format. How you must inform us of your decision to receive future notices and disclosure in paper format and withdraw your consent to receive notices and disclosures electronically is described below.

Consequences of changing your mind

If you elect to receive required notices and disclosures only in paper format, it will slow the speed at which we can complete certain steps in transactions with you and delivering services to you because we will need first to send the required notices or disclosures to you in paper format, and then wait until we receive back from you your acknowledgment of your receipt of such paper notices or disclosures. To indicate to us that you are changing your mind, you must withdraw your consent using the DocuSign 'Withdraw Consent' form on the signing page of your DocuSign account. This will indicate to us that you have withdrawn your consent to receive required notices and disclosures electronically from us and you will no longer be able to use your DocuSign Express user account to receive required notices and consents electronically from us or to sign electronically documents from us.

All notices and disclosures will be sent to you electronically

Unless you tell us otherwise in accordance with the procedures described herein, we will provide electronically to you through your DocuSign user account all required notices, disclosures, authorizations, acknowledgements, and other documents that are required to be provided or made available to you during the course of our relationship with you. To reduce the chance of you inadvertently not receiving any notice or disclosure, we prefer to provide all of the required notices and disclosures to you by the same method and to the same address that you have given us. Thus, you can receive all the disclosures and notices electronically or in paper format through the paper mail delivery system. If you do not agree with this process, please let us know as described below. Please also see the paragraph immediately above that describes the consequences of your electing not to receive delivery of the notices and disclosures electronically from us.

How to contact City of Denton:

You may contact us to let us know of your changes as to how we may contact you electronically, to request paper copies of certain information from us, and to withdraw your prior consent to receive notices and disclosures electronically as follows:

To contact us by email send messages to: purchasing@cityofdenton.com

To advise City of Denton of your new e-mail address

To let us know of a change in your e-mail address where we should send notices and disclosures electronically to you, you must send an email message to us at melissa.kraft@cityofdenton.com and in the body of such request you must state: your previous e-mail address, your new e-mail address. We do not require any other information from you to change your email address..

In addition, you must notify DocuSign, Inc to arrange for your new email address to be reflected in your DocuSign account by following the process for changing e-mail in DocuSign.

To request paper copies from City of Denton

To request delivery from us of paper copies of the notices and disclosures previously provided by us to you electronically, you must send us an e-mail to purchasing@cityofdenton.com and in the body of such request you must state your e-mail address, full name, US Postal address, and telephone number. We will bill you for any fees at that time, if any.

To withdraw your consent with City of Denton

To inform us that you no longer want to receive future notices and disclosures in electronic format you may:

- i. decline to sign a document from within your DocuSign account, and on the subsequent page, select the check-box indicating you wish to withdraw your consent, or you may;
- ii. send us an e-mail to purchasing@cityofdenton.com and in the body of such request you must state your e-mail, full name, IS Postal Address, telephone number, and account number. We do not need any other information from you to withdraw consent.. The consequences of your withdrawing consent for online documents will be that transactions may take a longer time to process..

Required hardware and software

Operating Systems:	Windows2000? or WindowsXP?
Browsers (for SENDERS):	Internet Explorer 6.0? or above
Browsers (for SIGNERS):	Internet Explorer 6.0?, Mozilla FireFox 1.0, NetScape 7.2 (or above)
Email:	Access to a valid email account
Screen Resolution:	800 x 600 minimum
Enabled Security Settings:	<ul style="list-style-type: none"> •Allow per session cookies •Users accessing the internet behind a Proxy Server must enable HTTP 1.1 settings via proxy connection

** These minimum requirements are subject to change. If these requirements change, we will provide you with an email message at the email address we have on file for you at that time providing you with the revised hardware and software requirements, at which time you will have the right to withdraw your consent.

Acknowledging your access and consent to receive materials electronically

To confirm to us that you can access this information electronically, which will be similar to other electronic notices and disclosures that we will provide to you, please verify that you were able to read this electronic disclosure and that you also were able to print on paper or electronically save this page for your future reference and access or that you were able to e-mail this disclosure and consent to an address where you will be able to print on paper or save it for your future reference and access. Further, if you consent to receiving notices and disclosures exclusively in electronic format on the terms and conditions described above, please let us know by clicking the 'I agree' button below.

By checking the 'I Agree' box, I confirm that:

- I can access and read this Electronic CONSENT TO ELECTRONIC RECEIPT OF ELECTRONIC RECORD AND SIGNATURE DISCLOSURES document; and
- I can print on paper the disclosure or save or send the disclosure to a place where I can print it, for future reference and access; and
- Until or unless I notify City of Denton as described above, I consent to receive from exclusively through electronic means all notices, disclosures, authorizations, acknowledgements, and other documents that are required to be provided or made available to me by City of Denton during the course of my relationship with you.



City of Denton

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

AGENDA INFORMATION SHEET

DEPARTMENT: Procurement
ACM: Christine Taylor
DATE: July 14, 2026

SUBJECT

Consider adoption of an ordinance of the City of Denton, a Texas home-rule municipal corporation, authorizing the City Manager to execute a contract with Consolidated Traffic Controls, Inc., for the purchase of signal heads, detectors, crossing systems, and miscellaneous equipment to be stocked in the City of Denton Warehouse for the Traffic Department; providing for the expenditure of funds therefor; and providing an effective date (RFP 8951 – awarded to Consolidated Traffic Controls, Inc., for one (1) year, with the option for four (4) additional one (1) year extensions, in the total five (5) year not-to-exceed amount of \$2,000,000.00).

STRATEGIC ALIGNMENT

This action supports Key Focus Area: Enhance Infrastructure and Mobility.

INFORMATION/BACKGROUND

Traffic signals, pedestrian heads, detectors, crossing systems, and miscellaneous equipment allow for safe vehicle and foot traffic across intersections. These signals work to flow traffic through the city using LED lights as visual indicators to the end users. Vehicle detection systems and sensors are used to help the signals know when vehicles are present at intersections. The hardware solicited supports the use of these systems. Traffic signals, pedestrian heads, detectors, crossing systems, and miscellaneous equipment are stocked in the Warehouse and used on an as-needed basis. Orders will be placed throughout the term of the contract to maintain safety stock levels in the warehouse.

Project Description	Estimated 5-Year Expenditure
Year 1	\$350,000
Year 2	350,000
Year 3	350,000
Year 4	350,000
Year 5	350,000
Contingency	250,000
Total	\$2,000,000

Request for Proposals was sent to 143 prospective suppliers, including five (5) Denton firms. In addition, specifications were placed on the Procurement website for prospective suppliers to download and advertised

in the local newspaper. Three (3) proposals were received, references were checked, and proposals were evaluated based upon published criteria, including price, delivery, compliance with specifications, and probable performance. Best and Final Offers (BAFO) were requested from the top firm. Based upon this evaluation, Consolidated Traffic Controls, Inc. was ranked the highest and determined to be the best value for the City.

NIGP Code Used for Solicitation:	550 – Markers, Plaques and Traffic Control Devices
Notifications sent for Solicitation sent in IonWave:	143
Number of Suppliers that viewed Solicitation in IonWave:	22
HUB-Historically Underutilized Business Invitations sent out:	13
SBE-Small Business Enterprise Invitations sent out:	49
Responses from Solicitation:	3

RECOMMENDATION

Award a contract with Consolidated Traffic Controls, Inc., for the purchase of signal heads, detectors, crossing systems, and miscellaneous equipment to be stocked in the City of Denton Warehouse for the Traffic Department, in a one (1) year, with the option for four (4) additional one (1) year extensions, in the total five (5) year total not-to-exceed amount of \$2,000,000.

PRINCIPAL PLACE OF BUSINESS

Consolidated Traffic Controls, Inc.
Arlington, TX

ESTIMATED SCHEDULE OF PROJECT

This is an initial one (1) year contract with options to extend the contract for four (4) additional one (1) year periods, with all terms and conditions remaining the same.

FISCAL INFORMATION

These items will be funded from the Warehouse working capital account 800100.6801. Requisitions will be entered throughout the term of the contract to maintain appropriate stock levels and will be charged back to the Traffic Department as needed for projects. The Traffic Department budgets an annual amount in account 352001.6520 to cover the cost of purchasing the equipment from the Warehouse. The five (5) year not-to-exceed amount is \$2,000,000.

EXHIBITS

- Exhibit 1: Agenda Information Sheet
- Exhibit 2: Pricing Evaluation
- Exhibit 3: Ordinance and Contract

Respectfully submitted:
Lori Hewell, 940-349-7100
Purchasing Manager

For information concerning this acquisition, contact: Keith Kading, 940-349-7178.

Legal point of contact: Leah Bush at 940-349-8672.

Exhibit 2
IFB 8951 - Bid Tabulation for Signal Heads, Detectors, Crossing Systems, and Misc.

						Consolidated Traffic Controls, Inc.		GENERAL TRAFFIC EQUIPMENT CORP		MoboTrex, Inc	
						Arlington, TX		Newburgh, NY		Davenport, IA	
						Unit	Extended	Unit	Extended	Unit	Extended
Line #	Description	Mfgr	Mfgno	QTY	UOM						
1	SECTION A: SIGNAL AND PEDESTRIAN HEADS										
2	3 –SECTION BLACK POLYCARBONATE SIGNAL HEAD WITH BLACK VISORS, BLACK LOUVERED METAL BACKPLATE, READY FOR LENSES	M69465, M19271, M17910 SA103A1C11BBB00-00 E1692P43-14		80	EA	\$320.98	\$25,678.40			\$210.00	\$16,800.00
2 ALT1	3 SECTION BLACK POLYCARBONAYE SIGNAL HEAD WITH BLACK VISORS BLACL LOUVERED METAL BACKPLATE LED READY	General Traffic Equipment Corp	T40H-POLY-Y-EMPTY-T-B-B-B	80	EA			\$275.00	\$22,000.00		
3	4 –SECTION BLACK POLYCARBONATE SIGNAL HEAD WITH BLACK VISORS, BLACK LOUVERED METAL BACKPLATE, READY FOR LENSES	M66151, M19271, M17975 SA104A1C11BBB00-00 E1692P45-14		30	EA	\$383.98	\$11,519.40			\$272.00	\$8,160.00
3 ALT1	4 SECTION BLACK POLYCARBONATE SIGNAL HEAD WITH BLACK VISORS BLACK LOUVERED METAL BACKPLATES LED READY	GENERAL TRAFFIC EQUIPMENT CORP	T40H-POLY-Y-EMPTY-T-B-B-B	30	EA			\$384.00	\$11,520.00		
4	5 –SECTION BLACK POLYCARBONATE SIGNAL HEAD WITH BLACK VISORS, BLACK LOUVERED METAL BACKPLATE, READY FOR LENSES			20	EA	\$506.98	\$10,139.60			\$340.00	\$6,800.00
4 ALT1	5 SECTION BLACK POLYCARBONATE SIGNAL HEAD WITH BLACK VISORS BLACK LOUVERED METAL BACKPLATE LED READY	GENERAL TRAFFIC EQUIPMENT CORP	T50H-POLY-T-EMPTY-T-B-B-B	20	EA			\$492.00	\$9,840.00		
5	PEDESTRIAN HEAD, RIGHT SIDE MOUNT, BLACK POLYCARBONATE, ALUMINUMCLAM SHELL MOUNT, READY FOR LED LENS			30	EA	\$143.98	\$4,319.40	\$198.00	\$5,940.00	\$205.00	\$6,150.00
6	DOUBLE FACE ILSN 6feetx18inches CP618DTHNNAAD8 ONLY			20	EA	\$1,782.98	\$35,659.60	\$4,550.00	\$91,000.00	\$4,550.00	\$91,000.00
7	SINGLE FACE ILSN 6"x18" / CP618SRDNNAAG1 ONLY		SOUTHERN MFG-CP618SRDNNAAG1 ONLY	20	ea	\$1,640.98	\$32,819.60	\$4,450.00	\$89,000.00	\$4,450.00	\$89,000.00
8	SECTION B: DETECTORS										
9	DETECTOR OPTICOM #721 #721 SINGLE CHANNEL CTS#110247		78-8095-3853-7 / CTS#110247	30	EA	\$7,598.00	\$22,769.40	\$758.98	\$22,769.40	\$758.98	\$22,769.40
10	DETECTOR OPTICOM #722 # 722 DUAL CHANNEL CTS#110247		78-8095-3854-5 / CTS#110247	10	EA	\$1,008.98	\$10,089.80	\$1,008.98	\$10,089.80	\$1,008.98	\$10,089.80
11	DETECTOR OPTICOM #764 PHASE SELECTOR MULTIMODE #764		76-1000-1054-0 / CTS#110610-MM	10	EA	\$3,303.98	\$33,039.80	\$3,303.98	\$33,039.80	\$3,303.98	\$33,039.80
12	DETECTOR OPTICOM CLAMP SPAN WIRE CLAMP #10100		CTS# 101001	10	EA	\$18.98	\$189.80	\$18.98	\$189.80	\$18.98	\$189.80
13	DETECTOR, NARROW HUB \$3M , 34inches HOLE, 500B #201011		CTS # 201011	10	EA	\$21.98	\$219.80	\$21.98	\$219.80	\$21.98	\$219.80
14	DETECTOR, OPTICOM CABLE / #3M # 138 (1000' SPOOL)		GTT MODEL 138	2000	FT	\$0.20	\$400.00	\$0.20	\$400.00	\$0.20	\$400.00
15	DETECTOR, NARROW HUB \$3M , 34inches HOLE, 500B #201011			10	EA	\$21.98	\$219.80	\$21.98	\$219.80	\$21.98	\$219.80
16	SECTION C: CROSSING SYSTEMS										
17	PEDESTRIAN CROSSING SYSTEMS SEE TECHNICAL SPECIFICATIONS			10	EA	\$5,778.98	\$57,789.80	\$5,778.98	\$57,789.80	\$5,778.98	\$57,789.80
18	POLARA NAVIGATOR CCU^ ICCU-S2		POLARA ICCU-S2	10	EA	\$2,713.98	\$27,139.80	\$2,713.98	\$27,139.80	\$2,713.98	\$27,139.80

Exhibit 2
IFB 8951 - Bid Tabulation for Signal Heads, Detectors, Crossing Systems, and Misc.

						Consolidated Traffic Controls, Inc.		GENERAL TRAFFIC EQUIPMENT CORP		MoboTrex, Inc	
						Arlington, TX		Newburgh, NY		Davenport, IA	
						Respondent's Business Name:		GENERAL TRAFFIC EQUIPMENT CORP		MoboTrex, Inc	
						Principal Place of Business (City and State):		Newburgh, NY		Davenport, IA	
19	POLARA NAVIGATOR PB STATION^ 9inchesX15inches, CTC 87-INS23TNO-B		CTC 87-INS23TNO-B	50	EA	\$524.98	\$26,249.00	\$524.98	\$26,249.00	\$524.98	\$26,249.00
20	SCHOOL FLASHER, ASSEMBLY KIT^ 2 BATTERYRADIOAP22			10	EA	\$3,916.98	\$39,169.80	\$3,916.98	\$39,169.80	\$3,916.98	\$39,169.80
21	DC PEDESTRIAN CROSSING MASTER WPUSHBUTTON 1-2 REMOTES PNS10-600008M		PNS10-600008M	10	EA	\$2,435.98	\$24,359.80	\$2,435.98	\$24,359.80	\$2,435.98	\$24,359.80
22	DC PEDESTRIAN CROSSING REMOTE W/PUSHBUTTON / PNS10-600008R		PNS10-600008R	10	EA	\$2,875.98	\$28,759.80	\$2,875.98	\$28,759.80	\$2,875.98	\$28,759.80
23	EDGE LIGHT PEDESTRIAN SIGN WALKING LEFT HV GREEN, NO LINES 30inchesx30inches PNS10- ELW11-2K W11-2		PNS10-ELW11-2K W11-2	10	EA	\$1,081.98	\$10,819.80	\$1,081.98	\$10,819.80	\$1,081.98	\$10,819.80
24	EDGE LIGHT ARROW POINTING LEFT TO CROSSING SIGN 24inchesx12inches PNS10-S1ELW16- 7P24-GK W16-7P		PNS10-S1ELW16-7P24-GK W16-7P	10	EA	\$1,084.98	\$10,849.80	\$1,084.98	\$10,849.80	\$1,084.98	\$10,849.80
25	EDGE LIGHT PEDESTRIAN SIGN WALKING LEFT HV GREEN, NO LINES 36inchesx36inches PNS10- ELW11-36K W11-2		PNS10-ELW11-36K W11-2	10	EA	\$1,115.98	\$11,159.80	\$1,115.98	\$11,159.80	\$1,115.98	\$11,159.80
26	WW11-2 EDGE LIGHT PEDESTRIAN WALKING LEFT HV YELLOW 36"x36" / PNS10-ELW11-2LFLK		PNS10-ELW11-2LFLK	10	EA	\$1,115.98	\$11,159.80	\$1,115.98	\$11,159.80	\$1,115.98	\$11,159.80
27	SECTION D: MISCELLANEOUS										
28	BATTERY, ALPHACELL 220GXL SILVER ALLOY GEL, 12V, 109AH		220GXL	10	EA	No Bid	No Bid	No Bid	No Bid	No Bid	No Bid
29	BATTERY, SOLAR 8G30H-DEKA 12V, 108AH		8G30H-DEKA	10	EA	No Bid	No Bid	No Bid	No Bid	No Bid	No Bid
30	CABLE, 143 STR CU 14GA 1000feetSPOOL, ANIXTER #2A-1403		#2A-1403	1000	FT	No Bid	No Bid	No Bid	No Bid	No Bid	No Bid
31	CABLE, CONTROL MC5E 4PR 24AWG 1000feetSP, BELDEN#7919A 0105000		BELDEN#7919A 0105000	10000	FT	No Bid	No Bid	No Bid	No Bid	No Bid	No Bid
32	CABLE, TRAFFIC SIGNAL 7C-14AWG 1000feetRL			5000	FT	No Bid	No Bid	No Bid	No Bid	No Bid	No Bid
33	ENCLOSURE, 12inchesx20inchesx18inches LxWxD PEM-1220-18PC		PEM-1220-18PC	10	EA	No Bid	No Bid	No Bid	No Bid	No Bid	No Bid
34	CABLE, 14AWG 20 CONDUCTOR, ISMA 1420 STR 20-1 2500feet REEL			2500	FT	No Bid	No Bid	No Bid	No Bid	No Bid	No Bid
35	MOUNTING RECEIVER / PNS10-FLASHCUBE		PNS10-FLASHCUBE	20	EA	\$2,082.98	\$41,659.60	\$2,082.98	\$41,659.60	\$2,082.98	\$41,659.60
36	POLE MOUNT 2 7/8" to 3" OD POLE / PNS10-503396- 3		PNS10-503396-3	20	EA	\$162.98	\$3,259.60	\$162.98	\$3,259.60	\$162.98	\$3,259.60
37	30-WATT SOLAR PANEL ASSY W/MOUNT AND WIRING / PNS10-502400-30		PNS10-502400-30	20	EA	\$400.98	\$8,019.60	\$400.98	\$8,019.60	\$400.98	\$8,019.60
38	22AMP GEL CELL BATTERY / PNS10-506484-18		PNS10-506484-18	20	EA	\$105.98	\$2,119.60	\$105.98	\$2,119.60	\$105.98	\$2,119.60
39	15' SPUN ALUMINUM POLE W/BASE, COLLAR, AND ANCHOR BOLTS / PNS10-POLE15SPALASSY		PNS10-POLE15SPALASSY	20	EA	\$1,226.98	\$24,539.60	\$1,226.98	\$24,539.60	\$1,226.98	\$24,539.60
40	CABINET, 20W SOLAR PANEL, 22AH BATTERY ASSEMBLY / PNS10-S1ELASSY		PNS10-S1ELASSY	20	EA	\$378.98	\$7,579.60	\$378.98	\$7,579.60	\$378.98	\$7,579.60
41	R1-1 STOP EDGE LIGHT SIGN (30"x30", 8LEDS) / PNS10-ELR1-1 30K		PNS10-ELR1-1 30K	20	EA	\$1,368.98	\$27,379.60	\$1,368.98	\$27,379.60	\$1,368.98	\$27,379.60

Exhibit 2

IFB 8951 - Bid Tabulation for Signal Heads, Detectors, Crossing Systems, and Misc.

						Respondent's Business Name: Principal Place of Business (City and State):		GENERAL TRAFFIC EQUIPMENT CORP		MoboTrex, Inc	
						Consolidated Traffic Controls, Inc.		Newburgh, NY		Davenport, IA	
						Arlington, TX					
42	R1-1 STOP EDGE LIGHT SIGN (36"x36", 8LEDS) / PNS10-ELR1-1 36K		PNS10-ELR1-1 36K	20	EA	\$1,401.98	\$28,039.60	\$1,401.98	\$28,039.60	\$1,401.98	\$28,039.60
43	BATTERY CABINET INCLUDED PANEL NO. 2, REGULATOR AND 4.5" UBOLT MOUNT 18W"X17H"X14" (PNS10-503333K)		PNS10-503333K	5	EA	\$1,220.98	\$6,104.90	\$1,220.98	\$6,104.90	\$1,220.98	\$6,104.90
44	40W SOLAR PANEL ASSY INCL SIDE POLE MOUNT AND WIRING (PNS10-SP40)		PNS10-SP40	5	EA	\$320.98	\$1,604.90	\$320.98	\$1,604.90	\$320.98	\$1,604.90
45	104 AMP HOUR BATTERY (PNS10-500645-104)		PNS10-500645-104	5	EA	\$452.98	\$2,264.90	\$452.98	\$2,264.90	\$452.98	\$2,264.90
46	12" SIGNAL HEADS POLY YELLOW (1,2 OR 3 PER FLASHER) (PNS10-SIGPY)		PNS10-SIGPY	20	EA	\$237.98	\$4,759.60	\$237.98	\$4,759.60	\$237.98	\$4,759.60
47	12" AMBER DC 5W LED (1, 2, OR 3 PER FLASHER) (PNS10-502463)		PNS10-502463	5	EA	\$66.98	\$334.90	\$66.98	\$334.90	\$66.98	\$334.90
48	SPEED LIMIT SIGN (24"X18") (PNS10-S1S5-1-MPH)		PNS10-S1S5-1-MPH	5	EA	\$304.98	\$1,524.90	\$304.98	\$1,524.90	\$304.98	\$1,524.90
49	CELL PHONE PROHIBIT (24"X18") (PNS10-S1S7- 1TK)		PNS10-S1S7-1TK	5	EA	\$132.98	\$664.90	\$132.98	\$664.90	\$132.98	\$664.90
50	24"X30" EDGELIGHT 30MPH SIGN			5	EA	\$1,103.98	\$5,519.90	\$1,103.98	\$5,519.90	\$1,103.98	\$5,519.90
51	SPECIAL ORDER LINE - % DISCOUNT OFF LIST PRICE FOR ITEMS NOT ITEMIZED IN THIS CONTRACT					2%		No Bid		No Bid	
Total:						\$599,897.30		\$709,061.30		\$697,671.30	

Evaluation											
Item #	Standard Criteria					Consolidated Traffic Controls, Inc.		GENERAL TRAFFIC EQUIPMENT CORP		MoboTrex, Inc	
1	Delivery/Project Schedule - 20%					18.67		9.33		13.33	
2	Compliance with Specifications- 40%					37.33		16.00		24.00	
3	Probable Performance-10%					9.33		5.33		7.33	
4	Price, Total Cost of Ownership - 30%					30.00		25.38		25.80	
Total Score:						95.33		56.04		70.46	

ORDINANCE NO. _____

AN ORDINANCE OF THE CITY OF DENTON, A TEXAS HOME-RULE MUNICIPAL CORPORATION, AUTHORIZING THE CITY MANAGER TO EXECUTE A CONTRACT WITH CONSOLIDATED TRAFFIC CONTROLS, INC., FOR THE PURCHASE OF SIGNAL HEADS, DETECTORS, CROSSING SYSTEMS, AND MISCELLANEOUS EQUIPMENT TO BE STOCKED IN THE CITY OF DENTON WAREHOUSE FOR THE TRAFFIC DEPARTMENT; PROVIDING FOR THE EXPENDITURE OF FUNDS THEREFOR; AND PROVIDING AN EFFECTIVE DATE (RFP 8951 – AWARDED TO CONSOLIDATED TRAFFIC CONTROLS, INC., FOR ONE (1) YEAR, WITH THE OPTION FOR FOUR (4) ADDITIONAL ONE (1) YEAR EXTENSIONS, IN THE TOTAL FIVE (5) YEAR NOT-TO-EXCEED AMOUNT OF \$2,000,000.00).

WHEREAS, the City has solicited, received, and evaluated competitive proposals for the purchase of signal heads, detectors, crossing systems, and miscellaneous equipment to be stocked in the City of Denton Warehouse for the Traffic Department; and

WHEREAS, the City Manager, or a designated employee, has received, reviewed, and recommended that the herein described proposals are the most advantageous to the City considering the relative importance of price and the other evaluation factors included in the request for proposals; and

WHEREAS, this procurement was undertaken as part of the City’s governmental function; and

WHEREAS, the City Council has provided in the City Budget for the appropriation of funds to be used for the purchase of the materials, equipment, supplies, or services approved and accepted herein; NOW, THEREFORE,

THE COUNCIL OF THE CITY OF DENTON HEREBY ORDAINS:

SECTION 1. The items in the following numbered request for proposal for materials, equipment, supplies, or services shown in the “Request Proposals” on file in the office of the Purchasing Agent, are hereby accepted and approved as being the most advantageous to the City considering the relative importance of price and the other evaluation factors included in the request for proposals.

<u>RFP</u> <u>NUMBER</u>	<u>CONTRACTOR</u>	<u>AMOUNT</u>
8951	Consolidated Traffic Controls, Inc.	\$2,000,000.00

SECTION 2. That by the acceptance and approval of the above numbered items of the submitted proposals, the City accepts the offer of the persons submitting the proposals for such items and agrees to purchase the materials, equipment, supplies, or services in accordance with the terms,

specifications, standards, quantities, and for the specified sums contained in the Proposal Invitations, Proposals, and related documents.

SECTION 3. That should the City and person submitting approved and accepted items wish to enter into a formal written agreement as a result of the acceptance, approval, and awarding of the proposals, the City Manager, or their designated representative, is hereby authorized to execute the written contract which shall be attached hereto; provided that the written contract is in accordance with the terms, conditions, specifications, standards, quantities, and specified sums contained in the Proposal and related documents herein approved and accepted.

SECTION 4. The City Council of the City of Denton hereby expressly delegates the authority to take any actions that may be required or permitted to be performed by the City of Denton under this ordinance to the City Manager of the City of Denton, or their designee.

SECTION 5. By the acceptance and approval of the above enumerated bids, the City Council hereby authorizes the expenditure of funds therefor in the amount and in accordance with the approved bids.

SECTION 6. This ordinance shall become effective immediately upon its passage and approval.

The motion to approve this ordinance was made by _____ and seconded by _____. The ordinance was passed and approved by the following vote [___ - ___]:

	Aye	Nay	Abstain	Absent
Mayor Chris Watts:	_____	_____	_____	_____
Jordan Villarreal, District 1:	_____	_____	_____	_____
Nick Stevens, District 2:	_____	_____	_____	_____
Suzi Rumohr, District 3:	_____	_____	_____	_____
Joe Holland, District 4:	_____	_____	_____	_____
George Ferrie, At Large Place 5:	_____	_____	_____	_____
Jill Jester, At Large Place 6:	_____	_____	_____	_____

PASSED AND APPROVED this the _____ day of _____, 2026.

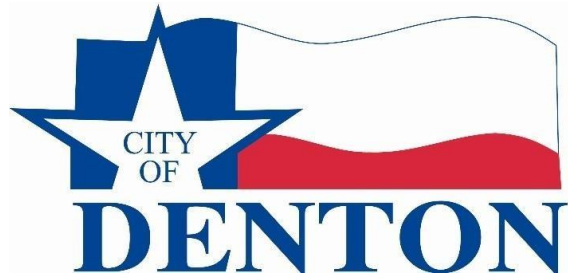
CHRIS WATTS, MAYOR

ATTEST:
KRISTI FOGLE, INTERIM CITY SECRETARY

BY: _____

APPROVED AS TO LEGAL FORM:
MACK REINWAND, CITY ATTORNEY

BY: Leah Bush



DocuSign City Council Transmittal Coversheet

RFP	8951
File Name	Signal Heads, Detectors, Crossing Systems and Misc.
Purchasing Contact	Ginny Brummett
City Council Target Date	
Piggy Back Option	No
Contract Expiration	
Ordinance	

**CONTRACT BY AND BETWEEN
CITY OF DENTON, TEXAS AND CONSOLIDATED TRAFFIC CONTROLS, INC.
(Contract # 8951)**

THIS CONTRACT is made and entered into this date _____, by and between CONSOLIDATED TRAFFIC CONTROLS, INC., a Texas corporation, whose address 1016 ENTERPRISE PL., ARLINGTON, TX 76001, hereinafter referred to as “Contractor,” and the **CITY OF DENTON, TEXAS**, a home rule municipal corporation, hereinafter referred to as “City,” to be effective upon approval of the Denton City Council and subsequent execution of this Contract by the Denton City Manager or their duly authorized designee.

For and in consideration of the covenants and agreements contained herein, and for the mutual benefits to be obtained hereby, the parties agree as follows:

SCOPE OF SERVICES

Contractor shall provide products in accordance with the City’s IFB # 8951 Signal Heads, Detectors, Crossing Systems and Misc., a copy of which is on file at the office of Purchasing Agent and incorporated herein for all purposes. The Contract consists of this written agreement and the following items which are attached hereto, or on file, and incorporated herein by reference:

- (a) Special Terms and Conditions (**Exhibit “A”**);
- (b) City of Denton’s IFB #8951 (the “Solicitation”) (**Exhibit “B” on file at the office of the Purchasing Agent**);
- (c) City of Denton Standard Terms and Conditions (**Exhibit “C”**);
- (d) Certificate of Interested Parties Electronic Filing (**Exhibit “D”**);
- (e) Contractor’s Proposal (“Contractor’s Offer”) (**Exhibit “E”**);
- (f) Form CIQ – Conflict of Interest Questionnaire (**Exhibit “F”**)

These documents make up the Contract documents and what is called for by one shall be as binding as if called for by all. In the event of an inconsistency or conflict in any of the provisions of the Contract documents, the inconsistency or conflict shall be resolved by giving precedence first to the written agreement then to the contract documents in the order in which they are listed above. These documents shall be referred to collectively as “Contract Documents.”

Prohibition on Contracts with Companies Boycotting Israel

Contractor acknowledges that in accordance with Chapter 2271 of the Texas Government Code, City is prohibited from entering into a contract with a company for goods or services unless the contract contains a written verification from the company that it: (1) does not boycott Israel; and (2) will not boycott Israel during the term of the contract. The terms “boycott Israel” and “company” shall have the meanings ascribed to those terms in Section 808.001 of the Texas Government Code. ***By signing this Contract, Contractor certifies that Contractor’s signature provides written verification to the City that Contractor: (1) does not boycott Israel; and (2) will not boycott Israel during the term of the Contract.*** Failure to meet or maintain the requirements under this provision will be considered a material breach.

Prohibition on Contracts with Companies Boycotting Certain Energy Companies

Contractor acknowledges that in accordance with Chapter 2276 of the Texas Government Code, City is prohibited from entering into a contract with a company for goods or services unless the contract contains

written verification from the company that it (1) does not boycott energy companies; and (2) will not boycott energy companies during the term of the contract. The terms “boycott energy company” and “company” shall have the meanings ascribed to those terms in Section 809.001 of the Texas Government Code. ***By signing this agreement, Contractor certifies that Contractor’s signature provides written verification to the City that Contractor: (1) does not boycott energy companies; and (2) will not boycott energy companies during the term of the Contract.*** Failure to meet or maintain the requirements under this provision will be considered a material breach.

Prohibition on Contracts with Companies Boycotting Certain Firearm Entities and Firearm Trade Associations

Contractor acknowledges that in accordance with Chapter 2274 of the Texas Government Code, City is prohibited from entering into a contract with a company for goods or services unless the contract contains written verification from the company that it (1) does not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association; and (2) will not discriminate during the term of the contract against a firearm entity or firearm trade association. The terms “discriminate against a firearm entity or firearm trade association,” “firearm entity” and “firearm trade association” shall have the meanings ascribed to those terms in Chapter 2274 of the Texas Government Code. ***By signing this Contract, Contractor certifies that Contractor’s signature provides written verification to the City that Contractor: (1) does not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association; and (2) will not discriminate during the term of this Contract against a firearm entity or firearm trade association.*** Failure to meet or maintain the requirements under this provision will be considered a material breach.

Prohibition On Contracts with Companies Doing Business with Iran, Sudan, or a Foreign Terrorist Organization

Section 2252 of the Texas Government Code restricts City from contracting with companies that do business with Iran, Sudan, or a foreign terrorist organization. ***By signing this Contract, Contractor certifies that Contractor’s signature provides written verification to the City that Contractor, pursuant to Chapter 2252, is not ineligible to enter into this Contract and will not become ineligible to receive payments under this Contract by doing business with Iran, Sudan, or a foreign terrorist organization.*** Failure to meet or maintain the requirements under this provision will be considered a material breach.

Termination Right for Contracts with Companies Doing Business with Certain Foreign-Owned Companies

The City of Denton may terminate this Contract immediately without any further liability if the City of Denton determines, in its sole judgment, that this Contract meets the requirements under Chapter 2275, and Contractor is, or will be in the future, (i) owned by or the majority of stock or other ownership interest of the company is held or controlled by individuals who are citizens of China, Iran, North Korea, Russia, or other designated country (ii) directly controlled by the Government of China, Iran, North Korea, Russia, or other designated country, or (iii) is headquartered in China, Iran, North Korea, Russia, or other designated country.

The parties agree to transact business electronically. Any statutory requirements that certain terms be in writing will be satisfied using electronic documents and signing. Electronic signing of this document will be deemed an original for all legal purposes.

IN WITNESS WHEREOF, the parties of these presents have executed this Contract in the year and day first above written.

**BY:
CONTRACTOR**

Consolidated Traffic Controls, Inc.

Signed by:

Jennifer Warnack

Authorized Signature

Printed Name: Jennifer Warnack

Title: RSM

Email Address: jennifer.warnack@ctc-traffic.com

2026-1471540

TEXAS ETHICS COMMISSION CERTIFICATE NUMBER

**BY:
CITY OF DENTON, TEXAS**

Cassey Ogden, Interim City Manager

ATTEST:

BY: _____

APPROVED AS TO LEGAL FORM:
MACK REINWAND, CITY ATTORNEY

Signed by:

Leah Bush

BY: _____

3A6254145BDA469...

THIS AGREEMENT HAS BEEN BOTH REVIEWED AND APPROVED
as to financial and operational obligations and business terms.

Signed by:

Matthew Hamilton

SIGNATURE

Chief Financial Officer

TITLE

Finance

DEPARTMENT

Contract 8951

Exhibit A **Special Terms and Conditions**

1. The Quantities

The quantities indicated on Exhibit E are estimates based upon the best available information. The City reserves the right to increase or decrease the quantities to meet its actual needs without any adjustments in the bid price. Individual purchase orders will be issued on an as needed basis.

2. Product Changes During Contract Term

The Contractor shall not change specifications during the contract term without prior approval. Any deviation in the specifications or change in the product must be approved in advance by the City of Denton. Notice of a change shall be submitted in writing to purchasing@cityofdenton.com, with the above file number in the subject line, for review. Products found to have changed specifications without notification, and acceptance, will be returned at the contractor's expense. Products that have been installed will be replaced at the contractor's expense.

3. Authorized Distributor

The Contractor shall be the manufacturer or authorized distributor of the proposed products. The distributor shall be authorized to sell to the City of Denton, and make available the manufacturer's representative as needed by the City.

4. Contract Terms

The contract term will be one (1) year, effective from date of award. The City and the Contractor shall have the option to renew this contract for an additional four (4) one-year periods.

The Contract shall commence upon the issuance of a Notice of Award by the City of Denton and shall automatically renew each year, from the date of award by City Council. The Contractor's request to not renew the contract must be submitted in writing to the Purchasing Manager at least 60 days prior to the contract renewal date for each year. At the sole option of the City of Denton, the Contract may be further extended as needed, not to exceed a total of six (6) months.

5. Price Escalation and De-escalation

Contractor's request in the form stated herein, the City will implement an escalation/de-escalation price adjustment annually based on these special terms. Any request for price adjustment must be based on the, U.S Department of Labor, Bureau of Labor Statistics, Producer Price Index (PPI) or the manufacturer published pricing list. The maximum escalation will not exceed +/- 8% for any individual year. The escalation will be determined annually at the renewal date. The price will be increased or decreased based upon the annual percentage change in the PPI or the percentage change in the manufacturer's price list. Should the PPI or manufacturer price list change exceed a minimum threshold value of +/-1%, then the stated

eligible bid prices shall be adjusted in accordance with the percent change not to exceed the 8% limit per year. The Contractor should provide documentation as percentage of each cost associated with the unit prices quoted for consideration.

Request must be submitted in writing with supporting evidence for need of such increase to the Purchasing Manager at least 60 days prior to contract expiration of each year. Respondents must also provide supporting documentation as justification for the request. If no request is made, then it will be assumed that the current contract price will be in effect.

Upon receipt of such request, the City of Denton reserves the right to either: accept the escalation as competitive with the general market price at the time and become effective upon the renewal date of the contract award or reject the increases within 30 calendar days after receipt of a properly submitted request. If a properly submitted increase is rejected, the Contractor may request cancellation of such items from the Contract by giving the City of Denton written notice. Cancellation will not go into effect for 15 calendar days after a determination has been issued. Pre-price increase prices must be honored on orders dated up to the official date of the City of Denton approval and/or cancellation.

The request can be sent by e-mail to: purchasing@cityofdenton.com noting the solicitation number.

The City of Denton reserves the right to accept, reject, or negotiate the proposed price changes.

6. Total Contract Amount

The contract total shall not exceed \$2,000,000,00. Pricing shall be per Exhibit E attached.

7. Delivery Lead Time

Products or services will be delivered four (4)/weeks after the receipt of order from the City.

8. Performance Liquidated Damages

The Contractor shall incur contractual payment losses, as initiated by the City for performance that falls short of specified performance standards as outlined below:

- Delivery beyond contracted lead times
- Performance below contracted levels (services only)

The Contractor shall be assessed a one (1%) percent fee each month when any one of the performance standards outlined above are not met in full. The Contractor shall be assessed a two (2%) percent profit fee each month when any two (2) or more performance standards outlined above are not met in full. At the end of each month, the City will review the monthly reports and determine the percentage of penalty to be assessed to the Contractor's monthly profit margin.

Exhibit B
City of Denton's IFB #8951

On File at the Office of the Purchasing Agent

Exhibit C
City of Denton
Standard Purchase Terms and Conditions

These standard Terms and Conditions and the Terms and Conditions, Specifications, Drawings and other requirements included in the City of Denton's contract are applicable to contracts/purchase orders issued by the City of Denton hereinafter referred to as the City or Buyer and the Seller or respondent herein after referred to as Contractor. Any deviations must be in writing and signed by a representative of the City's Procurement Department and the Contractor. No Terms and Conditions contained in the seller's proposal response, invoice, or statement shall serve to modify the terms set forth herein. If there is a conflict between the provisions on the face of the contract/purchase order these written provisions will take precedence.

The Contractor agrees that the Contract shall be governed by the following terms and conditions, unless exceptions are duly noted and fully negotiated. Unless otherwise specified in the Contract, Sections 3, 4, 5, 6, 7, 8, 20, and 21 shall apply only to a solicitation to purchase goods, and sections 9, 10, 11, and 22 shall apply only to a solicitation to purchase services to be performed principally at the City's premises or on public rights-of-way.

1. **CONTRACTOR'S OBLIGATIONS.** The Contractor shall fully and timely provide all deliverables described in the Solicitation and in the Contractor's Offer in strict accordance with the terms, covenants, and conditions of the Contract and all applicable federal, State, and local laws, rules, and regulations.

2. **EFFECTIVE DATE/TERM.** Unless otherwise specified in the Solicitation or Exhibit A, this Contract shall be effective as of the date this Contract is signed by the City and shall continue in effect until all obligations are performed in accordance with the Contract.

3. **CONTRACTOR TO PACKAGE DELIVERABLES:** The Contractor will package deliverables in accordance with good commercial practice and shall include a packing list showing the description of each item, the quantity and unit price unless otherwise provided in the Solicitation or Contractor's Offer, each shipping container shall be clearly and permanently marked as follows: (a) The Contractor's name and address, (b) the City's name, address, purchase order or purchase release number, and the price agreement number, if applicable, (c) container number and total number of containers, e.g. box 1 of 4 boxes, and (d) the number of the container bearing the packing list. The Contractor shall bear cost of packaging. Deliverables shall be suitably packed to secure lowest transportation costs and to conform to all the requirements of common carriers and any applicable specification. The City's count or weight shall be final and conclusive on shipments not accompanied by packing lists.

4. **SHIPMENT UNDER RESERVATION PROHIBITED:** The Contractor is not authorized to ship the deliverables under reservation and no tender of a bill of lading will operate as a tender of deliverables.

5. **TITLE & RISK OF LOSS:** Title to and risk of loss of the deliverables shall pass to the City only when the City actually receives and accepts the deliverables.

6. DELIVERY TERMS AND TRANSPORTATION CHARGES: Deliverables shall be shipped F.O.B. point of delivery unless otherwise specified in the Solicitation or Contractor's Offer. Unless otherwise stated in the Contractor's Offer, the Contractor's price shall be deemed to include all delivery and transportation charges. The City shall have the right to designate what method of transportation shall be used to ship the deliverables. The place of delivery shall be that set forth in the purchase order.

7. RIGHT OF INSPECTION AND REJECTION: The City expressly reserves all rights under law, including, but not limited to the Uniform Commercial Code, to inspect the deliverables at delivery before accepting them, and to reject defective or non-conforming deliverables. If the City has the right to inspect the Contractor's, or the Contractor's Subcontractor's, facilities, or the deliverables at the Contractor's, or the Contractor's Subcontractor's, premises, the Contractor shall furnish, or cause to be furnished, without additional charge, all reasonable facilities and assistance to the City to facilitate such inspection.

8. NO REPLACEMENT OF DEFECTIVE TENDER: Every tender or delivery of deliverables must fully comply with all provisions of the Contract as to time of delivery, quality, and quantity. Any non-complying tender shall constitute a breach and the Contractor shall not have the right to substitute a conforming tender; provided, where the time for performance has not yet expired, the Contractor may notify the City of the intention to cure and may then make a conforming tender within the time allotted in the contract to perform but not afterward. If, instead of requiring immediate correction or removal and replacement of defective or non-conforming deliverables, the City prefers to accept it, the City may do so. The Contractor shall pay all claims, costs, losses and damages attributable to the City's evaluation of and determination to accept such defective or non-conforming deliverables. If any such acceptance occurs prior to final payment, the City may deduct such amounts as are necessary to compensate the City for the diminished value of the defective or non-conforming deliverables. If the acceptance occurs after final payment, such amount will be refunded to the City by the Contractor.

9. PLACE AND CONDITION OF WORK: This paragraph only applies to the purchase of services to be primarily performed at the City's premises or on City property/right-of-way. The City shall provide the Contractor access to the sites where the Contractor is to perform the services as required in order for the Contractor to perform the services in a timely and efficient manner, in accordance with and subject to the applicable security laws, rules, and regulations. The Contractor acknowledges that it has satisfied itself as to the nature of the City's service requirements and specifications, the location and essential characteristics of the work sites, the quality and quantity of materials, equipment, labor and facilities necessary to perform the services, and any other condition or state of fact which could in any way affect performance of the Contractor's obligations under the Contract. The Contractor hereby releases and holds the City harmless from and against any liability or claim for damages of any kind or nature if the actual site or service conditions differ from expected conditions.

The Contractor shall, at all times, exercise reasonable precautions for the safety of their employees, City Staff, participants and others on or near the City's facilities.

10. WORKFORCE This paragraph only applies to the purchase of services to be primarily performed at the City's premises or on City property/right-of-way.

A. The Contractor shall employ only orderly and competent workers, skilled in the performance of the services which they will perform under the Contract.

B. The Contractor, its employees, Subcontractors, and Subcontractor's employees may not (1) while engaged in, participating, or responding to a solicitation; or (2) while in the course and scope of delivering goods or services under a City of Denton contract; or (3) on the City's property.

i. use or possess a firearm, including a concealed handgun that is licensed under State law, except as required by the terms of the contract; or

ii. use or possess alcoholic or other intoxicating beverages, illegal drugs, or controlled substances, nor may such workers be intoxicated, or under the influence of alcohol or drugs.

C. If the City or the City's representative notifies the Contractor that any worker is incompetent, disorderly or disobedient, has knowingly or repeatedly violated safety regulations, has possessed any firearms, or has possessed or was under the influence of alcohol or drugs, the Contractor shall immediately remove such worker from Contract services, and may not employ such worker again on Contract services without the City's prior written consent.

IMMIGRATION: THE CONTRACTOR REPRESENTS AND WARRANTS THAT IT SHALL COMPLY WITH THE REQUIREMENTS OF THE IMMIGRATION REFORM AND CONTROL ACT OF 1986 AND 1990 REGARDING EMPLOYMENT VERIFICATION AND RETENTION OF VERIFICATION FORMS FOR ANY INDIVIDUALS HIRED ON OR AFTER NOVEMBER 6, 1986, WHO WILL PERFORM ANY LABOR OR SERVICES UNDER THE CONTRACT AND THE ILLEGAL IMMIGRATION REFORM AND IMMIGRANT RESPONSIBILITY ACT OF 1996 ("IIRIRA") ENACTED ON SEPTEMBER 30, 1996, AND SHALL INDEMNIFY AND HOLD THE CITY HARMLESS FROM ANY ACTION ARISING RELATED THERETO.

11. COMPLIANCE WITH HEALTH, SAFETY, AND ENVIRONMENTAL REGULATIONS: This paragraph only applies to the purchase of services to be primarily performed at the City's premises or on City property/right-of-way. The Contractor, its Subcontractors, and their respective employees, shall comply fully with all applicable federal, state, and local health, safety, and environmental laws, ordinances, rules, and regulations in the performance of the services, including but not limited to those promulgated by the City and by the Occupational Safety and Health Administration (OSHA). In case of conflict, the most stringent safety requirement shall govern. **THE CONTRACTOR SHALL INDEMNIFY AND HOLD THE CITY HARMLESS FROM AND AGAINST ALL CLAIMS, DEMANDS, SUITS, ACTIONS, JUDGMENTS, FINES, PENALTIES AND LIABILITY OF EVERY KIND ARISING FROM THE BREACH OF THE CONTRACTOR'S OBLIGATIONS UNDER THIS PARAGRAPH.**

Environmental Protection: The Contractor shall be in compliance with all applicable standards, orders, or regulations issued pursuant to the mandates of the Clean Air Act (42 U.S.C. §7401 *et seq.*) and the Federal Water Pollution Control Act, as amended, (33 U.S.C. §1251 *et seq.*).

12. INVOICES:

A. The Contractor shall submit separate invoices on each purchase order or purchase release after each delivery. If partial shipments or deliveries are authorized by the City, a separate invoice must be sent for each shipment or delivery made.

B. Proper Invoices must include a unique invoice number, invoice date, the purchase order number, and the master agreement number if applicable, the Department's Name, and the name of the point of contact for the Department. Invoices shall be itemized and transportation charges, if any, shall be listed separately. A copy of the bill of lading and the freight waybill, when applicable, shall be attached to the invoice. The Contractor's name, remittance address and, if

applicable, the tax identification number on the invoice must exactly match the information in the Vendor's registration with the City. Unless otherwise instructed in writing, the City may rely on the remittance address specified on the Contractor's invoice.

C. Invoices for labor shall include a copy of all time-sheets with trade labor rate and deliverables order number clearly identified. Invoices shall also include a tabulation of work-hours at the appropriate rates and grouped by work order number. Time billed for labor shall be limited to hours actually worked at the work site.

D. Unless otherwise expressly authorized in the Contract, the Contractor shall pass through all Subcontract and other authorized expenses at actual cost without markup.

E. Federal excise taxes, State taxes, or City sales taxes must not be included in the invoiced amount. The City will furnish a tax exemption certificate upon request.

F. Contractor must submit invoices no later than thirty (30) calendar days after termination or expiration of the Contract. Any invoices sent after that date will be considered noncompliant and will not be approved for payment.

13. PAYMENT:

A. All proper invoices need to be sent to Accounts Payable – accountspayable@cityofdenton.com. Approved invoices will be paid within thirty (30) calendar days of the invoice being received in Accounts Payable.

B. If payment is not timely made, (per paragraph A); interest shall accrue on the unpaid balance at the lesser of the rate specified in Texas Government Code Section 2251.025 or the maximum lawful rate; except, if payment is not timely made for a reason for which the City may withhold payment hereunder, including, but not limited to, those in Paragraph D , below, interest shall not accrue until ten (10) calendar days after the grounds for withholding payment have been resolved.

C. If partial shipments or deliveries are authorized by the City, the Contractor will be paid for the partial shipment or delivery, as stated above, provided that the invoice matches such shipment or delivery.

D. The City may withhold or set off the entire payment or part of any payment otherwise due to the Contractor to such extent as may be necessary on account of:

- i. delivery of defective or non-conforming deliverables by the Contractor;
- ii. third party claims, which are not covered by the insurance which the Contractor is required to provide, are filed or reasonable evidence indicating probable filing of such claims;
- iii. failure of the Contractor to pay Subcontractors, or for labor, materials, or equipment;
- iv. damage to the property of the City or the City's agents, employees, or contractors, which is not covered by insurance required to be provided by the Contractor;
- v. reasonable evidence that the Contractor's obligations will not be completed within the time specified in the Contract, and that the unpaid balance would not be adequate to cover actual or liquidated damages for the anticipated delay;
- vi. failure of the Contractor to submit proper invoices with purchase order number, all required attachments, and supporting documentation; or
- vii. failure of the Contractor to comply with any material provision of the Contract Documents.

E. Notice is hereby given to any awarded firm who is in arrears to the City for delinquent taxes of any kind or otherwise indebted to the City that the City shall be entitled to counterclaim and/or offset against any such debt, claim, demand, or account owed to the City through payment withholding until the debt is paid in full, and no assignment of such debt, claim, demand, or

account after the said taxes or debt are due shall affect the right of the City to offset the said taxes or debt against same.

F. Payment will be made by check unless the parties mutually agree to payment by credit card or electronic transfer of funds. The Contractor agrees that there shall be no additional charges, surcharges, or penalties to the City for payments made by credit card or electronic funds transfer.

G. The Contractor acknowledges and agrees that the awarding or continuation of this Contract is dependent upon the availability of funding. The City's payment obligations are payable only and solely from funds appropriated and available for this Contract. The absence of appropriated or other lawfully available funds shall render the Contract null and void to the extent funds are not appropriated or available and any deliverables delivered but unpaid shall be returned to the Contractor. The City will not incur a debt or obligation to pay Contractor any amounts the City does not have the current funds available to pay. The City shall provide the Contractor written notice of the failure of the City to make an adequate appropriation for any fiscal year to pay the amounts due under the Contract, or the reduction of any appropriation to an amount insufficient to permit the City to pay its obligations under the Contract. In the event of none or inadequate appropriation of funds, there will be no penalty or liability to the City, nor removal fees, cancellation fees, or the like charged to the City.

14. TRAVEL EXPENSES: All travel, lodging, and per diem expenses in connection with the Contract shall be paid by the Contractor, unless otherwise stated in the Contract Documents. During the term of this Contract, the Contractor shall bill and the City shall reimburse Contractor for all reasonable and approved out of pocket expenses which are incurred in the connection with the performance of duties hereunder. Notwithstanding the foregoing, expenses for the time spent by the Contractor in traveling to and from City facilities shall not be reimbursed, unless otherwise negotiated.

15. FINAL PAYMENT AND CLOSE-OUT:

A. If a DBE/MBE/WBE Program Plan is agreed to and the Contractor has identified Subcontractors, the Contractor is required to submit a Contract Close-Out MBE/WBE Compliance Report to the Purchasing Manager no later than the fifteenth (15th) calendar day after completion of all work under the contract. Final payment, retainage, or both may be withheld if the Contractor is not in compliance with the requirements as accepted by the City.

B. The making and acceptance of final payment will constitute:

i. a waiver of all claims by the City against the Contractor, except claims (1) which have been previously asserted in writing and not yet settled, (2) arising from defective work appearing after final inspection, (3) arising from failure of the Contractor to comply with the Contract or the terms of any warranty specified herein, (4) arising from the Contractor's continuing obligations under the Contract, including but not limited to indemnity and warranty obligations, or (5) arising under the City's right to audit; and

ii. a waiver of all claims by the Contractor against the City other than those previously asserted in writing and not yet settled.

16. SPECIAL TOOLS & TEST EQUIPMENT: If the price stated on the Contractor's Offer includes the cost of any special tooling or special test equipment fabricated or required by the Contractor for the purpose of filling this order, such special tooling equipment and any process sheets related thereto shall become the property of the City and shall be identified by the Contractor as such.

17. RIGHT TO AUDIT:

A. The Contractor agrees that the City shall, until the expiration of five (5) years after final payment under this Contract unless required to be retained for longer under applicable law, have electronic access to and the right to examine all books, records, and computations pertaining to this Contract. If necessary, the City shall have the right to audit and make copies of the books, records, and computations pertaining to the Contract. The Contractor shall retain such books, records, documents, and other evidence pertaining to the Contract period and five (5) years thereafter, except if an audit is in progress or audit findings are yet unresolved, in which case records shall be kept until all audit tasks are completed and resolved. These books, records, documents, and other evidence shall be available, within ten (10) business days of written request. All books and records will be made available within a fifty (50) mile radius of the City of Denton if the vendor is not able to provide electronic access. The cost of the audit will be borne by the City unless the audit reveals an overpayment of 1% or greater. If an overpayment of 1% or greater occurs, the reasonable cost of the audit, including any travel costs, must be borne by the Contractor which must be payable within five (5) business days of receipt of an invoice.

B. The Contractor further agrees to include in all its subcontracts hereunder a provision to the effect that the Subcontractor, material supplier, or other payee agrees that the City shall, until the expiration of five (5) years after final payment under the subcontract unless required to be retained for longer under applicable law, have electronic access to and the right to examine all books, records, documents, and other evidence of the Subcontractor, material supplier, or other payee involving transactions relating to the subcontract. If necessary, the City maintains the right to photocopy any physical books, documents, papers, and records of the subconsultant involving transactions relating to the subcontract. All books and records will be made available within a fifty (50) mile radius of the City of Denton. The cost of the audit will be borne by the City unless the audit reveals an overpayment of 1% or greater. If an overpayment of 1% or greater occurs, the reasonable cost of the audit, including any travel costs, must be borne by the Contractor which must be payable within five (5) business days of receipt of an invoice.

C. Failure to comply with the provisions of this section shall be a material breach of the Contract and shall constitute, in the City's sole discretion, grounds for termination thereof. Each of the terms "books", "records", "documents", and "other evidence", as used above, shall be construed to include drafts and electronic files, even if such drafts or electronic files are subsequently used to generate or prepare a final printed document.

18. SUBCONTRACTORS:

A. If the Contractor-identified subcontractors ("Subcontractor") in a DBE/MBE/WBE agreed-to plan (the "Plan"), the Contractor shall comply with all requirements approved by the City. The Contractor shall not initially employ any subcontractor except as provided in the Contractor's Plan. The Contractor shall not substitute any Subcontractor identified in the Plan, unless the substitute has been accepted by the City in writing. No acceptance by the City of any subcontractor shall constitute a waiver of any rights or remedies of the City with respect to defective deliverables provided by a Subcontractor. If a Plan has been approved, the Contractor is additionally required to submit a monthly Subcontract Awards and Expenditures Report to the Procurement Manager, no later than the tenth calendar day of each month.

B. Work performed for the Contractor by a Subcontractor shall be pursuant to a written contract between the Contractor and Subcontractor. The terms of the subcontract may not conflict with the terms of the Contract Documents, and shall contain provisions that:

- i. require that all deliverables to be provided by the Subcontractor be provided in strict accordance with the provisions, specifications and terms of the Contract;
- ii. prohibit the Subcontractor from further subcontracting any portion of the Contract without the prior written consent of the City and the Contractor. The City may require, as a condition to such further subcontracting, that the Subcontractor post a payment bond in form, substance and amount acceptable to the City;
- iii. require Subcontractors to submit all invoices and applications for payments, including any claims for additional payments, damages or otherwise, to the Contractor in sufficient time to enable the Contractor to include same with its invoice or application for payment to the City in accordance with the terms of the Contract;
- iv. require that all Subcontractors obtain and maintain, throughout the term of their contract, insurance in the type and amounts specified for the Contractor, with the City being a named insured as its interest shall appear; and

V. REQUIRE THAT THE SUBCONTRACTOR INDEMNIFY AND HOLD THE CITY HARMLESS TO THE SAME EXTENT AS THE CONTRACTOR IS REQUIRED TO INDEMNIFY THE CITY.

C. The Contractor shall be fully responsible to the City for all acts and omissions of the Subcontractors just as the Contractor is responsible for the Contractor's own acts and omissions. Nothing in the Contract shall create for the benefit of any such Subcontractor any contractual relationship between the City and any such Subcontractor, nor shall it create any obligation on the part of the City to pay or to see to the payment of any moneys due any such Subcontractor except as may otherwise be required by law.

D. The Contractor shall pay each Subcontractor its appropriate share of payments made to the Contractor not later than ten (10) calendar days after receipt of payment from the City.

19. WARRANTY-PRICE:

A. The Contractor warrants the prices quoted in the Contractor's Offer are no higher than the Contractor's current prices on orders by others for like deliverables under similar terms of purchase.

B. The Contractor certifies that the prices in the Contractor's Offer have been arrived at independently without consultation, communication, or agreement for the purpose of restricting competition, as to any matter relating to such fees with any other firm or with any competitor.

C. In the event Contractor breaches this warranty, in addition to any other remedy available, the City may deduct from any amounts owed to the Contractor, or otherwise recover, any amounts paid for items in excess of the Contractor's current prices on orders by others for like deliverables under similar terms of purchase, or in the alternative, the City may cancel this Contract without liability to Contractor for breach.

20. WARRANTY – TITLE: THE CONTRACTOR WARRANTS THAT IT HAS GOOD AND INDEFEASIBLE TITLE TO ALL DELIVERABLES FURNISHED UNDER THE CONTRACT, AND THAT THE DELIVERABLES ARE FREE AND CLEAR OF ALL LIENS, CLAIMS, SECURITY INTERESTS, AND ENCUMBRANCES. THE CONTRACTOR SHALL INDEMNIFY AND HOLD THE CITY HARMLESS FROM AND AGAINST ALL ADVERSE TITLE CLAIMS TO THE DELIVERABLES.

21. WARRANTY – DELIVERABLES: The Contractor warrants and represents that all deliverables sold the City under the Contract shall be free from defects in design, workmanship, or manufacture, and conform in all material respects to the specifications, drawings, and descriptions in the Contract Documents, to any samples furnished by the Contractor, to the terms, covenants, and conditions of the Contract, and to all applicable State, federal, or local laws, rules,

and regulations, and industry codes and standards. Unless otherwise stated in the Solicitation, the deliverables shall be new or recycled merchandise, and not used or reconditioned. In addition, Contractor warrants that the goods sold to City shall conform to the standards promulgated by the U.S. Department of Labor under the Occupational Safety and Health Act (OSHA). In the event the product does not conform to OSHA standards, City may return the product for correction or replacement at the Contractor's expense. In the event Contractor fails to make the appropriate correction within a reasonable time, correction made by City will be at Contractor's expense.

A. Recycled deliverables shall be clearly identified as such.

B. The Contractor may not limit, exclude, or disclaim the foregoing warranty or any warranty implied by law; and any attempt to do so shall be without force or effect.

C. Unless otherwise specified in the Contract or required by the Solicitation, the warranty period shall be at least one (1) year from the date of acceptance of the deliverables or from the date of acceptance of any replacement deliverables. If during the warranty period, one or more of the above warranties are breached, the Contractor shall promptly upon receipt of demand either repair the non-conforming deliverables, or replace the non-conforming deliverables with fully conforming deliverables, at the City's option and at no additional cost to the City. All costs incidental to such repair or replacement, including but not limited to, any packaging and shipping costs shall be borne exclusively by the Contractor. The City shall endeavor to give the Contractor written notice of the breach of warranty within thirty (30) calendar days of discovery of the breach of warranty, but failure to give timely notice shall not impair the City's rights under this section.

D. If the Contractor is unable or unwilling to repair or replace defective or non-conforming deliverables as required by the City, then in addition to any other available remedy, the City may reduce the quantity of deliverables it may be required to purchase under the Contract from the Contractor, and purchase conforming deliverables from other sources. In such event, the Contractor shall pay to the City upon demand the increased cost, if any, incurred by the City to procure such deliverables from another source.

E. If the Contractor is not the manufacturer, and the deliverables are covered by a separate manufacturer's warranty, the Contractor shall transfer and assign such manufacturer's warranty to the City. If for any reason the manufacturer's warranty cannot be fully transferred to the City, the Contractor shall assist and cooperate with the City to the fullest extent to enforce such manufacturer's warranty for the benefit of the City.

F. Contractor shall not limit, exclude, or disclaim any implied warranties, and any attempt to do so shall be without force or effect, or alternatively, at the City's option, render this Contract voidable.

22. WARRANTY – SERVICES: The Contractor warrants and represents that all services to be provided to the City under the Contract will be fully and timely performed in a good and workmanlike manner in accordance with generally accepted industry standards and practices, the terms, conditions, and covenants of the Contract, and all applicable federal, State, and local laws, rules or regulations.

A. The Contractor may not limit, exclude, or disclaim the foregoing warranty or any warranty implied by law, and any attempt to do so shall be without force or effect, or alternatively, at the City's option, render this Contract voidable.

B. Unless otherwise specified in the Contract, the warranty period shall be at least one (1) year from the date of acceptance of the work. If during the warranty period, one or more of the above warranties are breached, the Contractor shall promptly upon receipt of demand perform the services again in accordance with above standard at no additional cost to the City. All costs incidental to such additional performance shall be borne by the Contractor. The City shall endeavor

to give the Contractor written notice of the breach of warranty within thirty (30) calendar days of discovery of the breach warranty, but failure to give timely notice shall not impair the City's rights under this section.

C. If the Contractor is unable or unwilling to perform its services in accordance with the above standard as required by the City, then in addition to any other available remedy, the City may reduce the amount of services it may be required to purchase under the Contract from the Contractor, and purchase conforming services from other sources. In such event, the Contractor shall pay to the City upon demand the increased cost, if any, incurred by the City to procure such services from another source.

23. ACCEPTANCE OF INCOMPLETE OR NON-CONFORMING DELIVERABLES: If, instead of requiring immediate correction or removal and replacement of defective or non-conforming deliverables, the City prefers to accept it, the City may do so. The Contractor shall pay all claims, costs, losses, and damages attributable to the City's evaluation of and determination to accept such defective or non-conforming deliverables. If any such acceptance occurs prior to final payment, the City may deduct such amounts as are necessary to compensate the City for the diminished value of the defective or non-conforming deliverables. If the acceptance occurs after final payment, such amount will be refunded to the City by the Contractor.

24. RIGHT TO ASSURANCE: Whenever one party to the Contract in good faith has reason to question the other party's intent to perform, demand may be made to the other party for written assurance of the intent to perform. In the event that no assurance is given within the time specified (being a minimum of 5 days) after demand is made, the demanding party may treat this failure as an anticipatory repudiation of the Contract.

25. STOP WORK NOTICE: The City may issue an immediate Stop Work Notice in the event the Contractor is observed performing in a manner that is in violation of federal, State, or local guidelines, or in a manner that is determined by the City to be unsafe to either life or property. Upon notification, the Contractor will cease all work until notified by the City that the violation or unsafe condition has been corrected. The Contractor shall be liable for all costs incurred by the City as a result of the issuance of such Stop Work Notice.

26. DEFAULT:

A. The Contractor shall be in default under the Contract if the Contractor (a) fails to fully, timely, and faithfully perform any of its material obligations under the Contract, (b) fails to provide adequate assurance of performance under Paragraph 25, (c) becomes insolvent or seeks relief under the bankruptcy laws of the United States or (d) makes a material misrepresentation in Contractor's Offer, or in any report or deliverable required to be submitted by the Contractor to the City.

B. In the event the City terminates the awarded contract for default or any other reason, the Contractor shall not be relieved of liability to the City for damages sustained by the City by reason of any default of the contract by the Contractor or otherwise, and the City may withhold any payments to the Contractor for the purpose of an offset until such time as the amount of damages due the City from the Contractor can be determined.

27. TERMINATION FOR CAUSE: In the event of a default by the Contractor, the City shall have the right to terminate the Contract for cause, by written notice effective ten (10) calendar days, unless otherwise specified, after the date of such notice, unless the Contractor, within such

ten (10) day period, cures such default, or provides evidence sufficient to prove to the City's reasonable satisfaction that such default does not, in fact, exist. In addition to any other remedy available under law or in equity, the City shall be entitled to recover all actual damages, costs, losses and expenses, incurred by the City as a result of the Contractor's default, including, without limitation, cost of cover, reasonable attorneys' fees, court costs, and prejudgment and post-judgment interest at the maximum lawful rate. Additionally, in the event of a default by the Contractor, the City may remove the Contractor from the City's vendor list for three (3) years and/or any offer submitted by the Contractor may be disqualified for up to three (3) years. All rights and remedies under the Contract are cumulative and are not exclusive of any other right or remedy provided by law. The requirements of Subchapter J, Chapter 552 of the Texas Government Code, may apply to this Contract and the Contractor agrees that the Contract can be terminated if the Contractor knowingly or intentionally fails to comply with a requirement of that subchapter.

28. TERMINATION WITHOUT CAUSE: The City shall have the right to terminate the Contract, in whole or in part, without cause and/or for convenience any time upon thirty (30) calendar days' prior written notice. Upon receipt of a notice of termination, the Contractor shall promptly cease all further work pursuant to the Contract, with such exceptions, if any, specified in the notice of termination. The City shall pay the Contractor, to the extent of funds appropriated or otherwise legally available for such purposes, for all goods delivered and services performed and obligations incurred prior to the date of termination in accordance with the terms hereof, provided such payment amount is not disputed by City. The City reserves all rights, causes of action, and remedies available under law or in equity with respect to any dispute under this Contract and a termination under this provision does not waive such rights, causes of action, and remedies.

29. FRAUD: Fraudulent statements by the Contractor in any offer, Contract Document, or in any report or deliverable required to be submitted by the Contractor to the City shall be grounds for the termination of the Contract for cause by the City and may result in legal action.

30. DELAYS:

A. The City may delay scheduled delivery or other due dates by written notice to the Contractor if the City deems it is in its best interest. If such delay causes an increase in the cost of the work under the Contract, the City and the Contractor shall negotiate an equitable adjustment for costs incurred by the Contractor in the Contract price and execute an amendment to the Contract. The Contractor must assert its right to an adjustment within thirty (30) calendar days from the date of receipt of the notice of delay. Failure to agree on any adjusted price shall be handled under the Dispute Resolution process specified in Paragraph 53. However, nothing in this provision shall excuse the Contractor from delaying the delivery as notified.

B. Neither party shall be liable for any default or delay in the performance of its obligations under this Contract if, while and to the extent such default or delay is caused by acts of God, fire, riots, civil commotion, labor disruptions, sabotage, sovereign conduct, or any other cause beyond the reasonable control of such party. In the event of default or delay in Contract performance due to any of the foregoing causes, then the time for completion of the services will be extended; provided, however, in such an event, a conference will be held within three (3) business days to establish a mutually agreeable period of time reasonably necessary to overcome the effect of such failure to perform.

31. TIME OF COMPLETION AND LIQUIDATED DAMAGES: Contractor agrees and acknowledges that completing the services and/or delivering the goods described in this Contract

in a timely manner is very important to the City. Contractor agrees to perform all obligations within the timeframes required. As it is impracticable and extremely difficult to fix the actual damages, if any, that may proximately result from a failure by Contractor to provide the goods or perform the service, should Contractor fail to timely perform its obligations, Contractor agrees to pay to City, or have withheld and offset from monies due it, the amount stated in the Contract Documents as liquidated damages for each calendar day of delay or nonperformance. Any sums due and payable hereunder by the Contractor shall be payable, not as a penalty, but as liquidated damages representing an estimate of delay damages likely to be sustained by the City, estimated at the time of executing this Contract. Execution of the Contract shall constitute agreement by the City and Contractor that said amount is the minimum value of the costs and actual damage caused by the Contractor's failure to timely perform. Adjustments to the contract times can only be made as provided in the Contract Documents and any conditions or specifications referenced therein.

32. INDEMNITY:

A. Definitions:

i. "Indemnified Claims" shall include any and all claims, demands, suits, causes of action, judgments, and liability of every character, type, or description, including all reasonable costs and expenses of litigation, mediation, or other alternate dispute resolution mechanism, including attorney and other professional fees for: (1) damage to or loss of the property of any person (including, but not limited to the City, the Contractor, their respective agents, officers, employees and Subcontractors; the officers, agents, and employees of such Subcontractors; and third parties); and/or (2) death, bodily injury, illness, disease, worker's compensation, loss of services, or loss of income or wages to any person (including but not limited to the agents, officers and employees of the City, the Contractor, the Contractor's Subcontractors, and third parties), ii. "Fault" shall include the sale of defective or non-conforming deliverables, negligence, willful misconduct or a breach of any legally imposed strict liability standard.

B. THE CONTRACTOR SHALL DEFEND (AT THE OPTION OF THE CITY), INDEMNIFY, AND HOLD THE CITY, ITS SUCCESSORS, ASSIGNS, OFFICERS, EMPLOYEES AND ELECTED OFFICIALS HARMLESS FROM AND AGAINST ALL INDEMNIFIED CLAIMS DIRECTLY ARISING OUT OF, INCIDENT TO, CONCERNING OR RESULTING FROM THE FAULT OF THE CONTRACTOR, OR THE CONTRACTOR'S AGENTS, EMPLOYEES OR SUBCONTRACTORS, IN THE PERFORMANCE OF THE CONTRACTOR'S OBLIGATIONS UNDER THE CONTRACT. NOTHING HEREIN SHALL BE DEEMED TO LIMIT THE RIGHTS OF THE CITY OR THE CONTRACTOR (INCLUDING, BUT NOT LIMITED TO, THE RIGHT TO SEEK CONTRIBUTION) AGAINST ANY THIRD PARTY WHO MAY BE LIABLE FOR AN INDEMNIFIED CLAIM.

33. **LIMITATION OF LIABILITY:** This Contract does not, and shall not be interpreted to, contain an artificial limitation of liability (e.g. liability limited to contract price or liability capped at an amount actually paid in previous 3 months, etc.) or an artificial statute of limitations (e.g. any lawsuit must be commenced within one year of the event).

34. **INSURANCE:** The Contractor shall procure and maintain insurance of the types and in the minimum amounts acceptable to the City of Denton outlined in the Insurance Exhibit attached hereto, if applicable. The insurance shall be written by a company licensed to do business in the State of

Texas and satisfactory to the City of Denton. The City of Denton reserves the right to add insurance during the contract term.

B. **Specific Coverage Requirements:** Specific insurance requirements are contained in the Solicitation and the Insurance Exhibit.

35. **CLAIMS:** If any claim, demand, suit, or other action is asserted against the Contractor which arises under or concerns the Contract, or which could have a material adverse effect on the Contractor's ability to perform thereunder, the Contractor shall give written notice thereof to the City within ten (10) calendar days after receipt of notice by the Contractor. Such notice to the City shall state the date of notification of any such claim, demand, suit, or other action; the names and addresses of the claimant(s); the basis thereof; and the name of each person against whom such claim is being asserted. Such notice shall be delivered personally or by mail and shall be sent to the City and to the Denton City Attorney. Personal delivery to the City Attorney shall be to City Hall, 215 East McKinney Street, Denton, Texas 76201.

36. **NOTICES:** Unless otherwise specified, all notices, requests, or other communications required or appropriate to be given under the Contract shall be in writing and shall be deemed delivered three (3) business days after postmarked if sent by U.S. Postal Service Certified or Registered Mail, Return Receipt Requested. Notices delivered by other means shall be deemed delivered upon receipt by the addressee. Routine communications may be made by first class mail, telefax, or other commercially accepted means. Notices to the Contractor shall be sent to the address specified in the Contractor's Offer, or at such other address as a party may notify the other in writing. Notices to the City shall be addressed to the City at 901B Texas Street, Denton, Texas 76209 and marked to the attention of the Purchasing Manager.

37. **RIGHTS TO BID, PROPOSAL AND CONTRACTUAL MATERIAL:** All material submitted by the Contractor to the City shall become property of the City upon receipt. Any portions of such material claimed by the Contractor to be proprietary must be clearly marked as such. Determination of the public nature of the material is subject to the Texas Public Information Act, Chapter 552, and Texas Government Code. The requirements of Subchapter J, Chapter 552 of the Texas Government Code, may apply to this Contract and the Contractor agrees that the Contract can be terminated if the Contractor knowingly or intentionally fails to comply with a requirement of that subchapter.

38. **INDEMNIFICATION AGAINST INFRINGEMENTS:** The Contractor represents and warrants to the City that: (i) the Contractor shall provide the City good and indefeasible title to the deliverables and (ii) the deliverables supplied by the Contractor in accordance with the specifications in the Contract will not infringe, directly or contributorily, any patent, trademark, copyright, trade secret, or any other intellectual property right of any kind of any third party; that no claims have been made by any person or entity with respect to the ownership or operation of the deliverables and the Contractor does not know of any valid basis for any such claims. Moreover, Contractor does not know of any valid basis for any such claims. **THE CONTRACTOR SHALL, AT ITS SOLE EXPENSE, DEFEND, INDEMNIFY, AND HOLD THE CITY HARMLESS FROM AND AGAINST ALL LIABILITY, DAMAGES, AND COSTS (INCLUDING COURT COSTS AND REASONABLE FEES OF ATTORNEYS AND OTHER PROFESSIONALS) ARISING OUT OF OR RESULTING FROM: (I) ANY CLAIM THAT THE CITY'S EXERCISE ANYWHERE IN THE WORLD OF THE RIGHTS ASSOCIATED WITH THE CITY'S' OWNERSHIP, AND IF APPLICABLE, LICENSE RIGHTS, AND ITS USE OF THE** Contract 8951

DELIVERABLES INFRINGES THE INTELLECTUAL PROPERTY RIGHTS OF ANY THIRD PARTY; OR (II) THE CONTRACTOR'S BREACH OF ANY OF CONTRACTOR'S REPRESENTATIONS OR WARRANTIES STATED IN THIS CONTRACT. IN THE EVENT OF ANY SUCH CLAIM, THE CITY SHALL HAVE THE RIGHT TO MONITOR SUCH CLAIM OR AT ITS OPTION ENGAGE ITS OWN SEPARATE COUNSEL TO ACT AS CO-COUNSEL ON THE CITY'S BEHALF. FURTHER, CONTRACTOR AGREES THAT THE CITY'S SPECIFICATIONS REGARDING THE DELIVERABLES SHALL IN NO WAY DIMINISH CONTRACTOR'S WARRANTIES OR OBLIGATIONS UNDER THIS PARAGRAPH AND THE CITY MAKES NO WARRANTY THAT THE PRODUCTION, DEVELOPMENT, OR DELIVERY OF SUCH DELIVERABLES WILL NOT IMPACT SUCH WARRANTIES OF CONTRACTOR. THIS PARAGRAPH SHALL SURVIVE THE TERMINATION OF THIS CONTRACT.

39. CONFIDENTIALITY: In order to provide the deliverables to the City, Contractor may require access to certain of the City's and/or its licensors' confidential information (including inventions, employee information, trade secrets, confidential know-how, confidential business information, and other information which the City or its licensors consider confidential) (collectively, "Confidential Information"). Contractor acknowledges and agrees that the Confidential Information is the valuable property of the City and/or its licensors and any unauthorized use, disclosure, dissemination, or other release of the Confidential Information will substantially injure the City and/or its licensors. The Contractor (including its employees, subcontractors, agents, or representatives) agrees that it will maintain the Confidential Information in strict confidence and shall not disclose, disseminate, copy, divulge, recreate, or otherwise use the Confidential Information without the prior written consent of the City or in a manner not expressly permitted under this Contract, unless the Confidential Information is required to be disclosed by law or an order of any court or other governmental authority with proper jurisdiction, provided the Contractor promptly notifies the City before disclosing such information so as to permit the City reasonable time to seek an appropriate protective order. The Contractor agrees to use protective measures no less stringent than the Contractor uses within its own business to protect its own most valuable information, which protective measures shall under all circumstances be at least reasonable measures to ensure the continued confidentiality of the Confidential Information.

40. OWNERSHIP AND USE OF DELIVERABLES: The City shall own all rights, titles, and interests throughout the world in and to the deliverables.

A. Patents. As to any patentable subject matter contained in the deliverables, the Contractor agrees to disclose such patentable subject matter to the City. Further, if requested by the City, the Contractor agrees to assign and, if necessary, cause each of its employees to assign the entire right, title, and interest to specific inventions under such patentable subject matter to the City and to execute, acknowledge, and deliver and, if necessary, cause each of its employees to execute, acknowledge, and deliver an assignment of letters patent, in a form to be reasonably approved by the City, to the City upon request by the City.

B. Copyrights. As to any deliverables containing copyrightable subject matter, the Contractor agrees that upon their creation, such deliverables shall be considered as work made-for-hire by the Contractor for the City and the City shall own all copyrights in and to such deliverables, provided however, that nothing in this Paragraph 41 shall negate the City's sole or joint ownership of any such deliverables arising by virtue of the City's sole or joint authorship of such deliverables. Should by operation of law, such deliverables not be considered works made-for-hire, the Contractor hereby assigns to the City (and agrees to cause each of its employees providing services to the City hereunder to execute, acknowledge, and deliver an assignment to the City of) all worldwide right, title, and interest in and to such deliverables. With respect to such work made-

for-hire, the Contractor agrees to execute, acknowledge, and deliver and cause each of its employees providing services to the City hereunder to execute, acknowledge, and deliver a work-made-for-hire agreement, in a form to be reasonably approved by the City, to the City upon delivery of such deliverables to the City or at such other time as the City may request.

C. **Additional Assignments.** The Contractor further agrees to, and if applicable, cause each of its employees to, execute, acknowledge, and deliver all applications, specifications, oaths, assignments, and all other instruments which the City might reasonably deem necessary in order to apply for and obtain copyright protection, mask work registration, trademark registration and/or protection, letters patent, or any similar rights in any and all countries and in order to assign and convey to the City, its successors, assigns and nominees, the sole and exclusive right, title, and interest in and to the deliverables. The Contractor's obligations to execute, acknowledge, and deliver (or cause to be executed, acknowledged, and delivered) instruments or papers such as those described in this Paragraph 41 A., B., and C. shall continue after the termination of this Contract with respect to such deliverables. In the event the City should not seek to obtain copyright protection, mask work registration or patent protection for any of the deliverables, but should desire to keep the same secret, the Contractor agrees to treat the same as Confidential Information under the terms of Paragraph 40 above.

41. PUBLICATIONS: All published material and written reports submitted under the Contract must be originally developed material unless otherwise specifically provided in the Contract. When material not originally developed is included in a report in any form, the source shall be identified.

42. ADVERTISING: The Contractor shall not advertise or publish, without the City's prior consent, the fact that the City has entered into the Contract, except to the extent necessary to comply with proper requests for information from an authorized representative of the federal, State, or local government.

43. NO CONTINGENT FEES: The Contractor warrants that no person or selling agency has been employed or retained to solicit or secure the Contract upon any agreement or understanding for commission, percentage, brokerage, or contingent fee, excepting bona fide employees of bona fide established commercial or selling agencies maintained by the Contractor for the purpose of securing business. For breach or violation of this warranty, the City shall have the right, in addition to any other remedy available, to cancel the Contract without liability and to deduct from any amounts owed to the Contractor, or otherwise recover, the full amount of such commission, percentage, brokerage or contingent fee.

44. GRATUITIES: The City may, by written notice to the Contractor, cancel the Contract without liability if it is determined by the City that gratuities were offered or given by the Contractor or any agent or representative of the Contractor to any officer or employee of the City of Denton with a view toward securing the Contract or securing favorable treatment with respect to the awarding or amending or the making of any determinations with respect to the performing of such contract. In the event the Contract is canceled by the City pursuant to this provision, the City shall be entitled, in addition to any other rights and remedies, to recover or withhold the amount of the cost incurred by the Contractor in providing such gratuities.

45. PROHIBITION AGAINST PERSONAL INTEREST IN CONTRACTS: The Contractor agrees to comply with the conflict of interest provisions of the City of Denton Code of Ordinances Contract 8951

and/or State law. No officer, employee, independent consultant, or elected official of the City who is involved in the development, evaluation, or decision-making process of the performance of any solicitation shall have a financial interest, direct or indirect, in the Contract resulting from that solicitation as defined in the City's Ethic Ordinance codified at Chapter 2, Article XI and in the City Charter Section 14.04, as amended. Any willful violation of this section shall constitute impropriety in office, and any officer or employee guilty thereof shall be subject to disciplinary action up to and including dismissal. Any violation of this provision, with the knowledge, expressed or implied, of the Contractor shall render the Contract voidable by the City. The Contractor shall complete and submit the City's Conflict of Interest Questionnaire. The Contractor agrees to maintain current, updated disclosure of information on file with the Procurement Department throughout the term of this Contract.

46. NO SUBCONTRACTING BID AFTER AWARD: Following the award of the Contract, no subcontracting except that specifically identified in the response to the Solicitation will be permitted without the express prior written consent of the City.

47. NO GIFT OF PUBLIC PROPERTY: The City will not agree to any terms or conditions that cause the City to lend its credit or grant public money or anything of value to the selected Contractor.

48. INDEPENDENT CONTRACTOR: The Contract shall not be construed as creating an employer/employee relationship, a partnership, or a joint venture. The Contractor's services shall be those of an independent contractor. The Contractor agrees and understands that the Contract does not grant any rights or privileges established for employees of the City of Denton, Texas for the purposes of income tax, withholding, social security taxes, vacation or sick leave benefits, worker's compensation, or any other City employee benefit. The City shall not have supervision and control of the Contractor or any employee of the Contractor, and it is expressly understood that Contractor shall perform the services hereunder according to the attached specifications at the general direction of the City Manager of the City of Denton, Texas, or their designee under this Contract. The Contractor is expressly free to advertise and perform services for other parties while performing services for the City.

49. ASSIGNMENT-DELEGATION: The Contract shall be binding upon and enure to the benefit of the City and the Contractor and their respective successors and assigns, provided however, that no right or interest in the Contract shall be assigned and no obligation shall be delegated by the Contractor without the prior written consent of the City. Any attempted assignment or delegation by the Contractor shall be void unless made in conformity with this Paragraph. The Contract is not intended to confer rights or benefits on any person, firm or entity not a party hereto; it being the intention of the parties that there are no third party beneficiaries to the Contract.

The Vendor shall notify the City's Purchasing Manager, in writing, of a company name, ownership, or address change for the purpose of maintaining updated City records. The president of the company or authorized official must sign the letter. A letter indicating changes in a company name or ownership must be accompanied with supporting legal documentation such as an updated W-9, documents filed with the state indicating such change, copy of the board of director's resolution approving the action, or an executed merger or acquisition agreement. Failure to do so may adversely impact future invoice payments.

50. **WAIVER:** No claim or right arising out of a breach of the Contract can be discharged in whole or in part by a waiver or renunciation of the claim or right unless the waiver or renunciation is supported by consideration and is in writing signed by the aggrieved party. No waiver by either the Contractor or the City of any one or more events of default by the other party shall operate as, or be construed to be, a permanent waiver of any rights or obligations under the Contract, or an express or implied acceptance of any other existing or future default or defaults, whether of a similar or different character. No delay, failure, or waiver of either party's exercise or partial exercise of any right or remedy under the Contract shall operate to limit, impair, preclude, cancel, waive or otherwise affect such right or remedy.

51. **MODIFICATIONS:** The Contract can be modified or amended only by a writing signed by both parties. No pre-printed or similar terms on any the Contractor invoice, order or other document submitted to the City by Contractor shall have any force or effect to change the terms, covenants, and conditions of the Contract.

52. **INTERPRETATION:** The Contract is intended by the parties as a final, complete and exclusive statement of the terms of their agreement. No course of prior dealing between the parties or course of performance or usage of the trade shall be relevant to supplement or explain any term used in the Contract. Acceptance or acquiescence in a course of performance rendered under this Contract shall not be relevant to determine the meaning of this agreement even though the accepting or acquiescing party has knowledge of the performance and opportunity for objection. Although the Contract may have been substantially drafted by one party, it is the intent of the parties that all provisions be construed in a manner to be fair to both parties, reading no provisions more strictly against one party or the other. Whenever a term defined by the Uniform Commercial Code, as enacted by the State of Texas, is used in the Contract, the UCC definition shall control, unless otherwise defined in the Contract.

53. **DISPUTE RESOLUTION:**

A. If a dispute arises out of or relates to the Contract, or the breach thereof, the parties agree to negotiate prior to prosecuting a suit for damages. However, this section does not prohibit the filing of a lawsuit to toll the running of a statute of limitations or to seek injunctive relief. Either party may make a written request for a meeting between representatives of each party within fourteen (14) calendar days after receipt of the request or such later period as agreed by the parties. Each party shall include, at a minimum, one (1) senior level individual with decision-making authority regarding the dispute, however any decision requiring approval of the City Council of the City will be required to be submitted to the City Council and the senior level person shall have authority to recommend approval of any resolution. The purpose of this and any subsequent meeting is to attempt in good faith to negotiate a resolution of the dispute. If, within thirty (30) calendar days after such meeting, the parties have not succeeded in negotiating a resolution of the dispute, they will proceed directly to mediation as described below. Negotiation may be waived by a written agreement signed by both parties, in which event the parties may proceed directly to mediation as described below.

B. If the efforts to resolve the dispute through negotiation fail, or the parties waive the negotiation process, the parties may select, within thirty (30) calendar days, a mediator trained in mediation skills to assist with resolution of the dispute. Should they choose this option; the City and the Contractor agree to act in good faith in the selection of the mediator and to give consideration to qualified individuals nominated to act as mediator. Nothing in the Contract prevents the parties from relying on the skills of a person who is trained in the subject matter of the dispute or a contract

interpretation expert. If the parties fail to agree on a mediator within thirty (30) calendar days of initiation of the mediation process, the mediator shall be selected by the Denton County Alternative Dispute Resolution Program (DCAP). The parties agree to participate in mediation in good faith for up to thirty (30) calendar days from the date of the first mediation session. The City and the Contractor will share the mediator's fees equally and the parties will bear their own costs of participation such as fees for any consultants or attorneys they may utilize to represent them or otherwise assist them in the mediation.

C. The parties shall not be required to submit to binding arbitration.

54. JURISDICTION AND VENUE: The Contract is made under and shall be governed by the laws of the State of Texas, including, when applicable, the Uniform Commercial Code as adopted in Texas, V.T.C.A., Bus. & Comm. Code, Chapter 1, excluding any rule or principle that would refer to and apply the substantive law of another state or jurisdiction. All issues arising from this Contract shall be resolved in the courts of Denton County, Texas and the parties agree to submit to the exclusive personal jurisdiction of such courts. The foregoing, however, shall not be construed or interpreted to limit or restrict the right or ability of the City to seek and secure injunctive relief from any competent authority as contemplated herein.

55. INVALIDITY: The invalidity, illegality, or unenforceability of any provision of the Contract shall in no way affect the validity or enforceability of any other portion or provision of the Contract. Any void provision shall be deemed severed from the Contract and the balance of the Contract shall be construed and enforced as if the Contract did not contain the particular portion or provision held to be void. The parties further agree to reform the Contract to replace any stricken provision with a valid provision that comes as close as possible to the intent of the stricken provision. The provisions of this section shall not prevent this entire Contract from being void should a provision which is the essence of the Contract be determined to be void.

56. HOLIDAYS: The following holidays are observed by the City:

New Year's Day (observed)
Martin Luther King, Jr. Day
Memorial Day
Juneteenth
Independence Day
Labor Day
Veteran's Day
Thanksgiving Day
Friday After Thanksgiving
Christmas Eve (observed)
Christmas Day (observed)

If a Legal Holiday falls on Saturday, it will be observed on the preceding Friday. If a Legal Holiday falls on Sunday, it will be observed on the following Monday. Normal hours of operation shall be between 8:00 am and 4:00 pm, Monday through Friday, excluding City of Denton Holidays. Any scheduled deliveries or work performance not within the normal hours of operation **must be approved** by the City Manager of Denton, Texas or their authorized designee.

57. SURVIVABILITY OF OBLIGATIONS: All provisions of the Contract that impose
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continuing obligations on the parties, including but not limited to the warranty, indemnity, and confidentiality obligations of the parties, shall survive the expiration or termination of the Contract for fifteen (15) years.

58. NON-SUSPENSION OR DEBARMENT CERTIFICATION:

The City of Denton is prohibited from contracting with or making prime or sub-awards to parties that are suspended or debarred or whose principals are suspended or debarred from Federal, State, or City of Denton Contracts. By accepting a Contract with the City, the Vendor certifies that its firm and its principals are not currently suspended or debarred from doing business with the Federal Government, as indicated by the General Services Administration List of Parties Excluded from Federal Procurement and Non-Procurement Programs, the State of Texas, or the City of Denton.

59. EQUAL OPPORTUNITY Contractor agrees that during the performance of its contract it will:

A. Treat all applicants and employees without discrimination as to race, color, religion, sex, national origin, marital status, age, or handicap.

B. Identify itself as an "Equal Opportunity Employer" in all help wanted advertising or request. The Contractor shall be advised of any complaints filed with the City alleging that Contractor is not an Equal Opportunity Employer. The City reserves the right to consider its reports from its human relations administrator in response to such complaints in determining whether or not to terminate any portion of this contract for which purchase orders or authorities to deliver have not been included, however, the Contractor is specifically advised that no Equal Opportunity Employment complaint will be the basis for cancellation of this contract for which a purchase order has been issued or authority to deliver granted.

C. **Americans with Disabilities Act (ADA) Compliance:** No Contractor, or Contractor's agent, shall engage in any discriminatory employment practice against individuals with disabilities as defined in the ADA.

60. BUY AMERICAN ACT-SUPPLIES (Applicable to certain federally funded requirements)

The following federally funded requirements are applicable. A. Definitions. As used in this paragraph –

i. "Component" means an article, material, or supply incorporated directly into an end product.

ii. "Cost of components" means -

(1) For components purchased by the Contractor, the acquisition cost, including transportation costs to the place of incorporation into the end product (whether or not such costs are paid to a domestic firm), and any applicable duty (whether or not a duty-free entry certificate is issued); or

(2) For components manufactured by the Contractor, all costs associated with the manufacture of the component, including transportation costs as described in paragraph (1) of this definition, plus allocable overhead costs, but excluding profit. Cost of components does not include any costs associated with the manufacture of the end product.

iii. "Domestic end product" means-

(1) An unmanufactured end product mined or produced in the United States; or

(2) An end product manufactured in the United States, if the cost of its components mined, produced, or manufactured in the United States exceeds 50 percent of the cost of all its components. Components of foreign origin of the same class or kind as those that the agency

determines are not mined, produced, or manufactured in sufficient and reasonably available commercial quantities of a satisfactory quality are treated as domestic. Scrap generated, collected, and prepared for processing in the United States is considered domestic.

iv. "End product" means those articles, materials, and supplies to be acquired under the contract for public use.

v. "Foreign end product" means an end product other than a domestic end product.

vi. "United States" means the 50 States, the District of Columbia, and outlying areas.

B. The Buy American Act (41 U.S.C. 10a - 10d) provides a preference for domestic end products for supplies acquired for use in the United States.

C. The City does not maintain a list of foreign articles that will be treated as domestic for this Contract; but will consider for approval foreign articles as domestic for this product if the articles are on a list approved by another Governmental Agency. The Contractor shall submit documentation with their offer demonstrating that the article is on an approved Governmental list.

D. The Contractor shall deliver only domestic end products except to the extent that it specified delivery of foreign end products in the provision of the Solicitation entitled "Buy American Act Certificate".

61. RIGHT TO INFORMATION: The City of Denton reserves the right to use any and all information presented in any response to this Contract, whether amended or not, except as prohibited by law. Selection or rejection of the submittal does not affect this right.

62. LICENSE FEES OR TAXES: Provided the solicitation requires an awarded contractor or supplier to be licensed by the State of Texas, any and all fees and taxes are the responsibility of the respondent.

63. PREVAILING WAGE RATES: The Contractor shall comply with prevailing wage rates as defined by the United States Department of Labor Davis-Bacon Wage Determination at <http://www.dol.gov/whd/contracts/dbra.htm> and at the Wage Determinations website www.wdol.gov for Denton County, Texas (WD-2509).

64. COMPLIANCE WITH ALL STATE, FEDERAL, AND LOCAL LAWS: The Contractor or supplier shall comply with all State, federal, and local laws and requirements. The Contractor must comply with all applicable laws at all times, including, without limitation, the following: (i) §36.02 of the Texas Penal Code, which prohibits bribery; (ii) §36.09 of the Texas Penal Code, which prohibits the offering or conferring of benefits to public servants; and (iii) Chapter 552 of the Texas Government Code, which outlines policy for public information. The Contractor shall give all notices and comply with all laws and regulations applicable to furnishing and performance of the Contract.

65. FEDERAL, STATE, AND LOCAL REQUIREMENTS: Contractor shall demonstrate on-site compliance with the provisions of federal law dealing with issuance of Form W-2's to common law employees. Contractor is responsible for both federal and State unemployment insurance coverage and standard Workers' Compensation insurance coverage. Contractor shall ensure compliance with all federal and State tax laws and withholding requirements. The City of Denton shall not be liable to Contractor or its employees for any Unemployment or Workers' Compensation coverage, or federal or State withholding requirements. Contractor shall indemnify the City of Denton and shall pay all costs, penalties, or losses resulting from Contractor's omission or breach of this Section.

66. ATTORNEY'S FEES; LEGAL COSTS: Contractor and City agree that the City will not be required to pay Contractor's attorney's fees or legal costs under any circumstances, unless expressly required by law.

67. DRUG FREE WORKPLACE: The Contractor shall comply with the applicable provisions of the Drug-Free Work Place Act of 1988 (Public Law 100-690, Title V, Subtitle D; 41 U.S.C. 701 ET SEQ.) and maintain a drug-free work environment; and the final rule, government-wide requirements for drug-free work place (grants), issued by the Office of Management and Budget and the Department of Defense (32 CFR Part 280, Subpart F) to implement the provisions of the Drug-Free Work Place Act of 1988 is incorporated by reference and the Contractor shall comply with the relevant provisions thereof, including any amendments to the final rule that may hereafter be issued.

68. CONTRACTOR LIABILITY FOR DAMAGE TO GOVERNMENT PROPERTY: The Contractor shall be liable for all damages to government-owned, leased, or occupied property and equipment caused by the Contractor and its employees, agents, subcontractors, and suppliers, including any delivery or cartage company, in connection with any performance pursuant to the Contract. The Contractor shall notify the City of Denton Procurement Manager in writing of any such damage within one (1) calendar day.

69. FORCE MAJEURE: The City of Denton, any Customer, and the Contractor shall not be responsible for performance under the Contract should it be prevented from performance by an act of war, order of legal authority, act of God, or other unavoidable cause not attributable to the fault or negligence of the City of Denton. In the event of an occurrence under this Section, the Contractor will be excused from any further performance or observance of the requirements so affected for as long as such circumstances prevail and the Contractor continues to use commercially reasonable efforts to recommence performance or observance whenever and to whatever extent possible without delay. The Contractor shall immediately notify the City of Denton Procurement Manager by telephone (to be confirmed in writing within five (5) calendar days of the inception of such occurrence) and describe at a reasonable level of detail the circumstances causing the non-performance or delay in performance.

70. NON-WAIVER OF RIGHTS: Failure of a Party to require performance by another Party under the Contract will not affect the right of such Party to require performance in the future. No delay, failure, or waiver of either Party's exercise or partial exercise of any right or remedy under the Contract shall operate to limit, impair, preclude, cancel, waive or otherwise affect such right or remedy. A waiver by a Party of any breach of any term of the Contract will not be construed as a waiver of any continuing or succeeding breach.

71. NO WAIVER OF SOVEREIGN IMMUNITY: The Parties expressly agree that no provision of the Contract is in any way intended to constitute a waiver by the City of Denton of any immunities from suit or from liability that the City of Denton may have by operation of law.

72. RECORDS RETENTION: The Contractor shall retain all financial records, supporting documents, statistical records, and any other records or books relating to the performances called for in the Contract. The Contractor shall retain all such records for a period of four (4) years after the expiration of the Contract, or until the CPA or State Auditor's Office is satisfied that all audit

and litigation matters are resolved, whichever period is longer. The Contractor shall grant access to all books, records and documents pertinent to the Contract to the CPA, the State Auditor of Texas, and any federal governmental entity that has authority to review records due to federal funds being spent under the Contract. In the event the value of this Contract is One Million (\$1,000,000) Dollars or greater: (i) all contracting information related to this contract will be preserved for the duration of the Contact; (ii) the Contractor shall provide any contracting information in its possession promptly upon request by the City; and (iii) at the expiration of this Contract, the Contractor will either provide all contracting information in its possession to the City or preserve same as required by the record retention requirements of the State of Texas.

73. **PROCUREMENT LAWS:** The City will not agree to any terms or conditions that cause the City to violate any federal, State, or local procurement laws, including its own Charter or Procurement Policy and any such laws included in boilerplate terms, online terms or other terms provided by the Contractor are considered null and void.

74. **AUTHORITY:** Contractor represents and warrants to the other that (a) it has company authority to execute and perform this Contract; (b) executing this Contract does not constitute a material conflict with, breach, or default under any applicable law, its respective organizational documents, or any documents, agreements, contracts or instruments which are binding upon it; and (c) this Contract creates valid, legal, and binding obligation enforceable against it, subject to applicable insolvency and bankruptcy laws. Contractor recognizes and agrees that a violation of this provision constitutes a material breach under this Contract.

Exhibit D
Certificate of Interested Parties Electronic Filing

In 2015, the Texas Legislature adopted House Bill 1295, which added section 2252.908 of the Government Code. The law states that the City may not enter into this contract unless the Contractor submits a disclosure of interested parties (Form 1295) to the City at the time the Contractor submits the signed contract. The Texas Ethics Commission has adopted rules requiring the business entity to file Form 1295 electronically with the Commission.

Contractor will be required to furnish a Certificate of Interest Parties before the Contract is awarded, in accordance with Government Code 2252.908.

The Contractor shall:

1. Log onto the State Ethics Commission Website at [:https://www.ethics.state.tx.us/filinginfo/1295/](https://www.ethics.state.tx.us/filinginfo/1295/)
2. Register utilizing the tutorial provided by the State
3. Print a copy of the completed Form 1295
4. Enter the Certificate Number on page 2 of this contract.
5. Complete and sign the Form 1295
6. Email the form to purchasing@cityofdenton.com with the contract number in the subject line.
(EX: Contract 1234 – Form 1295)

The City must acknowledge the receipt of the filed Form 1295 not later than the 30th day after Council award. Once a Form 1295 is acknowledged, it will be posted to the Texas Ethics Commission's website within seven business days.

8951 Signal Heads, Detectors, Crossing Systems and Misc.
Exhibit E-Pricing

**Consolidated
 Traffic Controls, Inc**

Line #	Description	Mfgr	Mfgno	QTY	UOM	Unit
1	SECTION A: SIGNAL AND PEDESTRIAN HEADS					
2	3-SECTION BLACK POLYCARBONATE SIGNAL HEAD WITH BLACK VISORS, BLACK LOUVERED METAL BACKPLATE, READY FOR LENSES	M69465, M19271, M17910	SA103A1C11BBB00-0 E1692P43-14	80	EA	\$320.98
3	4-SECTION BLACK POLYCARBONATE SIGNAL HEAD WITH BLACK VISORS, BLACK LOUVERED METAL BACKPLATE, READY FOR LENSES	M66151, M19271, M17975	SA104A1C11BBB00-0 E1692P45-14	30	EA	\$383.98
4	5-SECTION BLACK POLYCARBONATE SIGNAL HEAD WITH BLACK VISORS, BLACK LOUVERED METAL BACKPLATE, READY FOR LENSES			20	EA	\$506.98
5	PEDESTRIAN HEAD, RIGHT SIDE MOUNT, BLACK POLYCARBONATE, ALUMINUMCLAM SHELL MOUNT, READY FOR LED LENS	McCain		30	EA	\$143.98
6	DOUBLE FACE ILSN 6feetx18inches CP618DTHNNAAD8 ONLY *NO Hardware*			20	EA	\$1,782.98
7	SINGLE FACE ILSN 6"x18" / CP618SRDNNAAAG1 ONLY *NO Hardwae*		SOUTHERN MFG - CP618SRDNNAAAG1 ONLY	20	EA	\$1,640.98
8	SECTION B: DETECTORS					
9	DETECTOR OPTICOM #721 #721 SINGLE CHANNEL CTS#110247		78-8095-3853-7 / CTS#110247	30	EA	\$758.98
10	DETECTOR OPTICOM #722 # 722 DUAL CHANNEL CTS#110247		78-8095-3854-5 / CTS#110247	10	EA	\$1,008.98
11	DETECTOR OPTICOM #764 PHASE SELECTOR MULTIMODE #764		76-1000-1054-0 / CTS#110610-MM	10	EA	\$3,303.98
12	DETECTOR OPTICOM CLAMP SPAN WIRE CLAMP #10100		CTS# 101001	10	EA	\$18.98
13	DETECTOR, NARROW HUB \$3M , 34inches HOLE, 500B #201011		CTS # 201011	10	EA	\$21.98
14	DETECTOR, OPTICOM CABLE / #3M # 138 (1000' SPOOL)		GTT MODEL 138	2000	FT	\$0.20
15	DETECTOR, NARROW HUB \$3M , 34inches HOLE, 500B #201011			10	EA	\$21.98
16	SECTION C: CROSSING SYSTEMS					
17	PEDESTRIAN CROSSING SYSTEMS SEE TECHNICAL SPECIFICATIONS			10	EA	\$5,778.98
18	POLARA NAVIGATOR CCU^ ICCU-S2		POLARA ICCU-S2	10	EA	\$2,713.98
19	POLARA NAVIGATOR PB STATION^ 9inchesX15inches, CTC 87-INS23TNO-B		CTC 87-INS23TNO-B	50	EA	\$524.98
20	SCHOOL FLASHER, ASSEMBLY KIT^ 2 BATTERYRADIOAP22			10	EA	\$3,916.98
21	DC PEDESTRIAN CROSSING MASTER WPUSHBUTTON 1-2 REMOTES PNS10-600008M		PNS10-600008M	10	EA	\$2,435.98
22	DC PEDESTRIAN CROSSING REMOTE W/PUSHBUTTON / PNS10-600008R		PNS10-600008R	10	EA	\$2,875.98
23	EDGE LIGHT PEDESTRIAN SIGN WALKING LEFT HV GREEN, NO LINES 30inchesx30inches PNS10-ELW11-2K W11-2		PNS10-ELW11-2K W11-2	10	EA	\$1,081.98
24	EDGE LIGHT ARROW POINTING LEFT TO CROSSING SIGN 24inchesx12inches PNS10-S1ELW16-7P24-GK W16-7P		PNS10-S1ELW16-7P24-GK W16-7P	10	EA	\$1,084.98
25	EDGE LIGHT PEDESTRIAN SIGN WALKING LEFT HV GREEN, NO LINES 36inchesx36inches PNS10-ELW11-36K W11-2		PNS10-ELW11-36K W11-2	10	EA	\$1,115.98
26	WW11-2 EDGE LIGHT PEDESTRIAN WALKING LEFT HV YELLOW 36"x36" / PNS10-ELW11-2LFK		PNS10-ELW11-2LFK	10	EA	\$1,115.98
27	SECTION D: MISCELLANEOUS					
28	BATTERY, ALPHACELL 220GXL SILVER ALLOY GEL, 12V, 109AH		220GXL	10	EA	NO BID
29	BATTERY, SOLAR 8G30H-DEKA 12V, 108AH		8G30H-DEKA	10	EA	NO BID
30	CABLE, 143 STR CU 14GA 1000feetSPOOL, ANIXTER #2A 1403		#2A-1403	1000	FT	NO BID
31	CABLE, CONTROL MC5E 4PR 24AWG 1000feetSP, BELDEN#7919A 0105000		BELDEN#7919A 0105000	10000	FT	NO BID
32	CABLE, TRAFFIC SIGNAL 7C-14AWG 1000feetRL			5000	FT	NO BID
33	ENCLOSURE, 12inchesx20inchesx18inches LxWxD PEM-1220-18PC		PEM-1220-18PC	10	EA	NO BID
34	CABLE, 14AWG 20 CONDUCTOR, ISMA 1420 STR 20-1 2500feet REEL			2500	FT	NO BID
35	MOUNTING RECEIVER / PNS10-FLASHCUBE		PNS10-FLASHCUBE	20	EA	\$2,082.98
36	POLE MOUNT 2 7/8" to 3" OD POLE / PNS10-503396-3		PNS10-503396-3	20	EA	\$162.98

37	30-WATT SOLAR PANEL ASSY W/MOUNT AND WIRING / PNS10-502400-30	PNS10-502400-30	20	EA	\$400.98
38	22AMP GEL CELL BATTERY / PNS10-506484-18	PNS10-506484-18	20	EA	\$105.98
39	15' SPUN ALUMINUM POLE W/BASE, COLLAR, AND ANCHOR BOLTS / PNS10-POLE15SPALASSY	PNS10-POLE15SPALASSY	20	EA	\$1,226.98
40	CABINET, 20W SOLAR PANEL, 22AH BATTERY ASSEMBLY / PNS10-S1ELASSY	PNS10-S1ELASSY	20	EA	\$378.98
41	R1-1 STOP EDGE LIGHT SIGN (30"x30", 8LEDS) / PNS10-ELR1-1 30K	PNS10-ELR1-1 30K	20	EA	\$1,368.98
42	R1-1 STOP EDGE LIGHT SIGN (36"x36", 8LEDS) / PNS10-ELR1-1 36K	PNS10-ELR1-1 36K	20	EA	\$1,401.98
43	BATTERY CABINET INCLUDED PANEL NO. 2, REGULATOR AND 4.5" UBOLT MOUNT 18W"x17H"x14" (PNS10-503333K)	PNS10-503333K	5	EA	\$1,220.98
44	40W SOLAR PANEL ASSY INCL SIDE POLE MOUNT AND WIRING (PNS10-SP40)	PNS10-SP40	5	EA	\$320.98
45	104 AMP HOUR BATTERY (PNS10-500645-104)	PNS10-500645-104	5	EA	\$452.98
46	12" SIGNAL HEADS POLY YELLOW (1,2 OR 3 PER FLASHER) (PNS10-SIGPY)	PNS10-SIGPY	20	EA	\$237.98
47	12" AMBER DC 5W LED (1, 2, OR 3 PER FLASHER) (PNS10-502463)	PNS10-502463	5	EA	\$66.98
48	SPEED LIMIT SIGN (24"x18") (PNS10-S1S5-1-MPH)	PNS10-S1S5-1-MPH	5	EA	\$304.98
49	CELL PHONE PROHIBIT (24"x18") (PNS10-S1S7-1TK)	PNS10-S1S7-1TK	5	EA	\$132.98
50	24"x30" EDGELIGHT 30MPH SIGN		5	EA	\$1,103.98
51	SPECIAL ORDER LINE - % DISCOUNT OFF LIST PRICE FOR ITEMS NOT ITEMIZED IN THIS CONTRACT		1	EA	2%

EXHIBIT F-CIQ

CONFLICT OF INTEREST QUESTIONNAIRE

CONFLICT OF INTEREST QUESTIONNAIRE -

FORM CIQ

For vendor or other person doing business with local governmental entity

This questionnaire reflects changes made to the law by H.B. 23, 84th Leg., Regular Session.

This questionnaire is being filed in accordance with Chapter 176, Local Government Code, by a vendor who has a business relationship as defined by Section 176.001(1-a) with a local governmental entity and the vendor meets requirements under Section 176.006(a).

By law this questionnaire must be filed with the records administrator of the local government entity not later than the 7th business day after the date the vendor becomes aware of facts that require the statement to be filed. See Section 176.006(a-1), Local Government Code.

A vendor commits an offense if the vendor knowingly violates Section 176.006, Local Government Code. An offense under this section is a misdemeanor.

1 Name of vendor who has a business relationship with local governmental entity.

Consolidated Traffic Controls, Inc.

2 Check this box if you are filing an update to a previously filed questionnaire.

(The law requires that you file an updated completed questionnaire with the appropriate filing authority not later than the 7th business day after the date on which you became aware that the originally filed questionnaire was incomplete or inaccurate.)

3 Name of local government officer about whom the information in this section is being disclosed.

Jennifer Warnack

Name of Officer

This section, (item 3 including subparts A, B, C & D), must be completed for each officer with whom the vendor has an employment or other business relationship as defined by Section 176.001(1-a), Local Government Code. Attach additional pages to this Form CIQ as necessary.

A. Is the local government officer named in this section receiving or likely to receive taxable income, other than investment income, from the vendor?

Yes No

B. Is the vendor receiving or likely to receive taxable income, other than investment income, from or at the direction of the local government officer named in this section AND the taxable income is not received from the local governmental entity?

Yes No

C. Is the filer of this questionnaire employed by a corporation or other business entity with respect to which the local government officer serves as an officer or director, or holds an ownership of one percent or more?

Yes No

D. Describe each employment or business and family relationship with the local government officer named in this section.

4 X I have no Conflict of Interest to disclose.

5 Signature of vendor doing business with the governmental entity

4.29.26 Date

Certificate Of Completion

Envelope Id: AFA7E27C-99B7-8E7B-81B9-9FFD0291E02A

Status: Sent

Subject: Please DocuSign: City Council Contract 8951 Signal Heads, Detectors, Crossing Systems and Misc.

Source Envelope:

Document Pages: 32

Signatures: 3

Envelope Originator:

Certificate Pages: 6

Initials: 1

Ginny Brummett

AutoNav: Enabled

901B Texas Street

Envelopeld Stamping: Enabled

Denton, TX 76209

Time Zone: (UTC-06:00) Central Time (US & Canada)

Ginny.Brummett@cityofdenton.com

IP Address: 198.49.140.10

Record Tracking

Status: Original

Holder: Ginny Brummett

Location: DocuSign

6/9/2026 1:49:57 PM

Ginny.Brummett@cityofdenton.com

Signer Events

Signature

Timestamp

Ginny Brummett

Completed

Sent: 6/9/2026 2:13:03 PM

Ginny.Brummett@cityofdenton.com

Viewed: 6/9/2026 2:13:14 PM

Buyer

Signed: 6/9/2026 2:13:33 PM

City of Denton

Using IP Address: 198.49.140.10

Security Level: Email, Account Authentication (None)

Electronic Record and Signature Disclosure:

Not Offered via DocuSign

Lori Hewell

Initial

Sent: 6/9/2026 2:13:35 PM

lori.hewell@cityofdenton.com

Viewed: 6/9/2026 2:15:31 PM

Purchasing Manager

Signed: 6/9/2026 2:16:13 PM

City of Denton

Signature Adoption: Pre-selected Style

Security Level: Email, Account Authentication (None)

Using IP Address: 198.49.140.104

Electronic Record and Signature Disclosure:

Not Offered via DocuSign

Leah Bush

Signed by:

3A6254145BDA469...

Sent: 6/9/2026 2:16:15 PM

leah.bush@cityofdenton.com

Viewed: 6/12/2026 1:42:30 PM

Assistant City Attorney

Signed: 6/12/2026 2:08:14 PM

Security Level: Email, Account Authentication (None)

Signature Adoption: Pre-selected Style

Using IP Address: 198.49.140.104

Electronic Record and Signature Disclosure:

Not Offered via DocuSign

Jennifer Warnack

Signed by:

D52E6471826942D...

Sent: 6/12/2026 2:08:16 PM

jennifer.warnack@ctc-traffic.com

Resent: 6/12/2026 3:14:41 PM

Security Level: Email, Account Authentication (None)

Resent: 6/15/2026 8:53:36 AM

Signature Adoption: Pre-selected Style

Viewed: 6/15/2026 10:33:27 AM

Using IP Address: 216.194.5.18

Signed: 6/15/2026 10:39:20 AM


Electronic Record and Signature Disclosure:

Accepted: 6/15/2026 10:33:27 AM

ID: fe68f583-7a2d-4ba2-9cec-c90612839218

Signer Events	Signature	Timestamp
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Matthew Hamilton
 Matthew.Hamilton@cityofdenton.com
 Chief Financial Officer
 City of Denton
 Security Level: Email, Account Authentication (None)

Signed by:

 AFA2974F165F4F...
 Signature Adoption: Pre-selected Style
 Using IP Address: 198.49.140.10

Sent: 6/15/2026 10:39:22 AM
 Viewed: 6/15/2026 12:53:03 PM
 Signed: 6/15/2026 12:54:07 PM

Electronic Record and Signature Disclosure:
 Not Offered via DocuSign

Cheyenne Defee
 cheyenne.defee@cityofdenton.com
 Procurement Administration Supervisor
 City of Denton
 Security Level: Email, Account Authentication (None)

Sent: 6/15/2026 12:54:09 PM

Electronic Record and Signature Disclosure:
 Not Offered via DocuSign

Cassey Ogden
 Cassey.Ogden@cityofdenton.com
 Security Level: Email, Account Authentication (None)

Electronic Record and Signature Disclosure:
 Not Offered via DocuSign

Kristi Fogle
 Kristi.Fogle@cityofdenton.com
 Security Level: Email, Account Authentication (None)

Electronic Record and Signature Disclosure:
 Accepted: 6/10/2026 8:42:20 AM
 ID: 527c90ad-046b-40f4-8d9e-6117f9b25479

In Person Signer Events	Signature	Timestamp
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Editor Delivery Events	Status	Timestamp
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Agent Delivery Events	Status	Timestamp
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Intermediary Delivery Events	Status	Timestamp
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Certified Delivery Events	Status	Timestamp
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Carbon Copy Events	Status	Timestamp
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Cheyenne Defee
 cheyenne.defee@cityofdenton.com
 Procurement Administration Supervisor
 City of Denton
 Security Level: Email, Account Authentication (None)

COPIED

Sent: 6/9/2026 2:13:35 PM

Electronic Record and Signature Disclosure:
 Not Offered via DocuSign

Gretna Jones
 gretna.jones@cityofdenton.com
 Legal Secretary
 City of Denton
 Security Level: Email, Account Authentication (None)

COPIED

Sent: 6/15/2026 12:54:08 PM
 Viewed: 6/16/2026 10:14:07 AM

Carbon Copy Events	Status	Timestamp
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Electronic Record and Signature Disclosure:
Not Offered via DocuSign

City Secretary Office
citysecretary@cityofdenton.com
Security Level: Email, Account Authentication
(None)

Electronic Record and Signature Disclosure:
Not Offered via DocuSign

Keith Kading
Keith.Kading@cityofdenton.com
Security Level: Email, Account Authentication
(None)

Electronic Record and Signature Disclosure:
Accepted: 5/11/2026 12:23:30 PM
ID: b971ff6e-e045-491b-86f7-da173e7bcda8

Witness Events	Signature	Timestamp
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Notary Events	Signature	Timestamp
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Envelope Summary Events	Status	Timestamps
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Envelope Sent	Hashed/Encrypted	6/9/2026 2:13:03 PM
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Payment Events	Status	Timestamps
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Electronic Record and Signature Disclosure

ELECTRONIC RECORD AND SIGNATURE DISCLOSURE

From time to time, City of Denton (we, us or Company) may be required by law to provide to you certain written notices or disclosures. Described below are the terms and conditions for providing to you such notices and disclosures electronically through your DocuSign, Inc. (DocuSign) Express user account. Please read the information below carefully and thoroughly, and if you can access this information electronically to your satisfaction and agree to these terms and conditions, please confirm your agreement by clicking the 'I agree' button at the bottom of this document.

Getting paper copies

At any time, you may request from us a paper copy of any record provided or made available electronically to you by us. For such copies, as long as you are an authorized user of the DocuSign system you will have the ability to download and print any documents we send to you through your DocuSign user account for a limited period of time (usually 30 days) after such documents are first sent to you. After such time, if you wish for us to send you paper copies of any such documents from our office to you, you will be charged a \$0.00 per-page fee. You may request delivery of such paper copies from us by following the procedure described below.

Withdrawing your consent

If you decide to receive notices and disclosures from us electronically, you may at any time change your mind and tell us that thereafter you want to receive required notices and disclosures only in paper format. How you must inform us of your decision to receive future notices and disclosure in paper format and withdraw your consent to receive notices and disclosures electronically is described below.

Consequences of changing your mind

If you elect to receive required notices and disclosures only in paper format, it will slow the speed at which we can complete certain steps in transactions with you and delivering services to you because we will need first to send the required notices or disclosures to you in paper format, and then wait until we receive back from you your acknowledgment of your receipt of such paper notices or disclosures. To indicate to us that you are changing your mind, you must withdraw your consent using the DocuSign 'Withdraw Consent' form on the signing page of your DocuSign account. This will indicate to us that you have withdrawn your consent to receive required notices and disclosures electronically from us and you will no longer be able to use your DocuSign Express user account to receive required notices and consents electronically from us or to sign electronically documents from us.

All notices and disclosures will be sent to you electronically

Unless you tell us otherwise in accordance with the procedures described herein, we will provide electronically to you through your DocuSign user account all required notices, disclosures, authorizations, acknowledgements, and other documents that are required to be provided or made available to you during the course of our relationship with you. To reduce the chance of you inadvertently not receiving any notice or disclosure, we prefer to provide all of the required notices and disclosures to you by the same method and to the same address that you have given us. Thus, you can receive all the disclosures and notices electronically or in paper format through the paper mail delivery system. If you do not agree with this process, please let us know as described below. Please also see the paragraph immediately above that describes the consequences of your electing not to receive delivery of the notices and disclosures electronically from us.

How to contact City of Denton:

You may contact us to let us know of your changes as to how we may contact you electronically, to request paper copies of certain information from us, and to withdraw your prior consent to receive notices and disclosures electronically as follows:

To contact us by email send messages to: purchasing@cityofdenton.com

To advise City of Denton of your new e-mail address

To let us know of a change in your e-mail address where we should send notices and disclosures electronically to you, you must send an email message to us at melissa.kraft@cityofdenton.com and in the body of such request you must state: your previous e-mail address, your new e-mail address. We do not require any other information from you to change your email address..

In addition, you must notify DocuSign, Inc to arrange for your new email address to be reflected in your DocuSign account by following the process for changing e-mail in DocuSign.

To request paper copies from City of Denton

To request delivery from us of paper copies of the notices and disclosures previously provided by us to you electronically, you must send us an e-mail to purchasing@cityofdenton.com and in the body of such request you must state your e-mail address, full name, US Postal address, and telephone number. We will bill you for any fees at that time, if any.

To withdraw your consent with City of Denton

To inform us that you no longer want to receive future notices and disclosures in electronic format you may:

- i. decline to sign a document from within your DocuSign account, and on the subsequent page, select the check-box indicating you wish to withdraw your consent, or you may;
- ii. send us an e-mail to purchasing@cityofdenton.com and in the body of such request you must state your e-mail, full name, IS Postal Address, telephone number, and account number. We do not need any other information from you to withdraw consent.. The consequences of your withdrawing consent for online documents will be that transactions may take a longer time to process..

Required hardware and software

Operating Systems:	Windows2000? or WindowsXP?
Browsers (for SENDERS):	Internet Explorer 6.0? or above
Browsers (for SIGNERS):	Internet Explorer 6.0?, Mozilla FireFox 1.0, NetScape 7.2 (or above)
Email:	Access to a valid email account
Screen Resolution:	800 x 600 minimum
Enabled Security Settings:	<ul style="list-style-type: none"> •Allow per session cookies •Users accessing the internet behind a Proxy Server must enable HTTP 1.1 settings via proxy connection

** These minimum requirements are subject to change. If these requirements change, we will provide you with an email message at the email address we have on file for you at that time providing you with the revised hardware and software requirements, at which time you will have the right to withdraw your consent.

Acknowledging your access and consent to receive materials electronically

To confirm to us that you can access this information electronically, which will be similar to other electronic notices and disclosures that we will provide to you, please verify that you were able to read this electronic disclosure and that you also were able to print on paper or electronically save this page for your future reference and access or that you were able to e-mail this disclosure and consent to an address where you will be able to print on paper or save it for your future reference and access. Further, if you consent to receiving notices and disclosures exclusively in electronic format on the terms and conditions described above, please let us know by clicking the 'I agree' button below.

By checking the 'I Agree' box, I confirm that:

- I can access and read this Electronic CONSENT TO ELECTRONIC RECEIPT OF ELECTRONIC RECORD AND SIGNATURE DISCLOSURES document; and
- I can print on paper the disclosure or save or send the disclosure to a place where I can print it, for future reference and access; and
- Until or unless I notify City of Denton as described above, I consent to receive from exclusively through electronic means all notices, disclosures, authorizations, acknowledgements, and other documents that are required to be provided or made available to me by City of Denton during the course of my relationship with you.



City of Denton

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

AGENDA INFORMATION SHEET

DEPARTMENT: Procurement
ACM: Christine Taylor
DATE: July 14, 2026

SUBJECT

Consider adoption of an ordinance of the City of Denton, a Texas home-rule municipal corporation, authorizing the City Manager to execute a contract with Lifetime Tennis, Inc., dba Impact Activities, for tennis and pickleball classes, lessons, leagues, tournaments, stringing, and other tennis or pickleball programs for the Parks and Recreation Department; providing for the expenditure of funds therefor; and providing an effective date (RFP 8981 – awarded to Lifetime Tennis, Inc., dba Impact Activities, for one (1) year, with the option for four (4) additional one (1) year extensions, in the total five (5) year not-to-exceed amount of \$1,350,000.00).

STRATEGIC ALIGNMENT

This action supports Key Focus Area: Strengthen Community and Quality of Life.

INFORMATION/BACKGROUND

The City of Denton is contracting tennis and pickleball classes, leagues, lessons, and tournaments to Impact Activities in order to expand program quality, improve service consistency, and meet the growing community demand for racket-sport offerings. Impact Activities specializes in managing tennis and pickleball programs for municipalities nationwide, allowing the City to leverage its expertise, certified coaching staff, and established operational systems.

This partnership enables the City to:

- Increase the variety and frequency of programs offered.
- Improve participant experience through professionally managed instruction and leagues.
- Reduce staff workload for scheduling, registration, and program administration.
- Ensure long-term program sustainability as community interest continues to grow.

By contracting with Impact Activities, the City of Denton can deliver a higher-quality recreation experience while maintaining accessibility and meeting the needs of residents across all skill levels. The contractor will work with staff on pricing for programs and lessons.

Request for Proposals was sent to 591 prospective suppliers, including 51 Denton firms. In addition, specifications were placed on the Procurement website for prospective suppliers to download and advertised in the local newspaper. One (1) proposal was received, and references were checked to ensure the vendor can provide the services requested in the Scope of Work. The proposal was evaluated based upon published

criteria, including schedule, compliance with specifications, probable performance, and price. The department is awarding the contract to Lifetime Tennis, Inc., dba Impact Activities.

NIGP Code Used for Solicitation:	961 - (Service Only) - Miscellaneous Services, No. 1 (Not Otherwise Classified)
Notifications sent for Solicitation sent in IonWave:	591
Number of Suppliers that viewed Solicitation in IonWave:	18
HUB-Historically Underutilized Business Invitations sent out:	78
SBE-Small Business Enterprise Invitations sent out:	237
Responses from Solicitation:	1

RECOMMENDATION

Award a contract with Lifetime Tennis, Inc. dba Impact Activities, for tennis and pickleball classes, lessons, leagues, tournaments, stringing, and other tennis or pickleball programs for the Parks and Recreation Department, in a one (1) year, with the option for four (4) additional one (1) year extensions, in a total of five (5) not-to-exceed amount of \$1,350,000.

PRINCIPAL PLACE OF BUSINESS

Lifetime Tennis, Inc., dba Impact Activities
 McKinney, TX

ESTIMATED SCHEDULE OF PROJECT

This is an initial one (1) year contract with options to extend the contract for four (4) additional one (1) year periods, with all terms and conditions remaining the same.

FISCAL INFORMATION

These services will be funded from Parks and Recreation account 401200.7868, temporary personnel services. Invoices will be paid as work is performed. The city will retain 20% of all sales the vendor executes through lessons, tournaments, league play, and all sales during tennis/pickleball tournaments. It is estimated that this contract will generate \$70,000.00 per fiscal year to the City of Denton.

Year 1	Year 2	Year 3	Year 4	Year 5	
\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$1,250,000.00
				Contingency	100,000.00
				Total	\$1,350,000.00

EXHIBITS

- Exhibit 1: Agenda Information Sheet
- Exhibit 2: Ordinance and Contract

Respectfully submitted:
 Lori Hewell, 940-349-7100
 Purchasing Manager

For information concerning this acquisition, contact: Jason Barrow, 940-349-7218.

Legal point of contact: Marcella Lunn at 940-349-8333.

ORDINANCE NO. _____

AN ORDINANCE OF THE CITY OF DENTON, A TEXAS HOME-RULE MUNICIPAL CORPORATION, AUTHORIZING THE CITY MANAGER TO EXECUTE A CONTRACT WITH LIFETIME TENNIS, INC., DBA IMPACT ACTIVITIES, FOR TENNIS AND PICKLEBALL CLASSES, LESSONS, LEAGUES, TOURNAMENTS, STRINGING, AND OTHER TENNIS OR PICKLEBALL PROGRAMS FOR THE PARKS AND RECREATION DEPARTMENT; PROVIDING FOR THE EXPENDITURE OF FUNDS THEREFOR; AND PROVIDING AN EFFECTIVE DATE (RFP 8981 – AWARDED TO LIFETIME TENNIS, INC., DBA IMPACT ACTIVITIES, FOR ONE (1) YEAR, WITH THE OPTION FOR FOUR (4) ADDITIONAL ONE (1) YEAR EXTENSIONS, IN THE TOTAL FIVE (5) YEAR NOT-TO-EXCEED AMOUNT OF \$1,350,000.00).

WHEREAS, the City has solicited, received, and evaluated competitive proposals for tennis and pickleball classes, lessons, leagues, tournaments, stringing, and other tennis or pickleball programs for the Parks and Recreation Department; and

WHEREAS, the City Manager, or a designated employee, has received, reviewed, and recommended that the herein described proposals are the most advantageous to the City considering the relative importance of price and the other evaluation factors included in the request for proposals; and

WHEREAS, this procurement was undertaken as part of the City’s governmental function; and

WHEREAS, the City Council has provided in the City Budget for the appropriation of funds to be used for the purchase of the materials, equipment, supplies, or services approved and accepted herein; NOW, THEREFORE,

THE COUNCIL OF THE CITY OF DENTON HEREBY ORDAINS:

SECTION 1. The items in the following numbered request for proposal for materials, equipment, supplies, or services shown in the “Request Proposals” on file in the office of the Purchasing Agent, are hereby accepted and approved as being the most advantageous to the City considering the relative importance of price and the other evaluation factors included in the request for proposals.

<u>RFP</u> <u>NUMBER</u>	<u>CONTRACTOR</u>	<u>AMOUNT</u>
8981	Lifetime Tennis, Inc., dba Impact Activities	\$1,350,000.00

SECTION 2. That by the acceptance and approval of the above numbered items of the submitted proposals, the City accepts the offer of the persons submitting the proposals for such items and agrees to purchase the materials, equipment, supplies, or services in accordance with the terms,

specifications, standards, quantities, and for the specified sums contained in the Proposal Invitations, Proposals, and related documents.

SECTION 3. That should the City and person submitting approved and accepted items wish to enter into a formal written agreement as a result of the acceptance, approval, and awarding of the proposals, the City Manager, or their designated representative, is hereby authorized to execute the written contract which shall be attached hereto; provided that the written contract is in accordance with the terms, conditions, specifications, standards, quantities, and specified sums contained in the Proposal and related documents herein approved and accepted.

SECTION 4. The City Council of the City of Denton hereby expressly delegates the authority to take any actions that may be required or permitted to be performed by the City of Denton under this ordinance to the City Manager of the City of Denton, or their designee.

SECTION 5. By the acceptance and approval of the above enumerated bids, the City Council hereby authorizes the expenditure of funds therefor in the amount and in accordance with the approved bids.

SECTION 6. This ordinance shall become effective immediately upon its passage and approval.

The motion to approve this ordinance was made by _____ and seconded by _____. The ordinance was passed and approved by the following vote [___ - ___]:

	Aye	Nay	Abstain	Absent
Mayor Chris Watts:	_____	_____	_____	_____
Jordan Villarreal, District 1:	_____	_____	_____	_____
Nick Stevens, District 2:	_____	_____	_____	_____
Suzi Rumohr, District 3:	_____	_____	_____	_____
Joe Holland, District 4:	_____	_____	_____	_____
George Ferrie, At Large Place 5:	_____	_____	_____	_____
Jill Jester, At Large Place 6:	_____	_____	_____	_____

PASSED AND APPROVED this the _____ day of _____, 2026.

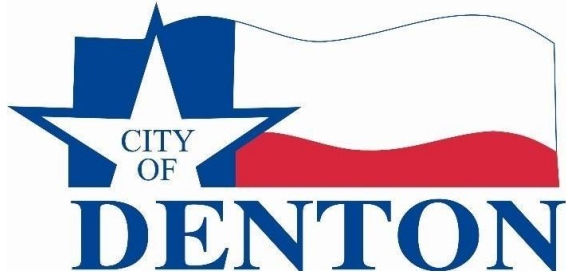
CHRIS WATTS, MAYOR

ATTEST:
KRISTI FOGLE, INTERIM CITY SECRETARY

BY: _____

APPROVED AS TO LEGAL FORM:
MACK REINWAND, CITY ATTORNEY

BY: Leah Bush



DocuSign City Council Transmittal Coversheet

RFP	8981
File Name	Tennis and Pickleball Instructors
Purchasing Contact	Erica Garcia
City Council Target Date	
Piggy Back Option	Yes
Contract Expiration	
Ordinance	

**CONTRACT BY AND BETWEEN
CITY OF DENTON, TEXAS AND LIFETIME TENNIS, INC. dba IMPACT
ACTIVITIES
(Contract #8981)**

THIS CONTRACT is made and entered into this date _____, by and between Lifetime Tennis, Inc., dba Impact Activities a Texas corporation, whose address 3253 Alma Road, McKinney, TX 75070, hereinafter referred to as “Contractor,” and the **CITY OF DENTON, TEXAS**, a home rule municipal corporation, hereinafter referred to as “City,” to be effective upon approval of the Denton City Council and subsequent execution of this Contract by the Denton City Manager or their duly authorized designee.

For and in consideration of the covenants and agreements contained herein, and for the mutual benefits to be obtained hereby, the parties agree as follows:

SCOPE OF SERVICES

Contractor shall provide services in accordance with the City’s RFP #8981 Tennis and Pickleball Instructors a copy of which is on file at the office of Purchasing Agent and incorporated herein for all purposes. The Contract consists of this written agreement and the following items which are attached hereto, or on file, and incorporated herein by reference:

- (a) Special Terms and Conditions (**Exhibit “A”**);
- (b) City of Denton’s RFP 8981 (the “Solicitation”) (**Exhibit “B” on file at the office of the Purchasing Agent**);
- (c) City of Denton Standard Terms and Conditions (**Exhibit “C”**);
- (d) Certificate of Interested Parties Electronic Filing (**Exhibit “D”**);
- (e) Insurance Requirements (**Exhibit “E”**);
- (f) Contractor’s Proposal (“Contractor’s Offer”) (**Exhibit “F”**);
- (g) Form CIQ – Conflict of Interest Questionnaire (**Exhibit “G”**)

These documents make up the Contract documents and what is called for by one shall be as binding as if called for by all. In the event of an inconsistency or conflict in any of the provisions of the Contract documents, the inconsistency or conflict shall be resolved by giving precedence first to the written agreement then to the contract documents in the order in which they are listed above. These documents shall be referred to collectively as “Contract Documents.”

Prohibition on Contracts with Companies Boycotting Israel

Contractor acknowledges that in accordance with Chapter 2271 of the Texas Government Code, City is prohibited from entering into a contract with a company for goods or services unless the contract contains a written verification from the company that it: (1) does not boycott Israel; and (2) will not boycott Israel during the term of the contract. The terms “boycott Israel” and “company” shall have the meanings ascribed to those terms in Section 808.001 of the Texas Government Code. ***By signing this Contract, Contractor certifies that Contractor’s signature provides written verification to the City that Contractor: (1) does not boycott Israel; and (2) will not boycott Israel during the term of the Contract.*** Failure to meet or maintain the requirements under this provision will be considered a material breach.

Prohibition on Contracts with Companies Boycotting Certain Energy Companies

Contractor acknowledges that in accordance with Chapter 2276 of the Texas Government Code, City is

prohibited from entering into a contract with a company for goods or services unless the contract contains written verification from the company that it (1) does not boycott energy companies; and (2) will not boycott energy companies during the term of the contract. The terms “boycott energy company” and “company” shall have the meanings ascribed to those terms in Section 809.001 of the Texas Government Code. ***By signing this agreement, Contractor certifies that Contractor’s signature provides written verification to the City that Contractor: (1) does not boycott energy companies; and (2) will not boycott energy companies during the term of the Contract.*** Failure to meet or maintain the requirements under this provision will be considered a material breach.

Prohibition on Contracts with Companies Boycotting Certain Firearm Entities and Firearm Trade Associations

Contractor acknowledges that in accordance with Chapter 2274 of the Texas Government Code, City is prohibited from entering into a contract with a company for goods or services unless the contract contains written verification from the company that it (1) does not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association; and (2) will not discriminate during the term of the contract against a firearm entity or firearm trade association. The terms “discriminate against a firearm entity or firearm trade association,” “firearm entity” and “firearm trade association” shall have the meanings ascribed to those terms in Chapter 2274 of the Texas Government Code. ***By signing this Contract, Contractor certifies that Contractor’s signature provides written verification to the City that Contractor: (1) does not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association; and (2) will not discriminate during the term of this Contract against a firearm entity or firearm trade association.*** Failure to meet or maintain the requirements under this provision will be considered a material breach.

Prohibition On Contracts with Companies Doing Business with Iran, Sudan, or a Foreign Terrorist Organization

Section 2252 of the Texas Government Code restricts City from contracting with companies that do business with Iran, Sudan, or a foreign terrorist organization. ***By signing this Contract, Contractor certifies that Contractor’s signature provides written verification to the City that Contractor, pursuant to Chapter 2252, is not ineligible to enter into this Contract and will not become ineligible to receive payments under this Contract by doing business with Iran, Sudan, or a foreign terrorist organization.*** Failure to meet or maintain the requirements under this provision will be considered a material breach.


Termination Right for Contracts with Companies Doing Business with Certain Foreign-Owned Companies

The City of Denton may terminate this Contract immediately without any further liability if the City of Denton determines, in its sole judgment, that this Contract meets the requirements under Chapter 2275, and Contractor is, or will be in the future, (i) owned by or the majority of stock or other ownership interest of the company is held or controlled by individuals who are citizens of China, Iran, North Korea, Russia, or other designated country (ii) directly controlled by the Government of China, Iran, North Korea, Russia, or other designated country, or (iii) is headquartered in China, Iran, North Korea, Russia, or other designated country.

The parties agree to transact business electronically. Any statutory requirements that certain terms be in writing will be satisfied using electronic documents and signing. Electronic signing of this document will be deemed an original for all legal purposes.

IN WITNESS WHEREOF, the parties of these presents have executed this Contract in the year and day first above written.

BY:
CONTRACTOR
Lifetime Tennis, Inc., dba Impact Activities

DocuSigned by:

Authorized Signature

Printed Name: Matt Hanlin

Title: President

Email Address: matth@impactactivities.com

 2026-1451305

 TEXAS ETHICS COMMISSION CERTIFICATE NUMBER

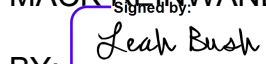
BY:
CITY OF DENTON, TEXAS

 Cassey Ogden, Interim City Manager

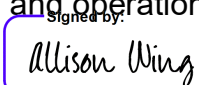
ATTEST:


BY: _____

APPROVED AS TO LEGAL FORM:
MACK REINWAND, CITY ATTORNEY

Signed by:

BY: 3A6254146BDA469...

THIS AGREEMENT HAS BEEN BOTH
REVIEWED AND APPROVED as to financial
and operational obligations and business terms.

Signed by:

SIGNATURE

 Interim Director

TITLE

 Parks and Recreation

DEPARTMENT

 Contract 8981

Exhibit A **Special Terms and Conditions**

1. Total Contract Amount

The contract total for services shall not exceed \$1,350,000. Pricing shall be per Exhibit F attached.

2. The Quantities

The quantities indicated on Exhibit F are estimates based upon the best available information. The City reserves the right to increase or decrease the quantities to meet its actual needs without any adjustments in the bid price. Individual purchase orders will be issued on an as needed basis.

3. Contract Terms

The contract term will be one (1) year, effective from date of award. The City and the Supplier shall have the option to renew this contract for an additional four (4) one-year periods.

The Contract shall commence upon the issuance of a Notice of Award by the City of Denton and shall automatically renew each year, from the date of award by City Council. The Supplier's request to not renew the contract must be submitted in writing to the Purchasing Manager at least 60 days prior to the contract renewal date for each year. At the sole option of the City of Denton, the Contract may be further extended as needed, not to exceed a total of six (6) months.

4. Price Escalation and De-escalation

On Supplier's request in the form stated herein, the City will implement an escalation/de-escalation price adjustment annually based on these special terms. Any request for price adjustment must be based on the, U.S Department of Labor, Bureau of Labor Statistics, Producer Price Index (PPI) or the manufacturer published pricing list. The maximum escalation will not exceed +/- 8% for any individual year. The escalation will be determined annually at the renewal date. The price will be increased or decreased based upon the annual percentage change in the PPI or the percentage change in the manufacturer's price list. Should the PPI or manufacturer price list change exceed a minimum threshold value of +/-1%, then the stated eligible bid prices shall be adjusted in accordance with the percent change not to exceed the 8% limit per year. The supplier should provide documentation as percentage of each cost associated with the unit prices quoted for consideration.

Request must be submitted in writing with supporting evidence for need of such increase to the Purchasing Manager at least 60 days prior to contract expiration of each year. Respondent must also provide supporting documentation as justification for the request. If no request is made, then it will be assumed that the current contract price will be in effect.

Upon receipt of such request, the City of Denton reserves the right to either: accept the escalation as competitive with the general market price at the time, and become effective upon the renewal

date of the contract award or reject the increases within 30 calendar days after receipt of a properly submitted request. If a properly submitted increase is rejected, the Contractor may request cancellation of such items from the Contract by giving the City of Denton written notice. Cancellation will not go into effect for 15 calendar days after a determination has been issued. Pre-price increase prices must be honored on orders dated up to the official date of the City of Denton approval and/or cancellation.

The request can be sent by e-mail to: purchasing@cityofdenton.com noting the solicitation number.

The City of Denton reserves the right to accept, reject, or negotiate the proposed price changes.

5. Performance Liquidated Damages

The Contractor shall incur contractual payment losses, as initiated by the City for performance that falls short of specified performance standards as outlined below:

- Delivery beyond contracted lead times
- Performance below contracted levels (services only)

The Contractor shall be assessed a one (1%) percent fee each month when any one of the performance standards outlined above are not met in full. The Contractor shall be assessed a two (2%) percent profit fee each month when any two (2) or more performance standards outlined above are not met in full. At the end of each month, the City will review the monthly reports and determine the percentage of penalty to be assessed to the Contractor's monthly profit margin.

6. Cooperative Purchasing

It is the intent of the City that any contract resulting from this solicitation be made available for use by other governmental entities, to the maximum extent permitted under applicable federal, state, and local laws, including, but not limited to, the *Texas Government Code Chapter 791*. The Contractor agrees to make the same pricing, terms, and conditions available to any eligible public agency, political subdivision, or governmental entity that elects to purchase under this Contract, provided that such entity issues its own purchase order or agreement referencing the City's contract. Each such participating entity shall be responsible solely for its own obligations, including issuance of purchase orders, receipt of goods or services, and payment of invoices. The City shall not be responsible for the performance or payment of any obligations incurred by such participating entities.

Exhibit C
City of Denton
Standard Purchase Terms and Conditions

These standard Terms and Conditions and the Terms and Conditions, Specifications, Drawings and other requirements included in the City of Denton's contract are applicable to contracts/purchase orders issued by the City of Denton hereinafter referred to as the City or Buyer and the Seller or respondent herein after referred to as Contractor. Any deviations must be in writing and signed by a representative of the City's Procurement Department and the Contractor. No Terms and Conditions contained in the seller's proposal response, invoice, or statement shall serve to modify the terms set forth herein. If there is a conflict between the provisions on the face of the contract/purchase order these written provisions will take precedence.

The Contractor agrees that the Contract shall be governed by the following terms and conditions, unless exceptions are duly noted and fully negotiated. Unless otherwise specified in the Contract, Sections 3, 4, 5, 6, 7, 8, 20, and 21 shall apply only to a solicitation to purchase goods, and sections 9, 10, 11, and 22 shall apply only to a solicitation to purchase services to be performed principally at the City's premises or on public rights-of-way.

1. **CONTRACTOR'S OBLIGATIONS.** The Contractor shall fully and timely provide all deliverables described in the Solicitation and in the Contractor's Offer in strict accordance with the terms, covenants, and conditions of the Contract and all applicable federal, State, and local laws, rules, and regulations.

2. **EFFECTIVE DATE/TERM.** Unless otherwise specified in the Solicitation or Exhibit A, this Contract shall be effective as of the date this Contract is signed by the City and shall continue in effect until all obligations are performed in accordance with the Contract.

3. **CONTRACTOR TO PACKAGE DELIVERABLES:** The Contractor will package deliverables in accordance with good commercial practice and shall include a packing list showing the description of each item, the quantity and unit price unless otherwise provided in the Solicitation or Contractor's Offer, each shipping container shall be clearly and permanently marked as follows: (a) The Contractor's name and address, (b) the City's name, address, purchase order or purchase release number, and the price agreement number, if applicable, (c) container number and total number of containers, e.g. box 1 of 4 boxes, and (d) the number of the container bearing the packing list. The Contractor shall bear cost of packaging. Deliverables shall be suitably packed to secure lowest transportation costs and to conform to all the requirements of common carriers and any applicable specification. The City's count or weight shall be final and conclusive on shipments not accompanied by packing lists.

4. **SHIPMENT UNDER RESERVATION PROHIBITED:** The Contractor is not authorized to ship the deliverables under reservation and no tender of a bill of lading will operate as a tender of deliverables.

5. **TITLE & RISK OF LOSS:** Title to and risk of loss of the deliverables shall pass to the City

only when the City actually receives and accepts the deliverables.

6. DELIVERY TERMS AND TRANSPORTATION CHARGES: Deliverables shall be shipped F.O.B. point of delivery unless otherwise specified in the Solicitation or Contractor's Offer. Unless otherwise stated in the Contractor's Offer, the Contractor's price shall be deemed to include all delivery and transportation charges. The City shall have the right to designate what method of transportation shall be used to ship the deliverables. The place of delivery shall be that set forth in the purchase order.

7. RIGHT OF INSPECTION AND REJECTION: The City expressly reserves all rights under law, including, but not limited to the Uniform Commercial Code, to inspect the deliverables at delivery before accepting them, and to reject defective or non-conforming deliverables. If the City has the right to inspect the Contractor's, or the Contractor's Subcontractor's, facilities, or the deliverables at the Contractor's, or the Contractor's Subcontractor's, premises, the Contractor shall furnish, or cause to be furnished, without additional charge, all reasonable facilities and assistance to the City to facilitate such inspection.

8. NO REPLACEMENT OF DEFECTIVE TENDER: Every tender or delivery of deliverables must fully comply with all provisions of the Contract as to time of delivery, quality, and quantity. Any non-complying tender shall constitute a breach and the Contractor shall not have the right to substitute a conforming tender; provided, where the time for performance has not yet expired, the Contractor may notify the City of the intention to cure and may then make a conforming tender within the time allotted in the contract to perform but not afterward. If, instead of requiring immediate correction or removal and replacement of defective or non-conforming deliverables, the City prefers to accept it, the City may do so. The Contractor shall pay all claims, costs, losses and damages attributable to the City's evaluation of and determination to accept such defective or non-conforming deliverables. If any such acceptance occurs prior to final payment, the City may deduct such amounts as are necessary to compensate the City for the diminished value of the defective or non-conforming deliverables. If the acceptance occurs after final payment, such amount will be refunded to the City by the Contractor.

9. PLACE AND CONDITION OF WORK: This paragraph only applies to the purchase of services to be primarily performed at the City's premises or on City property/right-of-way. The City shall provide the Contractor access to the sites where the Contractor is to perform the services as required in order for the Contractor to perform the services in a timely and efficient manner, in accordance with and subject to the applicable security laws, rules, and regulations. The Contractor acknowledges that it has satisfied itself as to the nature of the City's service requirements and specifications, the location and essential characteristics of the work sites, the quality and quantity of materials, equipment, labor and facilities necessary to perform the services, and any other condition or state of fact which could in any way affect performance of the Contractor's obligations under the Contract. The Contractor hereby releases and holds the City harmless from and against any liability or claim for damages of any kind or nature if the actual site or service conditions differ from expected conditions.

The Contractor shall, at all times, exercise reasonable precautions for the safety of their employees, City Staff, participants and others on or near the City's facilities.

10. **WORKFORCE** This paragraph only applies to the purchase of services to be primarily performed at the City's premises or on City property/right-of-way.

A. The Contractor shall employ only orderly and competent workers, skilled in the performance of the services which they will perform under the Contract.

B. The Contractor, its employees, Subcontractors, and Subcontractor's employees may not (1) while engaged in, participating, or responding to a solicitation; or (2) while in the course and scope of delivering goods or services under a City of Denton contract; or (3) on the City's property.

i. use or possess a firearm, including a concealed handgun that is licensed under State law, except as required by the terms of the contract; or

ii. use or possess alcoholic or other intoxicating beverages, illegal drugs, or controlled substances, nor may such workers be intoxicated, or under the influence of alcohol or drugs.

C. If the City or the City's representative notifies the Contractor that any worker is incompetent, disorderly or disobedient, has knowingly or repeatedly violated safety regulations, has possessed any firearms, or has possessed or was under the influence of alcohol or drugs, the Contractor shall immediately remove such worker from Contract services, and may not employ such worker again on Contract services without the City's prior written consent.

IMMIGRATION: THE CONTRACTOR REPRESENTS AND WARRANTS THAT IT SHALL COMPLY WITH THE REQUIREMENTS OF THE IMMIGRATION REFORM AND CONTROL ACT OF 1986 AND 1990 REGARDING EMPLOYMENT VERIFICATION AND RETENTION OF VERIFICATION FORMS FOR ANY INDIVIDUALS HIRED ON OR AFTER NOVEMBER 6, 1986, WHO WILL PERFORM ANY LABOR OR SERVICES UNDER THE CONTRACT AND THE ILLEGAL IMMIGRATION REFORM AND IMMIGRANT RESPONSIBILITY ACT OF 1996 ("IIRIRA) ENACTED ON SEPTEMBER 30, 1996, AND SHALL INDEMNIFY AND HOLD THE CITY HARMLESS FROM ANY ACTION ARISING RELATED THERETO.

11. **COMPLIANCE WITH HEALTH, SAFETY, AND ENVIRONMENTAL REGULATIONS:** This paragraph only applies to the purchase of services to be primarily performed at the City's premises or on City property/right-of-way. The Contractor, its Subcontractors, and their respective employees, shall comply fully with all applicable federal, state, and local health, safety, and environmental laws, ordinances, rules, and regulations in the performance of the services, including but not limited to those promulgated by the City and by the Occupational Safety and Health Administration (OSHA). In case of conflict, the most stringent safety requirement shall govern. **THE CONTRACTOR SHALL INDEMNIFY AND HOLD THE CITY HARMLESS FROM AND AGAINST ALL CLAIMS, DEMANDS, SUITS, ACTIONS, JUDGMENTS, FINES, PENALTIES AND LIABILITY OF EVERY KIND ARISING FROM THE BREACH OF THE CONTRACTOR'S OBLIGATIONS UNDER THIS PARAGRAPH.**

Environmental Protection: The Contractor shall be in compliance with all applicable standards, orders, or regulations issued pursuant to the mandates of the Clean Air Act (42 U.S.C. §7401 *et seq.*) and the Federal Water Pollution Control Act, as amended, (33 U.S.C. §1251 *et seq.*).

12. **INVOICES:**

A. The Contractor shall submit separate invoices on each purchase order or purchase release after each delivery. If partial shipments or deliveries are authorized by the City, a separate invoice must be sent for each shipment or delivery made.

B. Proper Invoices must include a unique invoice number, invoice date, the purchase order number, and the master agreement number if applicable, the Department's Name, and the name of the point of contact for the Department. Invoices shall be itemized and transportation charges, if any, shall be listed separately. A copy of the bill of lading and the freight waybill, when applicable, shall be attached to the invoice. The Contractor's name, remittance address and, if applicable, the tax identification number on the invoice must exactly match the information in the Vendor's registration with the City. Unless otherwise instructed in writing, the City may rely on the remittance address specified on the Contractor's invoice.

C. Invoices for labor shall include a copy of all time-sheets with trade labor rate and deliverables order number clearly identified. Invoices shall also include a tabulation of work-hours at the appropriate rates and grouped by work order number. Time billed for labor shall be limited to hours actually worked at the work site.

D. Unless otherwise expressly authorized in the Contract, the Contractor shall pass through all Subcontract and other authorized expenses at actual cost without markup.

E. Federal excise taxes, State taxes, or City sales taxes must not be included in the invoiced amount. The City will furnish a tax exemption certificate upon request.

F. Contractor must submit invoices no later than thirty (30) calendar days after termination or expiration of the Contract. Any invoices sent after that date will be considered noncompliant and will not be approved for payment.

13. PAYMENT:

A. All proper invoices need to be sent to Accounts Payable – accountspayable@cityofdenton.com. Approved invoices will be paid within thirty (30) calendar days of the invoice being received in Accounts Payable.

B. If payment is not timely made, (per paragraph A); interest shall accrue on the unpaid balance at the lesser of the rate specified in Texas Government Code Section 2251.025 or the maximum lawful rate; except, if payment is not timely made for a reason for which the City may withhold payment hereunder, including, but not limited to, those in Paragraph D , below, interest shall not accrue until ten (10) calendar days after the grounds for withholding payment have been resolved.

C. If partial shipments or deliveries are authorized by the City, the Contractor will be paid for the partial shipment or delivery, as stated above, provided that the invoice matches such shipment or delivery.

D. The City may withhold or set off the entire payment or part of any payment otherwise due to the Contractor to such extent as may be necessary on account of:

- i. delivery of defective or non-conforming deliverables by the Contractor;
- ii. third party claims, which are not covered by the insurance which the Contractor is required to provide, are filed or reasonable evidence indicating probable filing of such claims;
- iii. failure of the Contractor to pay Subcontractors, or for labor, materials, or equipment;
- iv. damage to the property of the City or the City's agents, employees, or contractors, which is not covered by insurance required to be provided by the Contractor;
- v. reasonable evidence that the Contractor's obligations will not be completed within the time specified in the Contract, and that the unpaid balance would not be adequate to cover actual or liquidated damages for the anticipated delay;
- vi. failure of the Contractor to submit proper invoices with purchase order number, all

required attachments, and supporting documentation; or

vii. failure of the Contractor to comply with any material provision of the Contract Documents.

E. Notice is hereby given to any awarded firm who is in arrears to the City for delinquent taxes of any kind or otherwise indebted to the City that the City shall be entitled to counterclaim and/or offset against any such debt, claim, demand, or account owed to the City through payment withholding until the debt is paid in full, and no assignment of such debt, claim, demand, or account after the said taxes or debt are due shall affect the right of the City to offset the said taxes or debt against same.

F. Payment will be made by check unless the parties mutually agree to payment by credit card or electronic transfer of funds. The Contractor agrees that there shall be no additional charges, surcharges, or penalties to the City for payments made by credit card or electronic funds transfer.

G. The Contractor acknowledges and agrees that the awarding or continuation of this Contract is dependent upon the availability of funding. The City's payment obligations are payable only and solely from funds appropriated and available for this Contract. The absence of appropriated or other lawfully available funds shall render the Contract null and void to the extent funds are not appropriated or available and any deliverables delivered but unpaid shall be returned to the Contractor. The City will not incur a debt or obligation to pay Contractor any amounts the City does not have the current funds available to pay. The City shall provide the Contractor written notice of the failure of the City to make an adequate appropriation for any fiscal year to pay the amounts due under the Contract, or the reduction of any appropriation to an amount insufficient to permit the City to pay its obligations under the Contract. In the event of none or inadequate appropriation of funds, there will be no penalty or liability to the City, nor removal fees, cancellation fees, or the like charged to the City.

14. TRAVEL EXPENSES: All travel, lodging, and per diem expenses in connection with the Contract shall be paid by the Contractor, unless otherwise stated in the Contract Documents. During the term of this Contract, the Contractor shall bill and the City shall reimburse Contractor for all reasonable and approved out of pocket expenses which are incurred in the connection with the performance of duties hereunder. Notwithstanding the foregoing, expenses for the time spent by the Contractor in traveling to and from City facilities shall not be reimbursed, unless otherwise negotiated.

15. FINAL PAYMENT AND CLOSE-OUT:

A. If a DBE/MBE/WBE Program Plan is agreed to and the Contractor has identified Subcontractors, the Contractor is required to submit a Contract Close-Out MBE/WBE Compliance Report to the Purchasing Manager no later than the fifteenth (15th) calendar day after completion of all work under the contract. Final payment, retainage, or both may be withheld if the Contractor is not in compliance with the requirements as accepted by the City.

B. The making and acceptance of final payment will constitute:

i. a waiver of all claims by the City against the Contractor, except claims (1) which have been previously asserted in writing and not yet settled, (2) arising from defective work appearing after final inspection, (3) arising from failure of the Contractor to comply with the Contract or the terms of any warranty specified herein, (4) arising from the Contractor's continuing obligations under the Contract, including but not limited to indemnity and warranty obligations, or (5) arising under the City's right to audit; and

ii. a waiver of all claims by the Contractor against the City other than those previously asserted in writing and not yet settled.

16. SPECIAL TOOLS & TEST EQUIPMENT: If the price stated on the Contractor's Offer includes the cost of any special tooling or special test equipment fabricated or required by the Contractor for the purpose of filling this order, such special tooling equipment and any process sheets related thereto shall become the property of the City and shall be identified by the Contractor as such.

17. RIGHT TO AUDIT:

A. The Contractor agrees that the City shall, until the expiration of five (5) years after final payment under this Contract unless required to be retained for longer under applicable law, have electronic access to and the right to examine all books, records, and computations pertaining to this Contract. If necessary, the City shall have the right to audit and make copies of the books, records, and computations pertaining to the Contract. The Contractor shall retain such books, records, documents, and other evidence pertaining to the Contract period and five (5) years thereafter, except if an audit is in progress or audit findings are yet unresolved, in which case records shall be kept until all audit tasks are completed and resolved. These books, records, documents, and other evidence shall be available, within ten (10) business days of written request. All books and records will be made available within a fifty (50) mile radius of the City of Denton if the vendor is not able to provide electronic access. The cost of the audit will be borne by the City unless the audit reveals an overpayment of 1% or greater. If an overpayment of 1% or greater occurs, the reasonable cost of the audit, including any travel costs, must be borne by the Contractor which must be payable within five (5) business days of receipt of an invoice.

B. The Contractor further agrees to include in all its subcontracts hereunder a provision to the effect that the Subcontractor, material supplier, or other payee agrees that the City shall, until the expiration of five (5) years after final payment under the subcontract unless required to be retained for longer under applicable law, have electronic access to and the right to examine all books, records, documents, and other evidence of the Subcontractor, material supplier, or other payee involving transactions relating to the subcontract. If necessary, the City maintains the right to photocopy any physical books, documents, papers, and records of the subconsultant involving transactions relating to the subcontract. All books and records will be made available within a fifty (50) mile radius of the City of Denton. The cost of the audit will be borne by the City unless the audit reveals an overpayment of 1% or greater. If an overpayment of 1% or greater occurs, the reasonable cost of the audit, including any travel costs, must be borne by the Contractor which must be payable within five (5) business days of receipt of an invoice.

C. Failure to comply with the provisions of this section shall be a material breach of the Contract and shall constitute, in the City's sole discretion, grounds for termination thereof. Each of the terms "books", "records", "documents", and "other evidence", as used above, shall be construed to include drafts and electronic files, even if such drafts or electronic files are subsequently used to generate or prepare a final printed document.

18. SUBCONTRACTORS:

A. If the Contractor-identified subcontractors ("Subcontractor") in a DBE/MBE/WBE agreed-to

plan (the "Plan"), the Contractor shall comply with all requirements approved by the City. The Contractor shall not initially employ any subcontractor except as provided in the Contractor's Plan. The Contractor shall not substitute any Subcontractor identified in the Plan, unless the substitute has been accepted by the City in writing. No acceptance by the City of any subcontractor shall constitute a waiver of any rights or remedies of the City with respect to defective deliverables provided by a Subcontractor. If a Plan has been approved, the Contractor is additionally required to submit a monthly Subcontract Awards and Expenditures Report to the Procurement Manager, no later than the tenth calendar day of each month.

B. Work performed for the Contractor by a Subcontractor shall be pursuant to a written contract between the Contractor and Subcontractor. The terms of the subcontract may not conflict with the terms of the Contract Documents, and shall contain provisions that:

- i. require that all deliverables to be provided by the Subcontractor be provided in strict accordance with the provisions, specifications and terms of the Contract;
- ii. prohibit the Subcontractor from further subcontracting any portion of the Contract without the prior written consent of the City and the Contractor. The City may require, as a condition to such further subcontracting, that the Subcontractor post a payment bond in form, substance and amount acceptable to the City;
- iii. require Subcontractors to submit all invoices and applications for payments, including any claims for additional payments, damages or otherwise, to the Contractor in sufficient time to enable the Contractor to include same with its invoice or application for payment to the City in accordance with the terms of the Contract;
- iv. require that all Subcontractors obtain and maintain, throughout the term of their contract, insurance in the type and amounts specified for the Contractor, with the City being a named insured as its interest shall appear; and

V. REQUIRE THAT THE SUBCONTRACTOR INDEMNIFY AND HOLD THE CITY HARMLESS TO THE SAME EXTENT AS THE CONTRACTOR IS REQUIRED TO INDEMNIFY THE CITY.

C. The Contractor shall be fully responsible to the City for all acts and omissions of the Subcontractors just as the Contractor is responsible for the Contractor's own acts and omissions. Nothing in the Contract shall create for the benefit of any such Subcontractor any contractual relationship between the City and any such Subcontractor, nor shall it create any obligation on the part of the City to pay or to see to the payment of any moneys due any such Subcontractor except as may otherwise be required by law.

D. The Contractor shall pay each Subcontractor its appropriate share of payments made to the Contractor not later than ten (10) calendar days after receipt of payment from the City.

19. WARRANTY-PRICE:

A. The Contractor warrants the prices quoted in the Contractor's Offer are no higher than the Contractor's current prices on orders by others for like deliverables under similar terms of purchase.

B. The Contractor certifies that the prices in the Contractor's Offer have been arrived at independently without consultation, communication, or agreement for the purpose of restricting competition, as to any matter relating to such fees with any other firm or with any competitor.

C. In the event Contractor breaches this warranty, in addition to any other remedy available, the City may deduct from any amounts owed to the Contractor, or otherwise recover, any amounts paid for items in excess of the Contractor's current prices on orders by others for like deliverables under similar terms of purchase, or in the alternative, the City may cancel this Contract without

liability to Contractor for breach.

20. WARRANTY – TITLE: THE CONTRACTOR WARRANTS THAT IT HAS GOOD AND INDEFEASIBLE TITLE TO ALL DELIVERABLES FURNISHED UNDER THE CONTRACT, AND THAT THE DELIVERABLES ARE FREE AND CLEAR OF ALL LIENS, CLAIMS, SECURITY INTERESTS, AND ENCUMBRANCES. THE CONTRACTOR SHALL INDEMNIFY AND HOLD THE CITY HARMLESS FROM AND AGAINST ALL ADVERSE TITLE CLAIMS TO THE DELIVERABLES.

21. WARRANTY – DELIVERABLES: The Contractor warrants and represents that all deliverables sold the City under the Contract shall be free from defects in design, workmanship, or manufacture, and conform in all material respects to the specifications, drawings, and descriptions in the Contract Documents, to any samples furnished by the Contractor, to the terms, covenants, and conditions of the Contract, and to all applicable State, federal, or local laws, rules, and regulations, and industry codes and standards. Unless otherwise stated in the Solicitation, the deliverables shall be new or recycled merchandise, and not used or reconditioned. In addition, Contractor warrants that the goods sold to City shall conform to the standards promulgated by the U.S. Department of Labor under the Occupational Safety and Health Act (OSHA). In the event the product does not conform to OSHA standards, City may return the product for correction or replacement at the Contractor's expense. In the event Contractor fails to make the appropriate correction within a reasonable time, correction made by City will be at Contractor's expense.

A. Recycled deliverables shall be clearly identified as such.

B. The Contractor may not limit, exclude, or disclaim the foregoing warranty or any warranty implied by law; and any attempt to do so shall be without force or effect.

C. Unless otherwise specified in the Contract or required by the Solicitation, the warranty period shall be at least one (1) year from the date of acceptance of the deliverables or from the date of acceptance of any replacement deliverables. If during the warranty period, one or more of the above warranties are breached, the Contractor shall promptly upon receipt of demand either repair the non-conforming deliverables, or replace the non-conforming deliverables with fully conforming deliverables, at the City's option and at no additional cost to the City. All costs incidental to such repair or replacement, including but not limited to, any packaging and shipping costs shall be borne exclusively by the Contractor. The City shall endeavor to give the Contractor written notice of the breach of warranty within thirty (30) calendar days of discovery of the breach of warranty, but failure to give timely notice shall not impair the City's rights under this section.

D. If the Contractor is unable or unwilling to repair or replace defective or non-conforming deliverables as required by the City, then in addition to any other available remedy, the City may reduce the quantity of deliverables it may be required to purchase under the Contract from the Contractor, and purchase conforming deliverables from other sources. In such event, the Contractor shall pay to the City upon demand the increased cost, if any, incurred by the City to procure such deliverables from another source.

E. If the Contractor is not the manufacturer, and the deliverables are covered by a separate manufacturer's warranty, the Contractor shall transfer and assign such manufacturer's warranty to the City. If for any reason the manufacturer's warranty cannot be fully transferred to the City, the Contractor shall assist and cooperate with the City to the fullest extent to enforce such manufacturer's warranty for the benefit of the City.

F. Contractor shall not limit, exclude, or disclaim any implied warranties, and any attempt to do so shall be without force or effect, or alternatively, at the City's option, render this Contract

voidable.

22. WARRANTY – SERVICES: The Contractor warrants and represents that all services to be provided to the City under the Contract will be fully and timely performed in a good and workmanlike manner in accordance with generally accepted industry standards and practices, the terms, conditions, and covenants of the Contract, and all applicable federal, State, and local laws, rules or regulations.

A. The Contractor may not limit, exclude, or disclaim the foregoing warranty or any warranty implied by law, and any attempt to do so shall be without force or effect, or alternatively, at the City's option, render this Contract voidable.

B. Unless otherwise specified in the Contract, the warranty period shall be at least one (1) year from the date of acceptance of the work. If during the warranty period, one or more of the above warranties are breached, the Contractor shall promptly upon receipt of demand perform the services again in accordance with above standard at no additional cost to the City. All costs incidental to such additional performance shall be borne by the Contractor. The City shall endeavor to give the Contractor written notice of the breach of warranty within thirty (30) calendar days of discovery of the breach warranty, but failure to give timely notice shall not impair the City's rights under this section.

C. If the Contractor is unable or unwilling to perform its services in accordance with the above standard as required by the City, then in addition to any other available remedy, the City may reduce the amount of services it may be required to purchase under the Contract from the Contractor, and purchase conforming services from other sources. In such event, the Contractor shall pay to the City upon demand the increased cost, if any, incurred by the City to procure such services from another source.

23. ACCEPTANCE OF INCOMPLETE OR NON-CONFORMING DELIVERABLES: If, instead of requiring immediate correction or removal and replacement of defective or non-conforming deliverables, the City prefers to accept it, the City may do so. The Contractor shall pay all claims, costs, losses, and damages attributable to the City's evaluation of and determination to accept such defective or non-conforming deliverables. If any such acceptance occurs prior to final payment, the City may deduct such amounts as are necessary to compensate the City for the diminished value of the defective or non-conforming deliverables. If the acceptance occurs after final payment, such amount will be refunded to the City by the Contractor.

24. RIGHT TO ASSURANCE: Whenever one party to the Contract in good faith has reason to question the other party's intent to perform, demand may be made to the other party for written assurance of the intent to perform. In the event that no assurance is given within the time specified (being a minimum of 5 days) after demand is made, the demanding party may treat this failure as an anticipatory repudiation of the Contract.

25. STOP WORK NOTICE: The City may issue an immediate Stop Work Notice in the event the Contractor is observed performing in a manner that is in violation of federal, State, or local guidelines, or in a manner that is determined by the City to be unsafe to either life or property. Upon notification, the Contractor will cease all work until notified by the City that the violation or unsafe condition has been corrected. The Contractor shall be liable for all costs incurred by the City as a result of the issuance of such Stop Work Notice.

26. DEFAULT:

A. The Contractor shall be in default under the Contract if the Contractor (a) fails to fully, timely, and faithfully perform any of its material obligations under the Contract, (b) fails to provide adequate assurance of performance under Paragraph 25, (c) becomes insolvent or seeks relief under the bankruptcy laws of the United States or (d) makes a material misrepresentation in Contractor's Offer, or in any report or deliverable required to be submitted by the Contractor to the City.

B. In the event the City terminates the awarded contract for default or any other reason, the Contractor shall not be relieved of liability to the City for damages sustained by the City by reason of any default of the contract by the Contractor or otherwise, and the City may withhold any payments to the Contractor for the purpose of an offset until such time as the amount of damages due the City from the Contractor can be determined.

27. TERMINATION FOR CAUSE: In the event of a default by the Contractor, the City shall have the right to terminate the Contract for cause, by written notice effective ten (10) calendar days, unless otherwise specified, after the date of such notice, unless the Contractor, within such ten (10) day period, cures such default, or provides evidence sufficient to prove to the City's reasonable satisfaction that such default does not, in fact, exist. In addition to any other remedy available under law or in equity, the City shall be entitled to recover all actual damages, costs, losses and expenses, incurred by the City as a result of the Contractor's default, including, without limitation, cost of cover, reasonable attorneys' fees, court costs, and prejudgment and post-judgment interest at the maximum lawful rate. Additionally, in the event of a default by the Contractor, the City may remove the Contractor from the City's vendor list for three (3) years and/or any offer submitted by the Contractor may be disqualified for up to three (3) years. All rights and remedies under the Contract are cumulative and are not exclusive of any other right or remedy provided by law. The requirements of Subchapter J, Chapter 552 of the Texas Government Code, may apply to this Contract and the Contractor agrees that the Contract can be terminated if the Contractor knowingly or intentionally fails to comply with a requirement of that subchapter.

28. TERMINATION WITHOUT CAUSE: The City shall have the right to terminate the Contract, in whole or in part, without cause and/or for convenience any time upon thirty (30) calendar days' prior written notice. Upon receipt of a notice of termination, the Contractor shall promptly cease all further work pursuant to the Contract, with such exceptions, if any, specified in the notice of termination. The City shall pay the Contractor, to the extent of funds appropriated or otherwise legally available for such purposes, for all goods delivered and services performed and obligations incurred prior to the date of termination in accordance with the terms hereof, provided such payment amount is not disputed by City. The City reserves all rights, causes of action, and remedies available under law or in equity with respect to any dispute under this Contract and a termination under this provision does not waive such rights, causes of action, and remedies.

29. FRAUD: Fraudulent statements by the Contractor in any offer, Contract Document, or in any report or deliverable required to be submitted by the Contractor to the City shall be grounds for the termination of the Contract for cause by the City and may result in legal action.

30. DELAYS:

A. The City may delay scheduled delivery or other due dates by written notice to the Contractor if the City deems it is in its best interest. If such delay causes an increase in the cost of the work under the Contract, the City and the Contractor shall negotiate an equitable adjustment for costs incurred by the Contractor in the Contract price and execute an amendment to the Contract. The Contractor must assert its right to an adjustment within thirty (30) calendar days from the date of receipt of the notice of delay. Failure to agree on any adjusted price shall be handled under the Dispute Resolution process specified in Paragraph 53. However, nothing in this provision shall excuse the Contractor from delaying the delivery as notified.

B. Neither party shall be liable for any default or delay in the performance of its obligations under this Contract if, while and to the extent such default or delay is caused by acts of God, fire, riots, civil commotion, labor disruptions, sabotage, sovereign conduct, or any other cause beyond the reasonable control of such party. In the event of default or delay in Contract performance due to any of the foregoing causes, then the time for completion of the services will be extended; provided, however, in such an event, a conference will be held within three (3) business days to establish a mutually agreeable period of time reasonably necessary to overcome the effect of such failure to perform.

31. TIME OF COMPLETION AND LIQUIDATED DAMAGES: Contractor agrees and acknowledges that completing the services and/or delivering the goods described in this Contract in a timely manner is very important to the City. Contractor agrees to perform all obligations within the timeframes required. As it is impracticable and extremely difficult to fix the actual damages, if any, that may proximately result from a failure by Contractor to provide the goods or perform the service, should Contractor fail to timely perform its obligations, Contractor agrees to pay to City, or have withheld and offset from monies due it, the amount stated in the Contract Documents as liquidated damages for each calendar day of delay or nonperformance. Any sums due and payable hereunder by the Contractor shall be payable, not as a penalty, but as liquidated damages representing an estimate of delay damages likely to be sustained by the City, estimated at the time of executing this Contract. Execution of the Contract shall constitute agreement by the City and Contractor that said amount is the minimum value of the costs and actual damage caused by the Contractor's failure to timely perform. Adjustments to the contract times can only be made as provided in the Contract Documents and any conditions or specifications referenced therein.

32. INDEMNITY:

A. Definitions:

i. "Indemnified Claims" shall include any and all claims, demands, suits, causes of action, judgments, and liability of every character, type, or description, including all reasonable costs and expenses of litigation, mediation, or other alternate dispute resolution mechanism, including attorney and other professional fees for: (1) damage to or loss of the property of any person (including, but not limited to the City, the Contractor, their respective agents, officers, employees and Subcontractors; the officers, agents, and employees of such Subcontractors; and third parties); and/or (2) death, bodily injury, illness, disease, worker's compensation, loss of services, or loss of income or wages to any person (including but not limited to the agents, officers and employees of the City, the Contractor, the Contractor's Subcontractors, and third parties), ii. "Fault" shall include the sale of defective or non-conforming deliverables, negligence, willful misconduct or a breach of any legally imposed strict liability standard.

B. THE CONTRACTOR SHALL DEFEND (AT THE OPTION OF THE CITY), INDEMNIFY, AND HOLD THE CITY, ITS SUCCESSORS, ASSIGNS, OFFICERS, EMPLOYEES AND ELECTED OFFICIALS HARMLESS FROM AND AGAINST ALL INDEMNIFIED CLAIMS DIRECTLY ARISING OUT OF, INCIDENT TO, CONCERNING OR RESULTING FROM THE FAULT OF THE CONTRACTOR, OR THE CONTRACTOR'S AGENTS, EMPLOYEES OR SUBCONTRACTORS, IN THE PERFORMANCE OF THE CONTRACTOR'S OBLIGATIONS UNDER THE CONTRACT. NOTHING HEREIN SHALL BE DEEMED TO LIMIT THE RIGHTS OF THE CITY OR THE CONTRACTOR (INCLUDING, BUT NOT LIMITED TO, THE RIGHT TO SEEK CONTRIBUTION) AGAINST ANY THIRD PARTY WHO MAY BE LIABLE FOR AN INDEMNIFIED CLAIM.

33. LIMITATION OF LIABILITY: This Contract does not, and shall not be interpreted to, contain an artificial limitation of liability (e.g. liability limited to contract price or liability capped at an amount actually paid in previous 3 months, etc.) or an artificial statute of limitations (e.g. any lawsuit must be commenced within one year of the event).

34. INSURANCE: The Contractor shall procure and maintain insurance of the types and in the minimum amounts acceptable to the City of Denton outlined in the Insurance Exhibit attached hereto, if applicable. The insurance shall be written by a company licensed to do business in the State of Texas and satisfactory to the City of Denton. The City of Denton reserves the right to add insurance during the contract term.

B. Specific Coverage Requirements: Specific insurance requirements are contained in the Solicitation and the Insurance Exhibit.

35. CLAIMS: If any claim, demand, suit, or other action is asserted against the Contractor which arises under or concerns the Contract, or which could have a material adverse effect on the Contractor's ability to perform thereunder, the Contractor shall give written notice thereof to the City within ten (10) calendar days after receipt of notice by the Contractor. Such notice to the City shall state the date of notification of any such claim, demand, suit, or other action; the names and addresses of the claimant(s); the basis thereof; and the name of each person against whom such claim is being asserted. Such notice shall be delivered personally or by mail and shall be sent to the City and to the Denton City Attorney. Personal delivery to the City Attorney shall be to City Hall, 215 East McKinney Street, Denton, Texas 76201.

36. NOTICES: Unless otherwise specified, all notices, requests, or other communications required or appropriate to be given under the Contract shall be in writing and shall be deemed delivered three (3) business days after postmarked if sent by U.S. Postal Service Certified or Registered Mail, Return Receipt Requested. Notices delivered by other means shall be deemed delivered upon receipt by the addressee. Routine communications may be made by first class mail, telefax, or other commercially accepted means. Notices to the Contractor shall be sent to the address specified in the Contractor's Offer, or at such other address as a party may notify the other in writing. Notices to the City shall be addressed to the City at 901B Texas Street, Denton, Texas 76209 and marked to the attention of the Purchasing Manager.

37. RIGHTS TO BID, PROPOSAL AND CONTRACTUAL MATERIAL: All material submitted by the Contractor to the City shall become property of the City upon receipt. Any portions of such material claimed by the Contractor to be proprietary must be clearly marked as such. Determination of the public nature of the material is subject to the Texas Public Information Act, Chapter 552, and Texas Government Code. The requirements of Subchapter J, Chapter 552 of the Texas Government Code, may apply to this Contract and the Contractor agrees that the Contract can be terminated if the Contractor knowingly or intentionally fails to comply with a requirement of that subchapter.

38. INDEMNIFICATION AGAINST INFRINGEMENTS: The Contractor represents and warrants to the City that: (i) the Contractor shall provide the City good and indefeasible title to the deliverables and (ii) the deliverables supplied by the Contractor in accordance with the specifications in the Contract will not infringe, directly or contributorily, any patent, trademark, copyright, trade secret, or any other intellectual property right of any kind of any third party; that no claims have been made by any person or entity with respect to the ownership or operation of the deliverables and the Contractor does not know of any valid basis for any such claims. Moreover, Contractor does not know of any valid basis for any such claims. **THE CONTRACTOR SHALL, AT ITS SOLE EXPENSE, DEFEND, INDEMNIFY, AND HOLD THE CITY HARMLESS FROM AND AGAINST ALL LIABILITY, DAMAGES, AND COSTS (INCLUDING COURT COSTS AND REASONABLE FEES OF ATTORNEYS AND OTHER PROFESSIONALS) ARISING OUT OF OR RESULTING FROM: (I) ANY CLAIM THAT THE CITY'S EXERCISE ANYWHERE IN THE WORLD OF THE RIGHTS ASSOCIATED WITH THE CITY'S OWNERSHIP, AND IF APPLICABLE, LICENSE RIGHTS, AND ITS USE OF THE DELIVERABLES INFRINGES THE INTELLECTUAL PROPERTY RIGHTS OF ANY THIRD PARTY; OR (II) THE CONTRACTOR'S BREACH OF ANY OF CONTRACTOR'S REPRESENTATIONS OR WARRANTIES STATED IN THIS CONTRACT. IN THE EVENT OF ANY SUCH CLAIM, THE CITY SHALL HAVE THE RIGHT TO MONITOR SUCH CLAIM OR AT ITS OPTION ENGAGE ITS OWN SEPARATE COUNSEL TO ACT AS CO-COUNSEL ON THE CITY'S BEHALF. FURTHER, CONTRACTOR AGREES THAT THE CITY'S SPECIFICATIONS REGARDING THE DELIVERABLES SHALL IN NO WAY DIMINISH CONTRACTOR'S WARRANTIES OR OBLIGATIONS UNDER THIS PARAGRAPH AND THE CITY MAKES NO WARRANTY THAT THE PRODUCTION, DEVELOPMENT, OR DELIVERY OF SUCH DELIVERABLES WILL NOT IMPACT SUCH WARRANTIES OF CONTRACTOR. THIS PARAGRAPH SHALL SURVIVE THE TERMINATION OF THIS CONTRACT.**

39. CONFIDENTIALITY: In order to provide the deliverables to the City, Contractor may require access to certain of the City's and/or its licensors' confidential information (including inventions, employee information, trade secrets, confidential know-how, confidential business information, and other information which the City or its licensors consider confidential) (collectively, "Confidential Information"). Contractor acknowledges and agrees that the Confidential Information is the valuable property of the City and/or its licensors and any unauthorized use, disclosure, dissemination, or other release of the Confidential Information will substantially injure the City and/or its licensors. The Contractor (including its employees, subcontractors, agents, or representatives) agrees that it will maintain the Confidential Information in strict confidence and shall not disclose, disseminate, copy, divulge, recreate, or otherwise use the Confidential Information without the prior written consent of the City or in a manner not expressly permitted under this Contract, unless the Confidential Information is required to be

disclosed by law or an order of any court or other governmental authority with proper jurisdiction, provided the Contractor promptly notifies the City before disclosing such information so as to permit the City reasonable time to seek an appropriate protective order. The Contractor agrees to use protective measures no less stringent than the Contractor uses within its own business to protect its own most valuable information, which protective measures shall under all circumstances be at least reasonable measures to ensure the continued confidentiality of the Confidential Information.

40. OWNERSHIP AND USE OF DELIVERABLES: The City shall own all rights, titles, and interests throughout the world in and to the deliverables.

A. Patents. As to any patentable subject matter contained in the deliverables, the Contractor agrees to disclose such patentable subject matter to the City. Further, if requested by the City, the Contractor agrees to assign and, if necessary, cause each of its employees to assign the entire right, title, and interest to specific inventions under such patentable subject matter to the City and to execute, acknowledge, and deliver and, if necessary, cause each of its employees to execute, acknowledge, and deliver an assignment of letters patent, in a form to be reasonably approved by the City, to the City upon request by the City.

B. Copyrights. As to any deliverables containing copyrightable subject matter, the Contractor agrees that upon their creation, such deliverables shall be considered as work made-for-hire by the Contractor for the City and the City shall own all copyrights in and to such deliverables, provided however, that nothing in this Paragraph 41 shall negate the City's sole or joint ownership of any such deliverables arising by virtue of the City's sole or joint authorship of such deliverables. Should by operation of law, such deliverables not be considered works made-for-hire, the Contractor hereby assigns to the City (and agrees to cause each of its employees providing services to the City hereunder to execute, acknowledge, and deliver an assignment to the City of) all worldwide right, title, and interest in and to such deliverables. With respect to such work made-for-hire, the Contractor agrees to execute, acknowledge, and deliver and cause each of its employees providing services to the City hereunder to execute, acknowledge, and deliver a work-made-for-hire agreement, in a form to be reasonably approved by the City, to the City upon delivery of such deliverables to the City or at such other time as the City may request.

C. Additional Assignments. The Contractor further agrees to, and if applicable, cause each of its employees to, execute, acknowledge, and deliver all applications, specifications, oaths, assignments, and all other instruments which the City might reasonably deem necessary in order to apply for and obtain copyright protection, mask work registration, trademark registration and/or protection, letters patent, or any similar rights in any and all countries and in order to assign and convey to the City, its successors, assigns and nominees, the sole and exclusive right, title, and interest in and to the deliverables. The Contractor's obligations to execute, acknowledge, and deliver (or cause to be executed, acknowledged, and delivered) instruments or papers such as those described in this Paragraph 41 A., B., and C. shall continue after the termination of this Contract with respect to such deliverables. In the event the City should not seek to obtain copyright protection, mask work registration or patent protection for any of the deliverables, but should desire to keep the same secret, the Contractor agrees to treat the same as Confidential Information under the terms of Paragraph 40 above.

41. PUBLICATIONS: All published material and written reports submitted under the Contract must be originally developed material unless otherwise specifically provided in the Contract. When material not originally developed is included in a report in any form, the source shall be

identified.

42. **ADVERTISING:** The Contractor shall not advertise or publish, without the City's prior consent, the fact that the City has entered into the Contract, except to the extent necessary to comply with proper requests for information from an authorized representative of the federal, State, or local government.

43. **NO CONTINGENT FEES:** The Contractor warrants that no person or selling agency has been employed or retained to solicit or secure the Contract upon any agreement or understanding for commission, percentage, brokerage, or contingent fee, excepting bona fide employees of bona fide established commercial or selling agencies maintained by the Contractor for the purpose of securing business. For breach or violation of this warranty, the City shall have the right, in addition to any other remedy available, to cancel the Contract without liability and to deduct from any amounts owed to the Contractor, or otherwise recover, the full amount of such commission, percentage, brokerage or contingent fee.

44. **GRATUITIES:** The City may, by written notice to the Contractor, cancel the Contract without liability if it is determined by the City that gratuities were offered or given by the Contractor or any agent or representative of the Contractor to any officer or employee of the City of Denton with a view toward securing the Contract or securing favorable treatment with respect to the awarding or amending or the making of any determinations with respect to the performing of such contract. In the event the Contract is canceled by the City pursuant to this provision, the City shall be entitled, in addition to any other rights and remedies, to recover or withhold the amount of the cost incurred by the Contractor in providing such gratuities.

45. **PROHIBITION AGAINST PERSONAL INTEREST IN CONTRACTS:** The Contractor agrees to comply with the conflict of interest provisions of the City of Denton Code of Ordinances and/or State law. No officer, employee, independent consultant, or elected official of the City who is involved in the development, evaluation, or decision-making process of the performance of any solicitation shall have a financial interest, direct or indirect, in the Contract resulting from that solicitation as defined in the City's Ethic Ordinance codified at Chapter 2, Article XI and in the City Charter Section 14.04, as amended. Any willful violation of this section shall constitute impropriety in office, and any officer or employee guilty thereof shall be subject to disciplinary action up to and including dismissal. Any violation of this provision, with the knowledge, expressed or implied, of the Contractor shall render the Contract voidable by the City. The Contractor shall complete and submit the City's Conflict of Interest Questionnaire. The Contractor agrees to maintain current, updated disclosure of information on file with the Procurement Department throughout the term of this Contract.

46. **NO SUBCONTRACTING BID AFTER AWARD:** Following the award of the Contract, no subcontracting except that specifically identified in the response to the Solicitation will be permitted without the express prior written consent of the City.

47. **NO GIFT OF PUBLIC PROPERTY:** The City will not agree to any terms or conditions that cause the City to lend its credit or grant public money or anything of value to the selected Contractor.

48. INDEPENDENT CONTRACTOR: The Contract shall not be construed as creating an employer/employee relationship, a partnership, or a joint venture. The Contractor's services shall be those of an independent contractor. The Contractor agrees and understands that the Contract does not grant any rights or privileges established for employees of the City of Denton, Texas for the purposes of income tax, withholding, social security taxes, vacation or sick leave benefits, worker's compensation, or any other City employee benefit. The City shall not have supervision and control of the Contractor or any employee of the Contractor, and it is expressly understood that Contractor shall perform the services hereunder according to the attached specifications at the general direction of the City Manager of the City of Denton, Texas, or their designee under this Contract. The Contractor is expressly free to advertise and perform services for other parties while performing services for the City.

49. ASSIGNMENT-DELEGATION: The Contract shall be binding upon and enure to the benefit of the City and the Contractor and their respective successors and assigns, provided however, that no right or interest in the Contract shall be assigned and no obligation shall be delegated by the Contractor without the prior written consent of the City. Any attempted assignment or delegation by the Contractor shall be void unless made in conformity with this Paragraph. The Contract is not intended to confer rights or benefits on any person, firm or entity not a party hereto; it being the intention of the parties that there are no third party beneficiaries to the Contract.

The Vendor shall notify the City's Purchasing Manager, in writing, of a company name, ownership, or address change for the purpose of maintaining updated City records. The president of the company or authorized official must sign the letter. A letter indicating changes in a company name or ownership must be accompanied with supporting legal documentation such as an updated W-9, documents filed with the state indicating such change, copy of the board of director's resolution approving the action, or an executed merger or acquisition agreement. Failure to do so may adversely impact future invoice payments.

50. WAIVER: No claim or right arising out of a breach of the Contract can be discharged in whole or in part by a waiver or renunciation of the claim or right unless the waiver or renunciation is supported by consideration and is in writing signed by the aggrieved party. No waiver by either the Contractor or the City of any one or more events of default by the other party shall operate as, or be construed to be, a permanent waiver of any rights or obligations under the Contract, or an express or implied acceptance of any other existing or future default or defaults, whether of a similar or different character. No delay, failure, or waiver of either party's exercise or partial exercise of any right or remedy under the Contract shall operate to limit, impair, preclude, cancel, waive or otherwise affect such right or remedy.

51. MODIFICATIONS: The Contract can be modified or amended only by a writing signed by both parties. No pre-printed or similar terms on any the Contractor invoice, order or other document submitted to the City by Contractor shall have any force or effect to change the terms, covenants, and conditions of the Contract.

52. INTERPRETATION: The Contract is intended by the parties as a final, complete and exclusive statement of the terms of their agreement. No course of prior dealing between the parties

or course of performance or usage of the trade shall be relevant to supplement or explain any term used in the Contract. Acceptance or acquiescence in a course of performance rendered under this Contract shall not be relevant to determine the meaning of this agreement even though the accepting or acquiescing party has knowledge of the performance and opportunity for objection. Although the Contract may have been substantially drafted by one party, it is the intent of the parties that all provisions be construed in a manner to be fair to both parties, reading no provisions more strictly against one party or the other. Whenever a term defined by the Uniform Commercial Code, as enacted by the State of Texas, is used in the Contract, the UCC definition shall control, unless otherwise defined in the Contract.

53. DISPUTE RESOLUTION:

A. If a dispute arises out of or relates to the Contract, or the breach thereof, the parties agree to negotiate prior to prosecuting a suit for damages. However, this section does not prohibit the filing of a lawsuit to toll the running of a statute of limitations or to seek injunctive relief. Either party may make a written request for a meeting between representatives of each party within fourteen (14) calendar days after receipt of the request or such later period as agreed by the parties. Each party shall include, at a minimum, one (1) senior level individual with decision-making authority regarding the dispute, however any decision requiring approval of the City Council of the City will be required to be submitted to the City Council and the senior level person shall have authority to recommend approval of any resolution. The purpose of this and any subsequent meeting is to attempt in good faith to negotiate a resolution of the dispute. If, within thirty (30) calendar days after such meeting, the parties have not succeeded in negotiating a resolution of the dispute, they will proceed directly to mediation as described below. Negotiation may be waived by a written agreement signed by both parties, in which event the parties may proceed directly to mediation as described below.

B. If the efforts to resolve the dispute through negotiation fail, or the parties waive the negotiation process, the parties may select, within thirty (30) calendar days, a mediator trained in mediation skills to assist with resolution of the dispute. Should they choose this option; the City and the Contractor agree to act in good faith in the selection of the mediator and to give consideration to qualified individuals nominated to act as mediator. Nothing in the Contract prevents the parties from relying on the skills of a person who is trained in the subject matter of the dispute or a contract interpretation expert. If the parties fail to agree on a mediator within thirty (30) calendar days of initiation of the mediation process, the mediator shall be selected by the Denton County Alternative Dispute Resolution Program (DCAP). The parties agree to participate in mediation in good faith for up to thirty (30) calendar days from the date of the first mediation session. The City and the Contractor will share the mediator's fees equally and the parties will bear their own costs of participation such as fees for any consultants or attorneys they may utilize to represent them or otherwise assist them in the mediation.

C. The parties shall not be required to submit to binding arbitration.

54. JURISDICTION AND VENUE: The Contract is made under and shall be governed by the laws of the State of Texas, including, when applicable, the Uniform Commercial Code as adopted in Texas, V.T.C.A., Bus. & Comm. Code, Chapter 1, excluding any rule or principle that would refer to and apply the substantive law of another state or jurisdiction. All issues arising from this Contract shall be resolved in the courts of Denton County, Texas and the parties agree to submit to the exclusive personal jurisdiction of such courts. The foregoing, however, shall not be

construed or interpreted to limit or restrict the right or ability of the City to seek and secure injunctive relief from any competent authority as contemplated herein.

55. INVALIDITY: The invalidity, illegality, or unenforceability of any provision of the Contract shall in no way affect the validity or enforceability of any other portion or provision of the Contract. Any void provision shall be deemed severed from the Contract and the balance of the Contract shall be construed and enforced as if the Contract did not contain the particular portion or provision held to be void. The parties further agree to reform the Contract to replace any stricken provision with a valid provision that comes as close as possible to the intent of the stricken provision. The provisions of this section shall not prevent this entire Contract from being void should a provision which is the essence of the Contract be determined to be void.

56. HOLIDAYS: The following holidays are observed by the City:

New Year's Day (observed)
Martin Luther King, Jr. Day
Memorial Day
Juneteenth
Independence Day
Labor Day
Veteran's Day
Thanksgiving Day
Friday After Thanksgiving
Christmas Eve (observed)
Christmas Day (observed)

If a Legal Holiday falls on Saturday, it will be observed on the preceding Friday. If a Legal Holiday falls on Sunday, it will be observed on the following Monday. Normal hours of operation shall be between 8:00 am and 4:00 pm, Monday through Friday, excluding City of Denton Holidays. Any scheduled deliveries or work performance not within the normal hours of operation **must be approved** by the City Manager of Denton, Texas or their authorized designee.

57. SURVIVABILITY OF OBLIGATIONS: All provisions of the Contract that impose continuing obligations on the parties, including but not limited to the warranty, indemnity, and confidentiality obligations of the parties, shall survive the expiration or termination of the Contract for fifteen (15) years.

58. NON-SUSPENSION OR DEBARMENT CERTIFICATION:

The City of Denton is prohibited from contracting with or making prime or sub-awards to parties that are suspended or debarred or whose principals are suspended or debarred from Federal, State, or City of Denton Contracts. By accepting a Contract with the City, the Vendor certifies that its firm and its principals are not currently suspended or debarred from doing business with the Federal Government, as indicated by the General Services Administration List of Parties Excluded from Federal Procurement and Non-Procurement Programs, the State of Texas, or the City of Denton.

59. **EQUAL OPPORTUNITY** Contractor agrees that during the performance of its contract it will:

A. Treat all applicants and employees without discrimination as to race, color, religion, sex, national origin, marital status, age, or handicap.

B. Identify itself as an "Equal Opportunity Employer" in all help wanted advertising or request. The Contractor shall be advised of any complaints filed with the City alleging that Contractor is not an Equal Opportunity Employer. The City reserves the right to consider its reports from its human relations administrator in response to such complaints in determining whether or not to terminate any portion of this contract for which purchase orders or authorities to deliver have not been included, however, the Contractor is specifically advised that no Equal Opportunity Employment complaint will be the basis for cancellation of this contract for which a purchase order has been issued or authority to deliver granted.

C. **Americans with Disabilities Act (ADA) Compliance:** No Contractor, or Contractor's agent, shall engage in any discriminatory employment practice against individuals with disabilities as defined in the ADA.

60. **BUY AMERICAN ACT-SUPPLIES (Applicable to certain federally funded requirements)**

The following federally funded requirements are applicable. A. Definitions. As used in this paragraph –

i. "Component" means an article, material, or supply incorporated directly into an end product.

ii. "Cost of components" means -

(1) For components purchased by the Contractor, the acquisition cost, including transportation costs to the place of incorporation into the end product (whether or not such costs are paid to a domestic firm), and any applicable duty (whether or not a duty-free entry certificate is issued); or

(2) For components manufactured by the Contractor, all costs associated with the manufacture of the component, including transportation costs as described in paragraph (1) of this definition, plus allocable overhead costs, but excluding profit. Cost of components does not include any costs associated with the manufacture of the end product.

iii. "Domestic end product" means-

(1) An unmanufactured end product mined or produced in the United States; or

(2) An end product manufactured in the United States, if the cost of its components mined, produced, or manufactured in the United States exceeds 50 percent of the cost of all its components. Components of foreign origin of the same class or kind as those that the agency determines are not mined, produced, or manufactured in sufficient and reasonably available commercial quantities of a satisfactory quality are treated as domestic. Scrap generated, collected, and prepared for processing in the United States is considered domestic.

iv. "End product" means those articles, materials, and supplies to be acquired under the contract for public use.

v. "Foreign end product" means an end product other than a domestic end product.

vi. "United States" means the 50 States, the District of Columbia, and outlying areas.

B. The Buy American Act (41 U.S.C. 10a - 10d) provides a preference for domestic end products for supplies acquired for use in the United States.

C. The City does not maintain a list of foreign articles that will be treated as domestic for this Contract; but will consider for approval foreign articles as domestic for this product if the articles

are on a list approved by another Governmental Agency. The Contractor shall submit documentation with their offer demonstrating that the article is on an approved Governmental list. D. The Contractor shall deliver only domestic end products except to the extent that it specified delivery of foreign end products in the provision of the Solicitation entitled "Buy American Act Certificate".

61. RIGHT TO INFORMATION: The City of Denton reserves the right to use any and all information presented in any response to this Contract, whether amended or not, except as prohibited by law. Selection or rejection of the submittal does not affect this right.

62. LICENSE FEES OR TAXES: Provided the solicitation requires an awarded contractor or supplier to be licensed by the State of Texas, any and all fees and taxes are the responsibility of the respondent.

63. PREVAILING WAGE RATES: The Contractor shall comply with prevailing wage rates as defined by the United States Department of Labor Davis-Bacon Wage Determination at <http://www.dol.gov/whd/contracts/dbra.htm> and at the Wage Determinations website www.wdol.gov for Denton County, Texas (WD-2509).

64. COMPLIANCE WITH ALL STATE, FEDERAL, AND LOCAL LAWS: The Contractor or supplier shall comply with all State, federal, and local laws and requirements. The Contractor must comply with all applicable laws at all times, including, without limitation, the following: (i) §36.02 of the Texas Penal Code, which prohibits bribery; (ii) §36.09 of the Texas Penal Code, which prohibits the offering or conferring of benefits to public servants; and (iii) Chapter 552 of the Texas Government Code, which outlines policy for public information. The Contractor shall give all notices and comply with all laws and regulations applicable to furnishing and performance of the Contract.

65. FEDERAL, STATE, AND LOCAL REQUIREMENTS: Contractor shall demonstrate on-site compliance with the provisions of federal law dealing with issuance of Form W-2's to common law employees. Contractor is responsible for both federal and State unemployment insurance coverage and standard Workers' Compensation insurance coverage. Contractor shall ensure compliance with all federal and State tax laws and withholding requirements. The City of Denton shall not be liable to Contractor or its employees for any Unemployment or Workers' Compensation coverage, or federal or State withholding requirements. Contractor shall indemnify the City of Denton and shall pay all costs, penalties, or losses resulting from Contractor's omission or breach of this Section.

66. ATTORNEY'S FEES; LEGAL COSTS: Contractor and City agree that the City will not be required to pay Contractor's attorney's fees or legal costs under any circumstances, unless expressly required by law.

67. DRUG FREE WORKPLACE: The Contractor shall comply with the applicable provisions of the Drug-Free Work Place Act of 1988 (Public Law 100-690, Title V, Subtitle D; 41 U.S.C. 701 ET SEQ.) and maintain a drug-free work environment; and the final rule, government-wide requirements for drug-free work place (grants), issued by the Office of Management and Budget

and the Department of Defense (32 CFR Part 280, Subpart F) to implement the provisions of the Drug-Free Work Place Act of 1988 is incorporated by reference and the Contractor shall comply with the relevant provisions thereof, including any amendments to the final rule that may hereafter be issued.

68. CONTRACTOR LIABILITY FOR DAMAGE TO GOVERNMENT PROPERTY: The Contractor shall be liable for all damages to government-owned, leased, or occupied property and equipment caused by the Contractor and its employees, agents, subcontractors, and suppliers, including any delivery or cartage company, in connection with any performance pursuant to the Contract. The Contractor shall notify the City of Denton Procurement Manager in writing of any such damage within one (1) calendar day.

69. FORCE MAJEURE: The City of Denton, any Customer, and the Contractor shall not be responsible for performance under the Contract should it be prevented from performance by an act of war, order of legal authority, act of God, or other unavoidable cause not attributable to the fault or negligence of the City of Denton. In the event of an occurrence under this Section, the Contractor will be excused from any further performance or observance of the requirements so affected for as long as such circumstances prevail and the Contractor continues to use commercially reasonable efforts to recommence performance or observance whenever and to whatever extent possible without delay. The Contractor shall immediately notify the City of Denton Procurement Manager by telephone (to be confirmed in writing within five (5) calendar days of the inception of such occurrence) and describe at a reasonable level of detail the circumstances causing the non-performance or delay in performance.

70. NON-WAIVER OF RIGHTS: Failure of a Party to require performance by another Party under the Contract will not affect the right of such Party to require performance in the future. No delay, failure, or waiver of either Party's exercise or partial exercise of any right or remedy under the Contract shall operate to limit, impair, preclude, cancel, waive or otherwise affect such right or remedy. A waiver by a Party of any breach of any term of the Contract will not be construed as a waiver of any continuing or succeeding breach.

71. NO WAIVER OF SOVEREIGN IMMUNITY: The Parties expressly agree that no provision of the Contract is in any way intended to constitute a waiver by the City of Denton of any immunities from suit or from liability that the City of Denton may have by operation of law.

72. RECORDS RETENTION: The Contractor shall retain all financial records, supporting documents, statistical records, and any other records or books relating to the performances called for in the Contract. The Contractor shall retain all such records for a period of four (4) years after the expiration of the Contract, or until the CPA or State Auditor's Office is satisfied that all audit and litigation matters are resolved, whichever period is longer. The Contractor shall grant access to all books, records and documents pertinent to the Contract to the CPA, the State Auditor of Texas, and any federal governmental entity that has authority to review records due to federal funds being spent under the Contract. In the event the value of this Contract is One Million (\$1,000,000) Dollars or greater: (i) all contracting information related to this contract will be preserved for the duration of the Contract; (ii) the Contractor shall provide any contracting information in its possession promptly upon request by the City; and (iii) at the expiration of this

Contract, the Contractor will either provide all contracting information in its possession to the City or preserve same as required by the record retention requirements of the State of Texas.

73. **PROCUREMENT LAWS:** The City will not agree to any terms or conditions that cause the City to violate any federal, State, or local procurement laws, including its own Charter or Procurement Policy and any such laws included in boilerplate terms, online terms or other terms provided by the Contractor are considered null and void.

74. **AUTHORITY:** Contractor represents and warrants to the other that (a) it has company authority to execute and perform this Contract; (b) executing this Contract does not constitute a material conflict with, breach, or default under any applicable law, its respective organizational documents, or any documents, agreements, contracts or instruments which are binding upon it; and (c) this Contract creates valid, legal, and binding obligation enforceable against it, subject to applicable insolvency and bankruptcy laws. Contractor recognizes and agrees that a violation of this provision constitutes a material breach under this Contract.

Exhibit D
Certificate of Interested Parties Electronic Filing

In 2015, the Texas Legislature adopted House Bill 1295, which added section 2252.908 of the Government Code. The law states that the City may not enter into this contract unless the Contractor submits a disclosure of interested parties (Form 1295) to the City at the time the Contractor submits the signed contract. The Texas Ethics Commission has adopted rules requiring the business entity to file Form 1295 electronically with the Commission.

Contractor will be required to furnish a Certificate of Interest Parties before the Contract is awarded, in accordance with Government Code 2252.908.

The Contractor shall:

1. Log onto the State Ethics Commission Website at [:https://www.ethics.state.tx.us/filinginfo/1295/](https://www.ethics.state.tx.us/filinginfo/1295/)
2. Register utilizing the tutorial provided by the State
3. Print a copy of the completed Form 1295
4. Enter the Certificate Number on page 2 of this contract.
5. Complete and sign the Form 1295
6. Email the form to purchasing@cityofdenton.com with the contract number in the subject line.
(EX: Contract 1234 – Form 1295)

The City must acknowledge the receipt of the filed Form 1295 not later than the 30th day after Council award. Once a Form 1295 is acknowledged, it will be posted to the Texas Ethics Commission's website within seven business days.

EXHIBIT E INSURANCE REQUIREMENTS

Respondent's attention is directed to the insurance requirements below. It is highly recommended that respondents confer with their respective insurance carriers or brokers to determine in advance of Proposal/Bid submission the availability of insurance certificates and endorsements as prescribed and provided herein. If an apparent low respondent fails to comply strictly with the insurance requirements, that respondent may be disqualified from award of the contract. Upon contract award, all insurance requirements shall become contractual obligations, which the successful contractor shall have a duty to maintain throughout the course of this contract.

STANDARD PROVISIONS:

Without limiting any of the other obligations or liabilities of the Contractor, the Contractor shall provide and maintain until the contracted work has been completed and accepted by the City of Denton, Owner, the minimum insurance coverage as indicated hereinafter.

As soon as practicable after notification of contract award, Contractor shall file with the Purchasing Department satisfactory certificates of insurance including any applicable addendum or endorsements, containing the contract number and title of the project. Contractor may, upon written request to the Purchasing Department, ask for clarification of any insurance requirements at any time; however, Contractors are strongly advised to make such requests prior to proposal/bid opening, since the insurance requirements may not be modified or waived after proposal/bid opening unless a written exception has been submitted with the proposal/bid. Contractor shall not commence any work or deliver any material until he or she receives notification that the contract has been accepted, approved, and signed by the City of Denton.

All insurance policies proposed or obtained in satisfaction of these requirements shall comply with the following general specifications, and shall be maintained in compliance with these general specifications throughout the duration of the Contract, or longer, if so noted:

- Each policy shall be issued by a company authorized to do business in the State of Texas with an A.M. Best Company rating of at least **A- or better**.
- Any deductibles or self-insured retentions shall be declared in the proposal. If requested by the City, the insurer shall reduce or eliminate such deductibles or self-insured retentions with respect to the City, its officials, agents, employees and volunteers; or, the contractor shall procure a bond guaranteeing payment of losses and related investigations, claim administration and defense expenses.
- Liability policies shall be endorsed to provide the following:

- Name as Additional Insured the City of Denton, its Officials, Agents, Employees and volunteers.
 - That such insurance is primary to any other insurance available to the Additional Insured with respect to claims covered under the policy and that this insurance applies separately to each insured against whom claim is made or suit is brought. The inclusion of more than one insured shall not operate to increase the insurer's limit of liability.
 - Provide a Waiver of Subrogation in favor of the City of Denton, its officials, agents, employees, and volunteers.
- ***Cancellation: City requires 30 day written notice should any of the policies described on the certificate be cancelled or materially changed before the expiration date.***
 - Should any of the required insurance be provided under a claims made form, Contractor shall maintain such coverage continuously throughout the term of this contract and, without lapse, for a period of three years beyond the contract expiration, such that occurrences arising during the contract term which give rise to claims made after expiration of the contract shall be covered.
 - Should any of the required insurance be provided under a form of coverage that includes a general annual aggregate limit providing for claims investigation or legal defense costs to be included in the general annual aggregate limit, the Contractor shall either double the occurrence limits or obtain Owners and Contractors Protective Liability Insurance.
 - Should any required insurance lapse during the contract term, requests for payments originating after such lapse shall not be processed until the City receives satisfactory evidence of reinstated coverage as required by this contract, effective as of the lapse date. If insurance is not reinstated, City may, at its sole option, terminate this agreement effective on the date of the lapse.

SPECIFIC ADDITIONAL INSURANCE REQUIREMENTS:

All insurance policies proposed or obtained in satisfaction of this Contract shall additionally comply with the following specifications, and shall be maintained in compliance with these additional specifications throughout the duration of the Contract, or longer, if so noted:

A. COMMERCIAL GENERAL LIABILITY INSURANCE

Commercial General Liability Insurance including, but not limited to, Premises/Operations, Personal & Advertising Injury, Products/Completed

Operations, Independent Contractors, and Contractual Liability with minimum combined bodily injury (including death) and property damage limits of \$1,000,000.00 per occurrence and \$2,000,000.00 general aggregate.

B. WORKERS' COMPENSATION and EMPLOYERS LIABILITY INSURANCE

Workers' Compensation within the regulations of the Texas Workers' Compensation Act. The minimum policy limits for **Employers Liability** are:

Bodily Injury by Accident: \$100,000.00 Each Accident

Bodily Injury by Disease: \$100,000.00 Each Employee

Bodily Injury by Disease: \$500,000.00 Policy Limit

NOTES:

- a. If CONTRACTOR will not be providing services under the contract at a City facility, has no employees and/or is operating as a sole owner and single operator, CONTRACTOR shall provide a signed letter, with the current date, on official letterhead stating such to meet the requirement.

- b. If CONTRACTOR is a non-subscriber or is self-insured CONTRACTOR shall provide a copy of its Certificate of Authority to Self-Insure from the Texas Department of Insurance, Division of Workers' Compensation Self Insurance Regulation Program, evidence of alternative coverage and internal safety and injury coverage policies and procedures.

Exhibit F

Line #	Description	Estimated Annual QTY	UOM	Fee to Citizen	Denton will retain
1	Elementary Tennis Ages 5-10 - 1 hour class	100	Per person	<u>\$15.00</u>	20%
2	Elementary Pickleball Ages 5-10 - 1 hour class	100	Per person	<u>\$15.00</u>	20%
3	Middle School Tennis Ages 11-13 1 hour 15 min class	150	Per person	<u>\$20.00</u>	20%
4	Middle School Pickleball Ages 11-13 - 1 hour 30 min class	150	Per person	<u>\$20.00</u>	20%
5	High School Tennis Ages 14-17 - 1 hour 30 min class	100	Per person	<u>\$25.00</u>	20%
6	High School Pickleball Ages 14-17 - 1 hour 30 min class	100	Per person	<u>\$25.00</u>	20%
7	High Performance Advanced Ages 5-17 - Tennis - 1 hour 30 min class	200	Per person	<u>\$35.00</u>	20%
8	High Performance Advanced Ages 5-17 -Pickleball - 2-hour class (1.5 hours of on court work followed by 30 minutes of speed, agility, and mental training.	100	Per person	<u>\$35.00</u>	20%
9	Adult Beginner - Tennis - 1 hour class	25	Per person	<u>\$25.00</u>	20%
10	Adult Beginner -Pickleball - 1 hour 30 min class	25	Per person	<u>\$25.00</u>	20%
11	Leauge Rental Fees				20%
12	Leauge fee: balls not included - host team will be responsible for covering all player fees, including visiting team		Per person	<u>\$6.50</u>	20%
13	Leauge Fee with balls included		Per person	<u>\$7.75</u>	20%

COST OF ADDITIONAL SERVICES

14	Stringing Labor Cost COD to supply stringing supplies			<u>\$25-\$30</u>	20%
15	Private Lessons (lesson fee set by instructor) - Tennis - 1 hour lesson - some pros will charge less depending on experience	1200	Per person	<u>\$75.00 - \$90.00</u>	20%
16	Private Lessons (lesson fee set by instructor) -Pickleball - 1 hour lesson - some pros will charge less depending on experience	1200	Per person	<u>\$75.00 - \$90.00</u>	20%
17	Tournaments (Estimated by number of participants in all tournaments throughout the year) - Tennis	1200	Per person	<u>\$35.00</u>	20%
18	Tournaments (Estimated by number of participants in all tournaments throughout the year) - Pickleball	1200	Per person	<u>\$40.00</u>	20%

CONFLICT OF INTEREST QUESTIONNAIRE -

FORM CIQ

For vendor or other person doing business with local governmental entity

This questionnaire reflects changes made to the law by H.B. 23, 84th Leg., Regular Session.

This questionnaire is being filed in accordance with Chapter 176, Local Government Code, by a vendor who has a business relationship as defined by Section 176.001(1-a) with a local governmental entity and the vendor meets requirements under Section 176.006(a) and by City of Denton Ethics Code, Ordinance 18-757.

By law this questionnaire must be filed with the records administrator of the local government entity not later than the 7th business day after the date the vendor becomes aware of facts that require the statement to be filed. See Section 176.006(a-1), Local Government Code.

A vendor commits an offense if the vendor knowingly violates Section 176.006, Local Government Code. An offense under this section is a misdemeanor.

1 Name of vendor who has a business relationship with local governmental entity.

Lifetime Tennis, Inc., dba Impact Activities

2 Check this box if you are filing an update to a previously filed questionnaire.

(The law requires that you file an updated completed questionnaire with the appropriate filing authority not later than the 7th business day after the date on which you became aware that the originally filed questionnaire was incomplete or inaccurate.)

3 Name of local government officer about whom the information in this section is being disclosed.

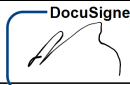
Name of Officer

Describe each employment or other business relationship with the local government officer, or a family member of the officer, as described by Section 176.003(a)(2)(A). Also describe any family relationship with the local government officer. This section, (item 3 including subparts A, B, C & D), must be completed for each officer with whom the vendor has an employment or other business relationship as defined by Section 176.001(1-a), Local Government Code. Attach additional pages to this Form CIQ as necessary.

- A. Is the local government officer named in this section receiving or likely to receive taxable income, other than investment income, from the vendor?
 Yes No
- B. Is the vendor receiving or likely to receive taxable income, other than investment income, from or at the direction of the local government officer named in this section AND the taxable income is not received from the local governmental entity?
 Yes No
- C. Is the filer of this questionnaire employed by a corporation or other business entity with respect to which the local government officer serves as an officer or director, or holds an ownership of one percent or more?
 Yes No
- D. Describe each employment or business and family relationship with the local government officer named in this section.

4 I have no Conflict of Interest to disclose.

5 DocuSigned by:



6/3/2026

Signature of vendor doing business with the governmental entity

Date

CONFLICT OF INTEREST QUESTIONNAIRE

For vendor doing business with local governmental entity

A complete copy of Chapter 176 of the Local Government Code may be found at <http://www.statutes.legis.state.tx.us/ Docs/LG/hm/LG.176.htm>. For easy reference, below are some of the sections cited on this form.

Local Government Code § 176.001(1-a): "Business relationship" means a connection between two or more parties based on commercial activity of one of the parties. The term does not include a connection based on:

- (A) a transaction that is subject to rate or fee regulation by a federal, state, or local governmental entity or an agency of a federal, state, or local governmental entity;
- (B) a transaction conducted at a price and subject to terms available to the public; or
- (C) a purchase or lease of goods or services from a person that is chartered by a state or federal agency and that is subject to regular examination by, and reporting to, that agency.

Local Government Code § 176.003(a)(2)(A) and (B):

- (A) A local government officer shall file a conflicts disclosure statement with respect to a vendor if:
 - (2) the vendor:
 - (A) has an employment or other business relationship with the local government officer or a family member of the officer that results in the officer or family member receiving taxable income, other than investment income, that exceeds \$2,500 during the 12-month period preceding the date that the officer becomes aware that
 - (i) a contract between the local governmental entity and vendor has been executed; or
 - (ii) the local governmental entity is considering entering into a contract with the vendor;
 - (B) has given to the local government officer or a family member of the officer one or more gifts that have an aggregate value of more than \$100 in the 12-month period preceding the date the officer becomes aware that:
 - (i) a contract between the local governmental entity and vendor has been executed; or
 - (ii) the local governmental entity is considering entering into a contract with the vendor.

Local Government Code § 176.006(a) and (a-1)

- (a) A vendor shall file a completed conflict of interest questionnaire if the vendor has a business relationship with a local governmental entity and:
 - (1) has an employment or other business relationship with a local government officer of that local governmental entity, or a family member of the officer, described by Section 176.003(a)(2)(A);
 - (2) has given a local government officer of that local governmental entity, or a family member of the officer, one or more gifts with the aggregate value specified by Section 176.003(a)(2)(B), excluding any gift described by Section 176.003(a-1); or
 - (3) has a family relationship with a local government officer of that local governmental entity.
- (a-1) The completed conflict of interest questionnaire must be filed with the appropriate records administrator not later than the seventh business day after the later of:
 - (1) the date that the vendor:
 - (A) begins discussions or negotiations to enter into a contract with the local governmental entity; or
 - (B) submits to the local governmental entity an application, response to a request for proposals or bids, correspondence, or another writing related to a potential contract with the local governmental entity; or
 - (2) the date the vendor becomes aware:
 - (A) of an employment or other business relationship with a local government officer, or a family member of the officer, described by Subsection (a);
 - (B) that the vendor has given one or more gifts described by Subsection (a); or
 - (C) of a family relationship with a local government officer.

City of Denton Ethics Code Ordinance Number 18-757

Definitions:

Relative: a family member related to a City Official within the third 3rd degree of affinity (marriage) or consanguinity (blood or adoption)

City Official: for purpose of this article, the term consists of the Council Members, Department Heads, or member of the Board of Ethics, Planning and zoning Commission Members, Board of Adjustment, Historic Landmark Commission, or Public Utilities Board

Vendor: a person who provides or seeks to provide goods, services, and/or real property to the City in exchange for compensation. This definition does not include those property owners from whom the City acquires public right-of-way or other real property interests for public use.

Per the City of Denton Ethics Code, Section 2-273. – Prohibitions

- (3) It shall be a violation of this Article for a Vendor to offer or give a Gift to City Official exceeding fifty dollars (\$50.00) per gift, or multiple gifts cumulatively valued at more than two hundred dollars (\$200.00) per a single fiscal year.

Per the City of Denton Ethics Code, Section 2-282. – Disposition (b), (5) Ineligibility

If the Board of Ethics finds that a Vendor has violated this Article, the Board may recommend to the City Manager that the Vendor be deemed ineligible to enter into a City contract or other arrangement for goods, services, or real property, for a period of one (1) year.

Certificate Of Completion

Envelope Id: D2B0B5D3-AD94-83D0-8334-9414799DB3CF
 Subject: Please DocuSign: City Council Contract 8981 Tennis and Pickleball Instructors
 Source Envelope:
 Document Pages: 35
 Certificate Pages: 6
 AutoNav: Enabled
 Envelopeld Stamping: Enabled
 Time Zone: (UTC-06:00) Central Time (US & Canada)

Status: Sent

Envelope Originator:
 Erica Garcia
 901B Texas Street
 Denton, TX 76209
 erica.garcia@cityofdenton.com
 IP Address: 198.49.140.104

Record Tracking

Status: Original
 5/19/2026 8:46:34 AM

Holder: Erica Garcia
 erica.garcia@cityofdenton.com

Location: DocuSign

Signer Events

Erica Garcia
 erica.garcia@cityofdenton.com
 Senior Buyer
 City of Denton
 Security Level: Email, Account Authentication
 (None)

Signature


Completed
 Using IP Address: 198.49.140.104

Timestamp

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 Viewed: 5/19/2026 8:51:00 AM
 Signed: 5/19/2026 8:53:26 AM

Electronic Record and Signature Disclosure:
 Not Offered via DocuSign


Lori Hewell
 lori.hewell@cityofdenton.com
 Purchasing Manager
 City of Denton
 Security Level: Email, Account Authentication
 (None)


 Signature Adoption: Pre-selected Style
 Using IP Address: 198.49.140.10

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Electronic Record and Signature Disclosure:
 Not Offered via DocuSign

Leah Bush
 leah.bush@cityofdenton.com
 Assistant City Attorney
 Security Level: Email, Account Authentication
 (None)


 Signature Adoption: Pre-selected Style
 Using IP Address: 198.49.140.104

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Electronic Record and Signature Disclosure:
 Not Offered via DocuSign

Erica Garcia
 erica.garcia@cityofdenton.com
 Senior Buyer
 City of Denton
 Security Level: Email, Account Authentication
 (None)

Completed
 Using IP Address: 198.49.140.10

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 Signed: 5/20/2026 3:41:09 PM

Electronic Record and Signature Disclosure:
 Not Offered via DocuSign

Signer Events

Matt Hanlin
matth@impactactivities.com
President
Security Level: Email, Account Authentication (None)

Signature



ED1546903FF84D1...
Signature Adoption: Drawn on Device
Using IP Address: 67.208.231.193

Timestamp

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Signed: 6/3/2026 3:14:28 PM

Electronic Record and Signature Disclosure:
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ID: 116ca17f-0a4d-4816-a614-1e389559a5ad

Allison Wing
Allison.Wing@cityofdenton.com
Interim Director
Parks and Recreation
Security Level: Email, Account Authentication (None)


75387A6F0F1B4F3...
Signature Adoption: Pre-selected Style
Using IP Address: 198.49.140.10

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Electronic Record and Signature Disclosure:
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ID: bd18851b-b589-4423-8d6a-d0c50960fd64

Cheyenne Defee
cheyenne.defee@cityofdenton.com
Procurement Administration Supervisor
City of Denton
Security Level: Email, Account Authentication (None)

Sent: 6/3/2026 3:28:46 PM

Electronic Record and Signature Disclosure:
Not Offered via DocuSign

Cassey Ogden
Cassey.Ogden@cityofdenton.com
Security Level: Email, Account Authentication (None)

Electronic Record and Signature Disclosure:
Not Offered via DocuSign

Ingrid Rex
Ingrid.Rex@cityofdenton.com
Security Level: Email, Account Authentication (None)

Electronic Record and Signature Disclosure:
Not Offered via DocuSign

In Person Signer Events	Signature	Timestamp
Editor Delivery Events	Status	Timestamp
Agent Delivery Events	Status	Timestamp
Intermediary Delivery Events	Status	Timestamp
Certified Delivery Events	Status	Timestamp
Carbon Copy Events	Status	Timestamp

Carbon Copy Events	Status	Timestamp
<p>Cheyenne Defee cheyenne.defee@cityofdenton.com Procurement Administration Supervisor City of Denton Security Level: Email, Account Authentication (None)</p> <p>Electronic Record and Signature Disclosure: Not Offered via DocuSign</p>	<div style="border: 2px solid blue; padding: 5px; display: inline-block; font-weight: bold; color: blue; font-size: 1.2em;">COPIED</div>	Sent: 5/19/2026 8:53:29 AM
<p>Gretna Jones gretna.jones@cityofdenton.com Legal Secretary City of Denton Security Level: Email, Account Authentication (None)</p> <p>Electronic Record and Signature Disclosure: Not Offered via DocuSign</p>	<div style="border: 2px solid blue; padding: 5px; display: inline-block; font-weight: bold; color: blue; font-size: 1.2em;">COPIED</div>	Sent: 6/3/2026 3:28:46 PM Viewed: 6/9/2026 9:57:51 AM
<p>City Secretary Office citysecretary@cityofdenton.com Security Level: Email, Account Authentication (None)</p> <p>Electronic Record and Signature Disclosure: Not Offered via DocuSign</p>		
<p>Jason Barrow jason.barrow@cityofdenton.com Security Level: Email, Account Authentication (None)</p> <p>Electronic Record and Signature Disclosure: Not Offered via DocuSign</p>		
Witness Events	Signature	Timestamp
Notary Events	Signature	Timestamp
Envelope Summary Events	Status	Timestamps
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Envelope Updated	Security Checked	5/20/2026 3:39:52 PM
Envelope Updated	Security Checked	5/20/2026 3:39:52 PM
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Envelope Updated	Security Checked	5/20/2026 3:39:52 PM
Envelope Updated	Security Checked	5/20/2026 3:39:52 PM
Payment Events	Status	Timestamps
Electronic Record and Signature Disclosure		

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If you elect to receive required notices and disclosures only in paper format, it will slow the speed at which we can complete certain steps in transactions with you and delivering services to you because we will need first to send the required notices or disclosures to you in paper format, and then wait until we receive back from you your acknowledgment of your receipt of such paper notices or disclosures. To indicate to us that you are changing your mind, you must withdraw your consent using the DocuSign 'Withdraw Consent' form on the signing page of your DocuSign account. This will indicate to us that you have withdrawn your consent to receive required notices and disclosures electronically from us and you will no longer be able to use your DocuSign Express user account to receive required notices and consents electronically from us or to sign electronically documents from us.

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How to contact City of Denton:

You may contact us to let us know of your changes as to how we may contact you electronically, to request paper copies of certain information from us, and to withdraw your prior consent to receive notices and disclosures electronically as follows:

To contact us by email send messages to: purchasing@cityofdenton.com

To advise City of Denton of your new e-mail address

To let us know of a change in your e-mail address where we should send notices and disclosures electronically to you, you must send an email message to us at melissa.kraft@cityofdenton.com and in the body of such request you must state: your previous e-mail address, your new e-mail address. We do not require any other information from you to change your email address..

In addition, you must notify DocuSign, Inc to arrange for your new email address to be reflected in your DocuSign account by following the process for changing e-mail in DocuSign.

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To inform us that you no longer want to receive future notices and disclosures in electronic format you may:

- i. decline to sign a document from within your DocuSign account, and on the subsequent page, select the check-box indicating you wish to withdraw your consent, or you may;
- ii. send us an e-mail to purchasing@cityofdenton.com and in the body of such request you must state your e-mail, full name, IS Postal Address, telephone number, and account number. We do not need any other information from you to withdraw consent.. The consequences of your withdrawing consent for online documents will be that transactions may take a longer time to process..

Required hardware and software

Operating Systems:	Windows2000? or WindowsXP?
Browsers (for SENDERS):	Internet Explorer 6.0? or above
Browsers (for SIGNERS):	Internet Explorer 6.0?, Mozilla FireFox 1.0, NetScape 7.2 (or above)
Email:	Access to a valid email account
Screen Resolution:	800 x 600 minimum
Enabled Security Settings:	<ul style="list-style-type: none"> •Allow per session cookies •Users accessing the internet behind a Proxy Server must enable HTTP 1.1 settings via proxy connection

** These minimum requirements are subject to change. If these requirements change, we will provide you with an email message at the email address we have on file for you at that time providing you with the revised hardware and software requirements, at which time you will have the right to withdraw your consent.

Acknowledging your access and consent to receive materials electronically

To confirm to us that you can access this information electronically, which will be similar to other electronic notices and disclosures that we will provide to you, please verify that you were able to read this electronic disclosure and that you also were able to print on paper or electronically save this page for your future reference and access or that you were able to e-mail this disclosure and consent to an address where you will be able to print on paper or save it for your future reference and access. Further, if you consent to receiving notices and disclosures exclusively in electronic format on the terms and conditions described above, please let us know by clicking the 'I agree' button below.

By checking the 'I Agree' box, I confirm that:

- I can access and read this Electronic CONSENT TO ELECTRONIC RECEIPT OF ELECTRONIC RECORD AND SIGNATURE DISCLOSURES document; and
- I can print on paper the disclosure or save or send the disclosure to a place where I can print it, for future reference and access; and
- Until or unless I notify City of Denton as described above, I consent to receive from exclusively through electronic means all notices, disclosures, authorizations, acknowledgements, and other documents that are required to be provided or made available to me by City of Denton during the course of my relationship with you.



City of Denton

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

AGENDA INFORMATION SHEET

DEPARTMENT: Procurement
ACM: Christine Taylor
DATE: July 14, 2026

SUBJECT

Consider adoption of an ordinance of the City of Denton, a Texas home-rule municipal corporation, authorizing the City Manager to execute a contract with SYDH Dallas, Inc. dba Certified Lighting Pros, through the Buy Board Cooperative Purchasing Network Contract No. 735-24, for the purchase and installation of decorative lighting for the Parks and Recreation Department; providing for the expenditure of funds therefor; and providing an effective date (File 9060 – awarded to SYDH Dallas, Inc. dba Certified Lighting Pros, for one (1) year, with the option for four (4) additional one (1) year extensions, in the total five (5) year not-to-exceed amount of \$500,000.00).

STRATEGIC ALIGNMENT

This action supports Key Focus Area: Strengthen Community and Quality of Life.

INFORMATION/BACKGROUND

The Parks and Recreation Department is responsible for decorating several key areas of downtown during two (2) of the City's largest annual events: the 31 Days of Halloween and the Holiday Lighting celebration. Over the past several years, both events have grown significantly in size, visibility, and community expectation. As a result, the amount of time, labor, and resources required to plan, install, maintain, and remove these decorations has increased well beyond what existing staff can reasonably support while still fulfilling their primary operational responsibilities.

Parks staff are committed to providing high-quality experiences for residents and visitors, but the expanding workload has reached the point that maintaining both event décor and everyday park operations is no longer sustainable. Tasks such as routine maintenance, facility upkeep, landscaping, and safety inspections risk being delayed or reduced in quality during peak event seasons due to the additional strain on staffing.

To ensure these signature community events continue to grow and evolve without compromising the Department's core mission, the use of third-party vendors has become a practical and necessary solution. Contracted support will allow for more efficient installation and teardown of decorations, improved consistency in presentation, and greater flexibility in adapting to the scale of future events. Most importantly, partnering with outside vendors will allow Parks staff to remain focused on their essential duties while still contributing to the overall success and positive impact of these highly valued community traditions.

Estimated Contract Expenses

	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31	Total
Installations	\$80,000	\$80,000	\$80,000	\$80,000	\$80,000	\$400,000
Contingency	20,000	20,000	20,000	20,000	20,000	100,000
Total	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$500,000

Pricing obtained through the Buy Board Cooperative Purchasing Network has been competitively bid and meets the statutory requirements of Texas Local Government Code 271.102.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On February 1, 2005, City Council approved the interlocal agreement with the Buy Board Cooperative Purchasing Network (Ordinance 2005-034).

RECOMMENDATION

Award a contract with SYDH Dallas, Inc. dba Certified Lighting Pros, for the purchase and installation of decorative lighting for the Parks and Recreation Department, in a one (1) year, with the option for four (4) additional one (1) year extensions, in the total five (5) year not-to-exceed amount of \$500,000.

PRINCIPAL PLACE OF BUSINESS

SYDH Dallas, Inc. dba Certified Lighting Pros
Dallas, TX

ESTIMATED SCHEDULE OF PROJECT

This is an initial one (1) year contract with options to extend the contract for four (4) additional one (1) year periods, with all terms and conditions remaining the same. This Buy Board contract expires on May 31, 2027.

FISCAL INFORMATION

These products and services will be funded from Parks and Recreation operating account 402180.6545. Requisitions will be entered on an as-needed basis.

EXHIBITS

Exhibit 1: Agenda Information Sheet
Exhibit 2: Cooperative Pricing
Exhibit 3: Ordinance and Contract

Respectfully submitted:
Lori Hewell, 940-349-7100
Purchasing Manager

For information concerning this acquisition, contact: Craig Arrington, 940-349-8676.

Legal point of contact: Leah Bush at 940-349-8333.

Bid Lines

1 Section I: Equipment, Products, and Supplies
Discount (%) off catalog/pricelist for **Holiday Decorations and Lamps** (Garland Tree Mounts, Scrolls, Lamp Post, Wreaths, Arches, Silhouette Trees, Garland Trees, Skylines, and related items). **Catalog/Pricelist MUST be included or proposal will not be considered.**

Total:

Item Notes: PROPOSAL NOTE: Vendors shall submit catalog(s)/pricelist(s) with their Proposal response or the Proposal will not be considered.
Vendors shall submit catalog(s)/pricelist(s) with the Proposal in a readily available and readable electronic format, with Excel or searchable PDF preferred. No paper catalogs or manufacturer/vendor websites will be accepted.

Vendors proposing multiple manufacturer product lines and/or catalog/pricelist per line item must submit the information as follows or proposal may not be considered:

- Select "**Add Alternate**" for each additional manufacturer product line and/or catalog/pricelist proposed
- Vendor's must list one specific percentage discount for each manufacturer and/or catalog/pricelist listed

Item Attributes

1. State Name of Catalog/Pricelist Proposed with Discount Percentage
NOTE: Do not include SKU, Reference Numbers, Websites, and/or "See Attached/Enclosed".

Alternate 1

Section I: Equipment, Products, and Supplies
Discount (%) off catalog/pricelist for **Holiday Decorations and Lamps** (Garland Tree Mounts, Scrolls, Lamp Post, Wreaths, Arches, Silhouette Trees, Garland Trees, Skylines, and related items). **Catalog/Pricelist MUST be included or proposal will not be considered.**

Total:

Item Attributes

1. State Name of Catalog/Pricelist Proposed with Discount Percentage
NOTE: Do not include SKU, Reference Numbers, Websites, and/or "See Attached/Enclosed".

2 Section I: Equipment, Products, and Supplies

Discount (%) off catalog/pricelist for **Holiday Lights**. **Catalog/Pricelist MUST be included or proposal will not be considered.**

Total:

Item Notes: PROPOSAL NOTE: Vendors shall submit catalog(s)/pricelist(s) with their Proposal response or the Proposal will not be considered.

Vendors shall submit catalog(s)/pricelist(s) with the Proposal in a readily available and readable electronic format, with Excel or searchable PDF preferred. No paper catalogs or manufacturer/vendor websites will be accepted.

Vendors proposing multiple manufacturer product lines and/or catalog/pricelist per line item must submit the information as follows or proposal may not be considered:

- Select "**Add Alternate**" for each additional manufacturer product line and/or catalog/pricelist proposed
- Vendor's must list one specific percentage discount for each manufacturer and/or catalog/pricelist listed

Item Attributes

1. State Name of Catalog/Pricelist Proposed with Discount Percentage

NOTE: Do not include SKU, Reference Numbers, Websites, and/or "See Attached/Enclosed".

3 Section I: Equipment, Products, and Supplies

Discount (%) off catalog/pricelist for **Flags and Banners**. **Catalog/Pricelist MUST be included or proposal will not be considered.**

No Bid

Item Notes: PROPOSAL NOTE: Vendors shall submit catalog(s)/pricelist(s) with their Proposal response or the Proposal will not be considered.

Vendors shall submit catalog(s)/pricelist(s) with the Proposal in a readily available and readable electronic format, with Excel or searchable PDF preferred. No paper catalogs or manufacturer/vendor websites will be accepted.

Vendors proposing multiple manufacturer product lines and/or catalog/pricelist per line item must submit the information as follows or proposal may not be considered:

- Select "**Add Alternate**" for each additional manufacturer product line and/or catalog/pricelist proposed
- Vendor's must list one specific percentage discount for each manufacturer and/or catalog/pricelist listed

Item Attributes

1. State Name of Catalog/Pricelist Proposed with Discount Percentage

NOTE: Do not include SKU, Reference Numbers, Websites, and/or "See Attached/Enclosed".

4 Section I: Equipment, Products, and Supplies
Discount (%) off catalog/pricelist for **Pole Mounts and Hardware**. **Catalog/Pricelist MUST be included or proposal will not be considered.**

Total:

Item Notes: PROPOSAL NOTE: Vendors shall submit catalog(s)/pricelist(s) with their Proposal response or the Proposal will not be considered.
Vendors shall submit catalog(s)/pricelist(s) with the Proposal in a readily available and readable electronic format, with Excel or searchable PDF preferred. No paper catalogs or manufacturer/vendor websites will be accepted.

Vendors proposing multiple manufacturer product lines and/or catalog/pricelist per line item must submit the information as follows or proposal may not be considered:

- Select "**Add Alternate**" for each additional manufacturer product line and/or catalog/pricelist proposed
- Vendor's must list one specific percentage discount for each manufacturer and/or catalog/pricelist listed

Item Attributes

1. State Name of Catalog/Pricelist Proposed with Discount Percentage

NOTE: Do not include SKU, Reference Numbers, Websites, and/or "See Attached/Enclosed".

5 Section I: Equipment, Products, and Supplies
Discount (%) off catalog/pricelist for **Accessories and Other Holiday Related Items**. **Catalog/Pricelist MUST be included or proposal will not be considered.**

Total:

Item Notes: PROPOSAL NOTE: Vendors shall submit catalog(s)/pricelist(s) with their Proposal response or the Proposal will not be considered.
Vendors shall submit catalog(s)/pricelist(s) with the Proposal in a readily available and readable electronic format, with Excel or searchable PDF preferred. No paper catalogs or manufacturer/vendor websites will be accepted.

Vendors proposing multiple manufacturer product lines and/or catalog/pricelist per line item must submit the information as follows or proposal may not be considered:

- Select "**Add Alternate**" for each additional manufacturer product line and/or catalog/pricelist proposed
- Vendor's must list one specific percentage discount for each manufacturer and/or catalog/pricelist listed

Item Attributes

1. State Name of Catalog/Pricelist Proposed with Discount Percentage

NOTE: Do not include SKU, Reference Numbers, Websites, and/or "See Attached/Enclosed".

6 Section II: Installation and Repair Service
Hourly Labor Rate for Installation/Repair Service of Holiday Lighting Products and Decorations - Not to Exceed hourly labor rate for Installation/Repair Service of Equipment and Products.

Quantity: 1 UOM: Hourly Labor Rate Price: Total:

Part/Item Number	Item Description	MSRP/List Price
Holiday Lights		
101	Mini Lights - 5MM-4" spacing - Any Color - 100 Lights Strand	\$19.50
102	C9 - LED - Filiment - Any Color - 25 Pack	\$19.95
103	C9 - LED - Faceted (SMD) - Any Color - 25 Pack	\$20.75
104	Snowflake - 3'	\$95.00
105	Snowflake - 4'	\$145.00
106	Snowflake - 5'	\$195.00
107	Light burst - 17"	\$25.00
108	Light burst - 27"	\$35.00
Greenery&Posts		
109	"Ultra Bright" - Premium Wreath - 3' - LIT	\$95.00
110	"Ultra Bright" - Premium Wreath - 4' - LIT	\$139.00
111	"Ultra Bright" - Premium Wreath - 5' - LIT	\$225.00
112	"Ultra Bright" - Premium Wreath - 6' - LIT	\$695.00
113	"Ultra Bright" - Premium Wreath - 8' - LIT	\$995.00
114	"Ultra Bright" - Premium Garland - 9'x14" - LIT	\$99.00
115	"Ultra Bright" - Premium Garland -9'x18" - LIT	\$145.00
116	Standard Wreath - 3' - LIT	\$59.00
117	Standard Wreath - 4' - LIT	\$89.00
118	Standard Wreath - 5' - LIT	\$149.00
119	Premium Oregon Fir Wreath - 5' - UNLIT	\$195.00
120	Standard Wreath - 3' - UNLIT	\$79.00
121	Standard Wreath - 4' - UNLIT	\$99.00
122	Standard Wreath - 5' - UNLIT	\$125.00
123	Garland - 9'x14"- LIT	\$59.00
124	Garland - 9'x12" - UNLIT	\$29.00
125	Giant Snoflake Pole Mount - 6'	\$318.00
Giant Displays & Decor		
126	Commercial Christmas Tower Tree - 18'	\$9,995.00
127	Commercial Christmas Tower Tree - 30'	\$29,500.00
128	Commercial Christmas Tower Tree - 45'	\$69,000.00
129	Commercial Christmas Tower Tree - 60'	\$125,000.00
130	Commercial Christmas Tower Tree - 75'	\$199,000.00
131	Tree of Lights - 21' - Warm White	\$2,995.00
132	Giant 3D Reindeer - 6' - Pre Lit - Warm White	\$1,155.00
133	Giant 3D Reindeer - 8' - Pre Lit - Warm White	\$2,100.00
134	Giant 3D Reindeer - 10' - Pre Lit - Warm White	\$2,940.00
135	Giant 3D Reindeer - 12' - Pre Lit - Warm White	\$3,045.00
136	Giant 3D Moose - 12' Pre Lit - Warm White	\$4,200.00
137	Giant WALK-THROUGH Gift Box - 6' - Pre Lit	\$2,460.00
138	Giant WALK-THROUGH Gift Box - 8' - Pre Lit	\$4,218.00

139	Giant WALK-THROUGH Gift Box - 10' - Pre Lit	\$5,640.00
140	Giant Premium WALK-THROUGH Gift Box - 12' - Pre Lit	\$8,910.00
141	Giant WALK-THROUGH Gift Box - 13' - Pre Lit	\$6,195.00
142	Giant Premium WALK-THROUGH Gift Box - 15' - Pre Lit	\$11,679.00
143	Giant 3D Standing Snowflake - 5' - Pre lit	\$1,395.00
144	Giant 3D Standing Star - 4' - Pre Lit - Warm White	\$1,080.00
145	Giant 3D Standing Star - 5' - Pre Lit - Warm White	\$1,350.00
146	Giant 3D Standing Star - 6' - Pre Lit - Warm White	\$1,620.00
147	Giant 3D Standing Star - 7' - Pre Lit - Warm White	\$2,580.00
148	Giant 3D Standing Star - 4' - Pre Lit - Cool White	\$1,080.00
149	Giant 3D Standing Star - 5' - Pre Lit - Cool White	\$1,350.00
150	Giant 3D Standing Star - 6' - Pre Lit - Cool White	\$1,620.00
151	Giant 3D Standing Star - 7' - Pre Lit - Cool White	\$2,580.00
152	Giant WALK-THROUGH Star - 12' - Pre Lit - Warm White	\$4,950.00
153	Giant WALK-THROUGH Holiday Arch - 10' - Pre Lit	\$7,440.00
154	Giant Standing 3D Candy Cane - 7' - Pre Lit - Red&White	\$1,155.00
155	Giant 3D Teddy Bear - 6' - Pre Lit	\$2,580.00
156	Giant 3D Teddy Bear - 8' - Pre Lit	\$5,040.00
157	Giant 3D Teddy Bear - 10' - Pre Lit	\$7,995.00
158	Giant 3D Teddy Bear with Santa Hat - 10' - Pre Lit	\$6,300.00
159	Giant 3D Santa Stocking - 6' - Pre Lit	\$2,550.00
160	Giant 3D Santa Hat - 6' - Pre Lit	\$2,550.00
161	Giant 3D Snowmen (4count) - 6' - Pre Lit - Cool White	\$8,400.00
162	Santas Chair - 6' - Pre Lit	\$2,592.00
163	Giant Photo Gift Box - 8' - Pre Lit- Warm White	\$1,860.00
164	Giant 3D Angel - 6' - Pre Lit	\$1,740.00
165	Giant WALK-THROUGH Ginger Bread House - 13' - Pre Lit	\$9,780.00
166	Giant "#xmas" photo prop - 5; - Pre Lit - Warm White	\$2,040.00
167	Giant WALK-THROUGH Ornament - 8' Pre Lit - Warm White	\$4,987.00
168	Giant WALK-THROUGH Ornament - 10' Pre Lit - Warm White	\$6,000.00
169	Giant WALK-THROUGH Ornament - 13' Pre Lit - Warm White	\$14,580.00
170	Giant 3D Standing Hot Air Balloon - 10' - Pre Lit	\$2,940.00
171	Giant 3D Train - 27' long - Pre Lit	\$12,780.00
172	Giant Standing Polar Bear Photo Prop - 2 count - Cool White	\$2,100.00
173	Giant Standing Santa Photo Prop - Pre Lit	\$1,140.00
174	Giant Standing Reindeer Photo Prop - Pre Lit	\$1,100.00

175	3D Horse and Carriage - 6' - Pre Lit - Warm White	\$5,160.00
176	Giant Ornament - 5' Pre Lit - Gold	\$1,500.00
177	Giant Ornament- 12'	\$7,400.00
178	Giant 3D Gift Box- 12'	\$8,900.00
	Accessories	
179	C9 MAGNET Socket - 250'	\$325.00
180	C9 Socket/Wire- 1000' - 12"	\$275.00
181	SPT-1 WIRE -500'	\$99.00
182	Magnet Clips - (100 pack)	\$79.00
183	Roof Clips - Certified (100 pack)	\$18.00
184	Ground Stakes for lights (100 pack)	\$24.00
185	Three Way Plug	\$2.95
186	Male connectors (100 pack)	\$72.00
187	Female connectors (100 pack)	\$72.00
188	"1 Connect" - Certified for inline (100 pack)	\$99.00
189	Coaxial Male Power Plug Cord - 12"	\$2.35
190	Coaxial - extension connection 36"	\$2.95
191	Coaxial Mini- 3 way expander	\$2.98
192	Red/Gold Bow - 12"	\$15.00
193	Red/Gold Bow - 18"	\$25.00
194	Red/Gold Bow - 24"	\$39.00
195	Red/Gold Bow - 30"	\$59.00
196	Red/Gold Bow - 36"	\$99.00
197	Red/Gold Bow - 48"	\$195.00
198	Ornaments - 10cm - 4"	\$1.49
199	Ornaments - 20cm - 8"	\$7.95
200	Ornaments - 30cm - 12"	\$24.95
201	Tree Topper - 3 foot	\$995.00
202	Timer- Digital	\$24.99

ORDINANCE NO. _____

AN ORDINANCE OF THE CITY OF DENTON, A TEXAS HOME-RULE MUNICIPAL CORPORATION, AUTHORIZING THE CITY MANAGER TO EXECUTE A CONTRACT WITH SYDH DALLAS, INC. DBA CERTIFIED LIGHTING PROS, THROUGH THE BUY BOARD COOPERATIVE PURCHASING NETWORK CONTRACT NO. 735-24, FOR THE PURCHASE AND INSTALLATION OF DECORATIVE LIGHTING FOR THE PARKS AND RECREATION DEPARTMENT; PROVIDING FOR THE EXPENDITURE OF FUNDS THEREFOR; AND PROVIDING AN EFFECTIVE DATE (FILE 9060 – AWARDED TO SYDH DALLAS, INC. DBA CERTIFIED LIGHTING PROS, FOR ONE (1) YEAR, WITH THE OPTION FOR FOUR (4) ADDITIONAL ONE (1) YEAR EXTENSIONS, IN THE TOTAL FIVE (5) YEAR NOT-TO-EXCEED AMOUNT OF \$500,000.00).

WHEREAS, pursuant to Ordinance 2005-034, the Buy Board Cooperative Purchasing Network has solicited, received, and tabulated competitive bids for the purchase of necessary materials, equipment, supplies, or services in accordance with the procedures of state law and city ordinances; and

WHEREAS, the City Manager, or a designated employee, has reviewed and recommended that the herein described materials, equipment, supplies, or services can be purchased by the City through the Buy Board Cooperative Purchasing Network programs at less cost than the City would expend if bidding these items individually; and

WHEREAS, this procurement was undertaken as part of the City’s governmental function; and

WHEREAS, the City Council has provided in the City Budget for the appropriation of funds to be used for the purchase of the materials, equipment, supplies, or services approved and accepted herein; NOW, THEREFORE,

THE COUNCIL OF THE CITY OF DENTON HEREBY ORDAINS:

SECTION 1. The items shown in the “File Number” referenced herein and on file in the office of the Purchasing Agent, are hereby accepted and approved as being the lowest responsible bids for such items:

<u>FILE NUMBER</u>	<u>VENDOR</u>	<u>AMOUNT</u>
9060	SYDH Dallas, Inc. dba Certified Lighting Pros	\$500,000.00

SECTION 2. By the acceptance and approval of the items set forth in the referenced file number, the City accepts the offer of the persons submitting the bids to the Buy Board Cooperative Purchasing Network for such items and agrees to purchase the materials, equipment, supplies, or services in accordance with the terms, conditions, specifications, standards,

quantities, and for the specified sums contained in the bid documents and related documents filed with the Buy Board Cooperative Purchasing Network and the purchase orders issued by the City.

SECTION 3. Should the City and persons submitting approved and accepted items set forth in the referenced file number wish to enter into a formal written agreement as a result of the City's ratification of bids awarded by the Buy Board Cooperative Purchasing Network, the City Manager, or their designated representative, is hereby authorized to execute the written contract which shall be attached hereto; provided that the written contract is in accordance with the terms, conditions, specifications, and standards contained in the Proposal submitted to the Buy Board Cooperative Purchasing Network, and the quantities and specified sums contained in the City's purchase orders and related documents referenced herein are approved and accepted.

SECTION 4. The City Council of the City of Denton hereby expressly delegates the authority to take any actions that may be required or permitted to be performed by the City of Denton under this ordinance to the City Manager of the City of Denton, or their designee.

SECTION 5. By the acceptance and approval of the items set forth in the referenced file number, the City Council hereby authorizes the expenditure of funds therefor in the amount and in accordance with the approval of purchase orders or pursuant to a written contract made pursuant thereto as authorized herein.

SECTION 6. This ordinance shall become effective immediately upon its passage and approval.

The motion to approve this ordinance was made by _____ and seconded by _____. The ordinance was passed and approved by the following vote [___ - ___]:

	Aye	Nay	Abstain	Absent
Mayor Chris Watts:	_____	_____	_____	_____
Jordan Villarreal, District 1:	_____	_____	_____	_____
Nick Stevens, District 2:	_____	_____	_____	_____
Suzi Rumohr, District 3:	_____	_____	_____	_____
Joe Holland, District 4:	_____	_____	_____	_____
George Ferrie, At Large Place 5:	_____	_____	_____	_____
Jill Jester, At Large Place 6:	_____	_____	_____	_____

PASSED AND APPROVED this the _____ day of _____, 2026.

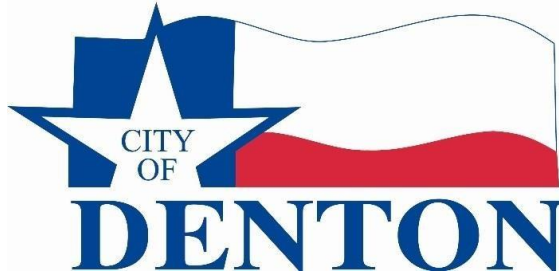
CHRIS WATTS, MAYOR

ATTEST:
KRISTI FOGLE, INTERIM CITY SECRETARY

BY: _____

APPROVED AS TO LEGAL FORM:
MACK REINWAND, CITY ATTORNEY

BY: Leah Bush



DocuSign City Council Transmittal Coversheet

COOP	9060
File Name	Decorative Lighting
Purchasing Contact	kayla clark
City Council Target Date	
Piggy Back Option	Not Applicable
Contract Expiration	
Ordinance	

**CONTRACT BY AND BETWEEN
CITY OF DENTON, TEXAS AND SYDH Dallas, Inc. dba Certified Lighting Pros
(File # 9060)**

THIS CONTRACT is made and entered into this date _____, by and between SYDH Dallas, Inc. dba Certified Lighting Pros a Texas Corporation, whose address is 10221 CORKWOOD RD STE 100 DALLAS, TX 75238, hereinafter referred to as "Supplier," and the **CITY OF DENTON, TEXAS**, a home rule municipal corporation, hereinafter referred to as "City," to be effective upon approval of the Denton City Council and subsequent execution of this Contract by the Denton City Manager or their duly authorized designee.

For and in consideration of the covenants and agreements contained herein, and for the mutual benefits to be obtained hereby, the parties agree as follows:

SCOPE OF SERVICES

Supplier shall provide products in accordance with the Supplier's quote, a copy of which is attached hereto and incorporated herein for all purposes as **Exhibit "B"**. The Contract consists of this written agreement and the following items which are attached hereto, or on file, and incorporated herein by reference:

- (a) Special Terms and Conditions (**Exhibit "A"**);
- (b) Buyboard Cooperative Purchasing Contract #735-24 with SYDH Dallas, Inc. dba Certified Lighting Pros, (**Exhibit "B" on file at the office of the Purchasing Agent**);
- (c) City of Denton Standard Terms and Conditions (**Exhibit "C"**);
- (d) Certificate of Interested Parties Electronic Filing (**Exhibit "D"**);
- (e) Insurance Requirements (**Exhibit "E"**);
- (f) Form CIQ – Conflict of Interest Questionnaire (**Exhibit "F"**)

These documents make up the Contract documents and what is called for by one shall be as binding as if called for by all. In the event of an inconsistency or conflict in any of the provisions of the Contract documents, the inconsistency or conflict shall be resolved by giving precedence first to the written agreement then to the contract documents in the order in which they are listed above. These documents shall be referred to collectively as "Contract Documents."

Prohibition on Contracts with Companies Boycotting Israel

Contractor acknowledges that in accordance with Chapter 2271 of the Texas Government Code, City is prohibited from entering into a contract with a company for goods or services unless the contract contains a written verification from the company that it: (1) does not boycott Israel; and (2) will not boycott Israel during the term of the contract. The terms "boycott Israel" and "company" shall have the meanings ascribed to those terms in Section 808.001 of the Texas Government Code. ***By signing this agreement, Contractor certifies that Contractor's signature provides written verification to the City that Contractor: (1) does not boycott Israel; and (2) will not boycott Israel during the term of the agreement.*** Failure to meet or maintain the requirements under this provision will be considered a material breach.

Prohibition on Contracts with Companies Boycotting Certain Energy Companies

Contractor acknowledges that in accordance with Chapter 2274 of the Texas Government Code, City is prohibited from entering into a contract with a company for goods or services unless the contract contains written verification from the company that it (1) does not boycott energy companies; and (2) will not boycott energy companies during the term of the contract. The terms "boycott energy company" and "company" shall have the meanings ascribed to those terms in Section 809.001 of the Texas Government Code. ***By signing this agreement, Contractor certifies that Contractor's signature provides written verification to***

the City that Contractor: (1) does not boycott energy companies; and (2) will not boycott energy companies during the term of the agreement. Failure to meet or maintain the requirements under this provision will be considered a material breach.

Prohibition on Contracts with Companies Boycotting Certain Firearm Entities and Firearm Trade Associations

Contractor acknowledges that in accordance with Chapter 2274 of the Texas Government Code, City is prohibited from entering into a contract with a company for goods or services unless the contract contains written verification from the company that it (1) does not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association; and (2) will not discriminate during the term of the contract against a firearm entity or firearm trade association. The terms “discriminate against a firearm entity or firearm trade association,” “firearm entity” and “firearm trade association” shall have the meanings ascribed to those terms in Chapter 2274 of the Texas Government Code. *By signing this agreement, Contractor certifies that Contractor’s signature provides written verification to the City that Contractor: (1) does not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association; and (2) will not discriminate during the term of the contract against a firearm entity or firearm trade association.* Failure to meet or maintain the requirements under this provision will be considered a material breach.

Prohibition On Contracts With Companies Doing Business with Iran, Sudan, or a Foreign Terrorist Organization

Sections 2252 and 2270 of the Texas Government Code restricts CITY from contracting with companies that do business with Iran, Sudan, or a foreign terrorist organization. *By signing this agreement, Contractor certifies that Contractor’s signature provides written verification to the City that Contractor, pursuant to Chapters 2252 and 2270, is not ineligible to enter into this agreement and will not become ineligible to receive payments under this agreement by doing business with Iran, Sudan, or a foreign terrorist organization.* Failure to meet or maintain the requirements under this provision will be considered a material breach.

Termination Right for Contracts with Companies Doing Business with Certain Foreign-Owned Companies

The City of Denton may terminate this Contract immediately without any further liability if the City of Denton determines, in its sole judgment, that this Contract meets the requirements under Chapter 2274, and Contractor is, or will be in the future, (i) owned by or the majority of stock or other ownership interest of the company is held or controlled by individuals who are citizens of China, Iran, North Korea, Russia, or other designated country (ii) directly controlled by the Government of China, Iran, North Korea, Russia, or other designated country, or (iii) is headquartered in China, Iran, North Korea, Russia, or other designated country.

The parties agree to transact business electronically. Any statutory requirements that certain terms be in writing will be satisfied using electronic documents and signing. Electronic signing of this document will be deemed an original for all legal purposes.

IN WITNESS WHEREOF, the parties of these presents have executed this agreement in the year and day first above written.

**BY:
SUPPLIER**

SYDH Dallas, Inc. dba Certified Lighting Pros

Signed by:
Ashley Garber

Authorized Signature

Printed Name: Ashley Garber

Title: Vice President

Email Address: ashleygarber@certifiedlights.com

NONE

TEXAS ETHICS COMMISSION CERTIFICATE NUMBER

**BY:
CITY OF DENTON, TEXAS**

Cassey Ogden, Interim City Manager

ATTEST:
_____, Interim CITY SECRETARY

BY: _____

APPROVED AS TO LEGAL FORM:
MACK REINWAND, CITY ATTORNEY

Signed by:
BY: *Leah Bush*

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THIS AGREEMENT HAS BEEN BOTH REVIEWED AND APPROVED
as to financial and operational obligations and business terms.

Signed by:
Allison Wing

SIGNATURE

Interim Director
TITLE

Parks and Recreation
DEPARTMENT

File 9060

Exhibit A
Special Terms and Conditions

1. Contract Term

The contract term will be one (1) year, effective from date of award. The City and the Supplier shall have the option to renew this contract for an additional four (4) one-year periods.

The contract shall commence upon the issuance of a Notice of Award by the City of Denton and shall automatically renew each year, from the date of award by City Council. At the sole option of the City of Denton, the contract may be further extended as needed, not to exceed a total of six (6) months.

2. Total Contract Amount

The contract total shall not exceed **\$500,000.00**. Pricing shall be per Exhibit B on file at the office of the Purchasing Agent.

3. The Quantities

The quantities indicated on Exhibit B are estimates based upon the best available information. The City reserves the right to increase or decrease the quantities to meet its actual needs without any adjustments in the bid price. Individual purchase orders will be issued on an as needed basis.

Exhibit C
City of Denton
Standard Purchase Terms and Conditions

These standard Terms and Conditions and the Terms and Conditions, Specifications, Drawings and other requirements included in the City of Denton's contract are applicable to contracts/purchase orders issued by the City of Denton hereinafter referred to as the City or Buyer and the Seller or respondent herein after referred to as Contractor. Any deviations must be in writing and signed by a representative of the City's Procurement Department and the Contractor. No Terms and Conditions contained in the seller's proposal response, invoice, or statement shall serve to modify the terms set forth herein. If there is a conflict between the provisions on the face of the contract/purchase order these written provisions will take precedence.

The Contractor agrees that the Contract shall be governed by the following terms and conditions, unless exceptions are duly noted and fully negotiated. Unless otherwise specified in the Contract, Sections 3, 4, 5, 6, 7, 8, 20, and 21 shall apply only to a solicitation to purchase goods, and sections 9, 10, 11, and 22 shall apply only to a solicitation to purchase services to be performed principally at the City's premises or on public rights-of-way.

1. **CONTRACTOR'S OBLIGATIONS.** The Contractor shall fully and timely provide all deliverables described in the Solicitation and in the Contractor's Offer in strict accordance with the terms, covenants, and conditions of the Contract and all applicable federal, State, and local laws, rules, and regulations.

2. **EFFECTIVE DATE/TERM.** Unless otherwise specified in the Solicitation or Exhibit A, this Contract shall be effective as of the date this Contract is signed by the City and shall continue in effect until all obligations are performed in accordance with the Contract.

3. **CONTRACTOR TO PACKAGE DELIVERABLES:** The Contractor will package deliverables in accordance with good commercial practice and shall include a packing list showing the description of each item, the quantity and unit price unless otherwise provided in the Solicitation or Contractor's Offer, each shipping container shall be clearly and permanently marked as follows: (a) The Contractor's name and address, (b) the City's name, address, purchase order or purchase release number, and the price agreement number, if applicable, (c) container number and total number of containers, e.g. box 1 of 4 boxes, and (d) the number of the container bearing the packing list. The Contractor shall bear cost of packaging. Deliverables shall be suitably packed to secure lowest transportation costs and to conform to all the requirements of common carriers and any applicable specification. The City's count or weight shall be final and conclusive on shipments not accompanied by packing lists.

4. **SHIPMENT UNDER RESERVATION PROHIBITED:** The Contractor is not authorized to ship the deliverables under reservation and no tender of a bill of lading will operate as a tender of deliverables.

5. **TITLE & RISK OF LOSS:** Title to and risk of loss of the deliverables shall pass to the City only when the City actually receives and accepts the deliverables.

6. DELIVERY TERMS AND TRANSPORTATION CHARGES: Deliverables shall be shipped F.O.B. point of delivery unless otherwise specified in the Solicitation or Contractor's Offer. Unless otherwise stated in the Contractor's Offer, the Contractor's price shall be deemed to include all delivery and transportation charges. The City shall have the right to designate what method of transportation shall be used to ship the deliverables. The place of delivery shall be that set forth in the purchase order.

7. RIGHT OF INSPECTION AND REJECTION: The City expressly reserves all rights under law, including, but not limited to the Uniform Commercial Code, to inspect the deliverables at delivery before accepting them, and to reject defective or non-conforming deliverables. If the City has the right to inspect the Contractor's, or the Contractor's Subcontractor's, facilities, or the deliverables at the Contractor's, or the Contractor's Subcontractor's, premises, the Contractor shall furnish, or cause to be furnished, without additional charge, all reasonable facilities and assistance to the City to facilitate such inspection.

8. NO REPLACEMENT OF DEFECTIVE TENDER: Every tender or delivery of deliverables must fully comply with all provisions of the Contract as to time of delivery, quality, and quantity. Any non-complying tender shall constitute a breach and the Contractor shall not have the right to substitute a conforming tender; provided, where the time for performance has not yet expired, the Contractor may notify the City of the intention to cure and may then make a conforming tender within the time allotted in the contract to perform but not afterward. If, instead of requiring immediate correction or removal and replacement of defective or non-conforming deliverables, the City prefers to accept it, the City may do so. The Contractor shall pay all claims, costs, losses and damages attributable to the City's evaluation of and determination to accept such defective or non-conforming deliverables. If any such acceptance occurs prior to final payment, the City may deduct such amounts as are necessary to compensate the City for the diminished value of the defective or non-conforming deliverables. If the acceptance occurs after final payment, such amount will be refunded to the City by the Contractor.

9. PLACE AND CONDITION OF WORK: This paragraph only applies to the purchase of services to be primarily performed at the City's premises or on City property/right-of-way. The City shall provide the Contractor access to the sites where the Contractor is to perform the services as required in order for the Contractor to perform the services in a timely and efficient manner, in accordance with and subject to the applicable security laws, rules, and regulations. The Contractor acknowledges that it has satisfied itself as to the nature of the City's service requirements and specifications, the location and essential characteristics of the work sites, the quality and quantity of materials, equipment, labor and facilities necessary to perform the services, and any other condition or state of fact which could in any way affect performance of the Contractor's obligations under the Contract. The Contractor hereby releases and holds the City harmless from and against any liability or claim for damages of any kind or nature if the actual site or service conditions differ from expected conditions.

The Contractor shall, at all times, exercise reasonable precautions for the safety of their employees, City Staff, participants and others on or near the City's facilities.

10. WORKFORCE This paragraph only applies to the purchase of services to be primarily performed at the City's premises or on City property/right-of-way.

A. The Contractor shall employ only orderly and competent workers, skilled in the performance of the services which they will perform under the Contract.

B. The Contractor, its employees, Subcontractors, and Subcontractor's employees may not (1) while engaged in, participating, or responding to a solicitation; or (2) while in the course and scope of delivering goods or services under a City of Denton contract; or (3) on the City's property.

i. use or possess a firearm, including a concealed handgun that is licensed under State law, except as required by the terms of the contract; or

ii. use or possess alcoholic or other intoxicating beverages, illegal drugs, or controlled substances, nor may such workers be intoxicated, or under the influence of alcohol or drugs.

C. If the City or the City's representative notifies the Contractor that any worker is incompetent, disorderly or disobedient, has knowingly or repeatedly violated safety regulations, has possessed any firearms, or has possessed or was under the influence of alcohol or drugs, the Contractor shall immediately remove such worker from Contract services, and may not employ such worker again on Contract services without the City's prior written consent.

IMMIGRATION: THE CONTRACTOR REPRESENTS AND WARRANTS THAT IT SHALL COMPLY WITH THE REQUIREMENTS OF THE IMMIGRATION REFORM AND CONTROL ACT OF 1986 AND 1990 REGARDING EMPLOYMENT VERIFICATION AND RETENTION OF VERIFICATION FORMS FOR ANY INDIVIDUALS HIRED ON OR AFTER NOVEMBER 6, 1986, WHO WILL PERFORM ANY LABOR OR SERVICES UNDER THE CONTRACT AND THE ILLEGAL IMMIGRATION REFORM AND IMMIGRANT RESPONSIBILITY ACT OF 1996 ("IIRIRA) ENACTED ON SEPTEMBER 30, 1996, AND SHALL INDEMNIFY AND HOLD THE CITY HARMLESS FROM ANY ACTION ARISING RELATED THERETO.

11. COMPLIANCE WITH HEALTH, SAFETY, AND ENVIRONMENTAL REGULATIONS: This paragraph only applies to the purchase of services to be primarily performed at the City's premises or on City property/right-of-way. The Contractor, its Subcontractors, and their respective employees, shall comply fully with all applicable federal, state, and local health, safety, and environmental laws, ordinances, rules, and regulations in the performance of the services, including but not limited to those promulgated by the City and by the Occupational Safety and Health Administration (OSHA). In case of conflict, the most stringent safety requirement shall govern. **THE CONTRACTOR SHALL INDEMNIFY AND HOLD THE CITY HARMLESS FROM AND AGAINST ALL CLAIMS, DEMANDS, SUITS, ACTIONS, JUDGMENTS, FINES, PENALTIES AND LIABILITY OF EVERY KIND ARISING FROM THE BREACH OF THE CONTRACTOR'S OBLIGATIONS UNDER THIS PARAGRAPH.**

Environmental Protection: The Contractor shall be in compliance with all applicable standards, orders, or regulations issued pursuant to the mandates of the Clean Air Act (42 U.S.C. §7401 *et seq.*) and the Federal Water Pollution Control Act, as amended, (33 U.S.C. §1251 *et seq.*).

12. INVOICES:

A. The Contractor shall submit separate invoices on each purchase order or purchase release after each delivery. If partial shipments or deliveries are authorized by the City, a separate invoice must be sent for each shipment or delivery made.

B. Proper Invoices must include a unique invoice number, invoice date, the purchase order number, and the master agreement number if applicable, the Department's Name, and the name of the point of contact for the Department. Invoices shall be itemized and transportation charges, if any, shall be listed separately. A copy of the bill of lading and the freight waybill, when applicable, shall be attached to the invoice. The Contractor's name, remittance address and, if

applicable, the tax identification number on the invoice must exactly match the information in the Vendor's registration with the City. Unless otherwise instructed in writing, the City may rely on the remittance address specified on the Contractor's invoice.

C. Invoices for labor shall include a copy of all time-sheets with trade labor rate and deliverables order number clearly identified. Invoices shall also include a tabulation of work-hours at the appropriate rates and grouped by work order number. Time billed for labor shall be limited to hours actually worked at the work site.

D. Unless otherwise expressly authorized in the Contract, the Contractor shall pass through all Subcontract and other authorized expenses at actual cost without markup.

E. Federal excise taxes, State taxes, or City sales taxes must not be included in the invoiced amount. The City will furnish a tax exemption certificate upon request.

F. Contractor must submit invoices no later than thirty (30) calendar days after termination or expiration of the Contract. Any invoices sent after that date will be considered noncompliant and will not be approved for payment.

13. PAYMENT:

A. All proper invoices need to be sent to Accounts Payable – accountspayable@cityofdenton.com. Approved invoices will be paid within thirty (30) calendar days of the invoice being received in Accounts Payable.

B. If payment is not timely made, (per paragraph A); interest shall accrue on the unpaid balance at the lesser of the rate specified in Texas Government Code Section 2251.025 or the maximum lawful rate; except, if payment is not timely made for a reason for which the City may withhold payment hereunder, including, but not limited to, those in Paragraph D , below, interest shall not accrue until ten (10) calendar days after the grounds for withholding payment have been resolved.

C. If partial shipments or deliveries are authorized by the City, the Contractor will be paid for the partial shipment or delivery, as stated above, provided that the invoice matches such shipment or delivery.

D. The City may withhold or set off the entire payment or part of any payment otherwise due to the Contractor to such extent as may be necessary on account of:

- i. delivery of defective or non-conforming deliverables by the Contractor;
- ii. third party claims, which are not covered by the insurance which the Contractor is required to provide, are filed or reasonable evidence indicating probable filing of such claims;
- iii. failure of the Contractor to pay Subcontractors, or for labor, materials, or equipment;
- iv. damage to the property of the City or the City's agents, employees, or contractors, which is not covered by insurance required to be provided by the Contractor;
- v. reasonable evidence that the Contractor's obligations will not be completed within the time specified in the Contract, and that the unpaid balance would not be adequate to cover actual or liquidated damages for the anticipated delay;
- vi. failure of the Contractor to submit proper invoices with purchase order number, all required attachments, and supporting documentation; or
- vii. failure of the Contractor to comply with any material provision of the Contract Documents.

E. Notice is hereby given to any awarded firm who is in arrears to the City for delinquent taxes of any kind or otherwise indebted to the City that the City shall be entitled to counterclaim and/or offset against any such debt, claim, demand, or account owed to the City through payment withholding until the debt is paid in full, and no assignment of such debt, claim, demand, or

account after the said taxes or debt are due shall affect the right of the City to offset the said taxes or debt against same.

F. Payment will be made by check unless the parties mutually agree to payment by credit card or electronic transfer of funds. The Contractor agrees that there shall be no additional charges, surcharges, or penalties to the City for payments made by credit card or electronic funds transfer.

G. The Contractor acknowledges and agrees that the awarding or continuation of this Contract is dependent upon the availability of funding. The City's payment obligations are payable only and solely from funds appropriated and available for this Contract. The absence of appropriated or other lawfully available funds shall render the Contract null and void to the extent funds are not appropriated or available and any deliverables delivered but unpaid shall be returned to the Contractor. The City will not incur a debt or obligation to pay Contractor any amounts the City does not have the current funds available to pay. The City shall provide the Contractor written notice of the failure of the City to make an adequate appropriation for any fiscal year to pay the amounts due under the Contract, or the reduction of any appropriation to an amount insufficient to permit the City to pay its obligations under the Contract. In the event of none or inadequate appropriation of funds, there will be no penalty or liability to the City, nor removal fees, cancellation fees, or the like charged to the City.

14. **TRAVEL EXPENSES:** All travel, lodging, and per diem expenses in connection with the Contract shall be paid by the Contractor, unless otherwise stated in the Contract Documents. During the term of this Contract, the Contractor shall bill and the City shall reimburse Contractor for all reasonable and approved out of pocket expenses which are incurred in the connection with the performance of duties hereunder. Notwithstanding the foregoing, expenses for the time spent by the Contractor in traveling to and from City facilities shall not be reimbursed, unless otherwise negotiated.

15. **FINAL PAYMENT AND CLOSE-OUT:**

A. If a DBE/MBE/WBE Program Plan is agreed to and the Contractor has identified Subcontractors, the Contractor is required to submit a Contract Close-Out MBE/WBE Compliance Report to the Purchasing Manager no later than the fifteenth (15th) calendar day after completion of all work under the contract. Final payment, retainage, or both may be withheld if the Contractor is not in compliance with the requirements as accepted by the City.

B. The making and acceptance of final payment will constitute:

i. a waiver of all claims by the City against the Contractor, except claims (1) which have been previously asserted in writing and not yet settled, (2) arising from defective work appearing after final inspection, (3) arising from failure of the Contractor to comply with the Contract or the terms of any warranty specified herein, (4) arising from the Contractor's continuing obligations under the Contract, including but not limited to indemnity and warranty obligations, or (5) arising under the City's right to audit; and

ii. a waiver of all claims by the Contractor against the City other than those previously asserted in writing and not yet settled.

16. **SPECIAL TOOLS & TEST EQUIPMENT:** If the price stated on the Contractor's Offer includes the cost of any special tooling or special test equipment fabricated or required by the Contractor for the purpose of filling this order, such special tooling equipment and any process sheets related thereto shall become the property of the City and shall be identified by the Contractor as such.

17. RIGHT TO AUDIT:

A. The Contractor agrees that the City shall, until the expiration of five (5) years after final payment under this Contract unless required to be retained for longer under applicable law, have electronic access to and the right to examine all books, records, and computations pertaining to this Contract. If necessary, the City shall have the right to audit and make copies of the books, records, and computations pertaining to the Contract. The Contractor shall retain such books, records, documents, and other evidence pertaining to the Contract period and five (5) years thereafter, except if an audit is in progress or audit findings are yet unresolved, in which case records shall be kept until all audit tasks are completed and resolved. These books, records, documents, and other evidence shall be available, within ten (10) business days of written request. All books and records will be made available within a fifty (50) mile radius of the City of Denton if the vendor is not able to provide electronic access. The cost of the audit will be borne by the City unless the audit reveals an overpayment of 1% or greater. If an overpayment of 1% or greater occurs, the reasonable cost of the audit, including any travel costs, must be borne by the Contractor which must be payable within five (5) business days of receipt of an invoice.

B. The Contractor further agrees to include in all its subcontracts hereunder a provision to the effect that the Subcontractor, material supplier, or other payee agrees that the City shall, until the expiration of five (5) years after final payment under the subcontract unless required to be retained for longer under applicable law, have electronic access to and the right to examine all books, records, documents, and other evidence of the Subcontractor, material supplier, or other payee involving transactions relating to the subcontract. If necessary, the City maintains the right to photocopy any physical books, documents, papers, and records of the subconsultant involving transactions relating to the subcontract. All books and records will be made available within a fifty (50) mile radius of the City of Denton. The cost of the audit will be borne by the City unless the audit reveals an overpayment of 1% or greater. If an overpayment of 1% or greater occurs, the reasonable cost of the audit, including any travel costs, must be borne by the Contractor which must be payable within five (5) business days of receipt of an invoice.

C. Failure to comply with the provisions of this section shall be a material breach of the Contract and shall constitute, in the City's sole discretion, grounds for termination thereof. Each of the terms "books", "records", "documents", and "other evidence", as used above, shall be construed to include drafts and electronic files, even if such drafts or electronic files are subsequently used to generate or prepare a final printed document.

18. SUBCONTRACTORS:

A. If the Contractor-identified subcontractors ("Subcontractor") in a DBE/MBE/WBE agreed-to plan (the "Plan"), the Contractor shall comply with all requirements approved by the City. The Contractor shall not initially employ any subcontractor except as provided in the Contractor's Plan. The Contractor shall not substitute any Subcontractor identified in the Plan, unless the substitute has been accepted by the City in writing. No acceptance by the City of any subcontractor shall constitute a waiver of any rights or remedies of the City with respect to defective deliverables provided by a Subcontractor. If a Plan has been approved, the Contractor is additionally required to submit a monthly Subcontract Awards and Expenditures Report to the Procurement Manager, no later than the tenth calendar day of each month.

B. Work performed for the Contractor by a Subcontractor shall be pursuant to a written contract between the Contractor and Subcontractor. The terms of the subcontract may not conflict with the terms of the Contract Documents, and shall contain provisions that:

- i. require that all deliverables to be provided by the Subcontractor be provided in strict accordance with the provisions, specifications and terms of the Contract;
- ii. prohibit the Subcontractor from further subcontracting any portion of the Contract without the prior written consent of the City and the Contractor. The City may require, as a condition to such further subcontracting, that the Subcontractor post a payment bond in form, substance and amount acceptable to the City;
- iii. require Subcontractors to submit all invoices and applications for payments, including any claims for additional payments, damages or otherwise, to the Contractor in sufficient time to enable the Contractor to include same with its invoice or application for payment to the City in accordance with the terms of the Contract;
- iv. require that all Subcontractors obtain and maintain, throughout the term of their contract, insurance in the type and amounts specified for the Contractor, with the City being a named insured as its interest shall appear; and

V. REQUIRE THAT THE SUBCONTRACTOR INDEMNIFY AND HOLD THE CITY HARMLESS TO THE SAME EXTENT AS THE CONTRACTOR IS REQUIRED TO INDEMNIFY THE CITY.

C. The Contractor shall be fully responsible to the City for all acts and omissions of the Subcontractors just as the Contractor is responsible for the Contractor's own acts and omissions. Nothing in the Contract shall create for the benefit of any such Subcontractor any contractual relationship between the City and any such Subcontractor, nor shall it create any obligation on the part of the City to pay or to see to the payment of any moneys due any such Subcontractor except as may otherwise be required by law.

D. The Contractor shall pay each Subcontractor its appropriate share of payments made to the Contractor not later than ten (10) calendar days after receipt of payment from the City.

19. WARRANTY-PRICE:

A. The Contractor warrants the prices quoted in the Contractor's Offer are no higher than the Contractor's current prices on orders by others for like deliverables under similar terms of purchase.

B. The Contractor certifies that the prices in the Contractor's Offer have been arrived at independently without consultation, communication, or agreement for the purpose of restricting competition, as to any matter relating to such fees with any other firm or with any competitor.

C. In the event Contractor breaches this warranty, in addition to any other remedy available, the City may deduct from any amounts owed to the Contractor, or otherwise recover, any amounts paid for items in excess of the Contractor's current prices on orders by others for like deliverables under similar terms of purchase, or in the alternative, the City may cancel this Contract without liability to Contractor for breach.

20. WARRANTY – TITLE: THE CONTRACTOR WARRANTS THAT IT HAS GOOD AND INDEFEASIBLE TITLE TO ALL DELIVERABLES FURNISHED UNDER THE CONTRACT, AND THAT THE DELIVERABLES ARE FREE AND CLEAR OF ALL LIENS, CLAIMS, SECURITY INTERESTS, AND ENCUMBRANCES. THE CONTRACTOR SHALL INDEMNIFY AND HOLD THE CITY HARMLESS FROM AND AGAINST ALL ADVERSE TITLE CLAIMS TO THE DELIVERABLES.

21. WARRANTY – DELIVERABLES: The Contractor warrants and represents that all deliverables sold the City under the Contract shall be free from defects in design, workmanship, or manufacture, and conform in all material respects to the specifications, drawings, and descriptions in the Contract Documents, to any samples furnished by the Contractor, to the terms, covenants, and conditions of the Contract, and to all applicable State, federal, or local laws, rules,

and regulations, and industry codes and standards. Unless otherwise stated in the Solicitation, the deliverables shall be new or recycled merchandise, and not used or reconditioned. In addition, Contractor warrants that the goods sold to City shall conform to the standards promulgated by the U.S. Department of Labor under the Occupational Safety and Health Act (OSHA). In the event the product does not conform to OSHA standards, City may return the product for correction or replacement at the Contractor's expense. In the event Contractor fails to make the appropriate correction within a reasonable time, correction made by City will be at Contractor's expense.

A. Recycled deliverables shall be clearly identified as such.

B. The Contractor may not limit, exclude, or disclaim the foregoing warranty or any warranty implied by law; and any attempt to do so shall be without force or effect.

C. Unless otherwise specified in the Contract or required by the Solicitation, the warranty period shall be at least one (1) year from the date of acceptance of the deliverables or from the date of acceptance of any replacement deliverables. If during the warranty period, one or more of the above warranties are breached, the Contractor shall promptly upon receipt of demand either repair the non-conforming deliverables, or replace the non-conforming deliverables with fully conforming deliverables, at the City's option and at no additional cost to the City. All costs incidental to such repair or replacement, including but not limited to, any packaging and shipping costs shall be borne exclusively by the Contractor. The City shall endeavor to give the Contractor written notice of the breach of warranty within thirty (30) calendar days of discovery of the breach of warranty, but failure to give timely notice shall not impair the City's rights under this section.

D. If the Contractor is unable or unwilling to repair or replace defective or non-conforming deliverables as required by the City, then in addition to any other available remedy, the City may reduce the quantity of deliverables it may be required to purchase under the Contract from the Contractor, and purchase conforming deliverables from other sources. In such event, the Contractor shall pay to the City upon demand the increased cost, if any, incurred by the City to procure such deliverables from another source.

E. If the Contractor is not the manufacturer, and the deliverables are covered by a separate manufacturer's warranty, the Contractor shall transfer and assign such manufacturer's warranty to the City. If for any reason the manufacturer's warranty cannot be fully transferred to the City, the Contractor shall assist and cooperate with the City to the fullest extent to enforce such manufacturer's warranty for the benefit of the City.

F. Contractor shall not limit, exclude, or disclaim any implied warranties, and any attempt to do so shall be without force or effect, or alternatively, at the City's option, render this Contract voidable.

22. WARRANTY – SERVICES: The Contractor warrants and represents that all services to be provided to the City under the Contract will be fully and timely performed in a good and workmanlike manner in accordance with generally accepted industry standards and practices, the terms, conditions, and covenants of the Contract, and all applicable federal, State, and local laws, rules or regulations.

A. The Contractor may not limit, exclude, or disclaim the foregoing warranty or any warranty implied by law, and any attempt to do so shall be without force or effect, or alternatively, at the City's option, render this Contract voidable.

B. Unless otherwise specified in the Contract, the warranty period shall be at least one (1) year from the date of acceptance of the work. If during the warranty period, one or more of the above warranties are breached, the Contractor shall promptly upon receipt of demand perform the services again in accordance with above standard at no additional cost to the City. All costs incidental to such additional performance shall be borne by the Contractor. The City shall endeavor

to give the Contractor written notice of the breach of warranty within thirty (30) calendar days of discovery of the breach warranty, but failure to give timely notice shall not impair the City's rights under this section.

C. If the Contractor is unable or unwilling to perform its services in accordance with the above standard as required by the City, then in addition to any other available remedy, the City may reduce the amount of services it may be required to purchase under the Contract from the Contractor, and purchase conforming services from other sources. In such event, the Contractor shall pay to the City upon demand the increased cost, if any, incurred by the City to procure such services from another source.

23. ACCEPTANCE OF INCOMPLETE OR NON-CONFORMING DELIVERABLES: If, instead of requiring immediate correction or removal and replacement of defective or non-conforming deliverables, the City prefers to accept it, the City may do so. The Contractor shall pay all claims, costs, losses, and damages attributable to the City's evaluation of and determination to accept such defective or non-conforming deliverables. If any such acceptance occurs prior to final payment, the City may deduct such amounts as are necessary to compensate the City for the diminished value of the defective or non-conforming deliverables. If the acceptance occurs after final payment, such amount will be refunded to the City by the Contractor.

24. RIGHT TO ASSURANCE: Whenever one party to the Contract in good faith has reason to question the other party's intent to perform, demand may be made to the other party for written assurance of the intent to perform. In the event that no assurance is given within the time specified (being a minimum of 5 days) after demand is made, the demanding party may treat this failure as an anticipatory repudiation of the Contract.

25. STOP WORK NOTICE: The City may issue an immediate Stop Work Notice in the event the Contractor is observed performing in a manner that is in violation of federal, State, or local guidelines, or in a manner that is determined by the City to be unsafe to either life or property. Upon notification, the Contractor will cease all work until notified by the City that the violation or unsafe condition has been corrected. The Contractor shall be liable for all costs incurred by the City as a result of the issuance of such Stop Work Notice.

26. DEFAULT:

A. The Contractor shall be in default under the Contract if the Contractor (a) fails to fully, timely, and faithfully perform any of its material obligations under the Contract, (b) fails to provide adequate assurance of performance under Paragraph 25, (c) becomes insolvent or seeks relief under the bankruptcy laws of the United States or (d) makes a material misrepresentation in Contractor's Offer, or in any report or deliverable required to be submitted by the Contractor to the City.

B. In the event the City terminates the awarded contract for default or any other reason, the Contractor shall not be relieved of liability to the City for damages sustained by the City by reason of any default of the contract by the Contractor or otherwise, and the City may withhold any payments to the Contractor for the purpose of an offset until such time as the amount of damages due the City from the Contractor can be determined.

27. TERMINATION FOR CAUSE: In the event of a default by the Contractor, the City shall have the right to terminate the Contract for cause, by written notice effective ten (10) calendar days, unless otherwise specified, after the date of such notice, unless the Contractor, within such

ten (10) day period, cures such default, or provides evidence sufficient to prove to the City's reasonable satisfaction that such default does not, in fact, exist. In addition to any other remedy available under law or in equity, the City shall be entitled to recover all actual damages, costs, losses and expenses, incurred by the City as a result of the Contractor's default, including, without limitation, cost of cover, reasonable attorneys' fees, court costs, and prejudgment and post-judgment interest at the maximum lawful rate. Additionally, in the event of a default by the Contractor, the City may remove the Contractor from the City's vendor list for three (3) years and/or any offer submitted by the Contractor may be disqualified for up to three (3) years. All rights and remedies under the Contract are cumulative and are not exclusive of any other right or remedy provided by law. The requirements of Subchapter J, Chapter 552 of the Texas Government Code, may apply to this Contract and the Contractor agrees that the Contract can be terminated if the Contractor knowingly or intentionally fails to comply with a requirement of that subchapter.

28. TERMINATION WITHOUT CAUSE: The City shall have the right to terminate the Contract, in whole or in part, without cause and/or for convenience any time upon thirty (30) calendar days' prior written notice. Upon receipt of a notice of termination, the Contractor shall promptly cease all further work pursuant to the Contract, with such exceptions, if any, specified in the notice of termination. The City shall pay the Contractor, to the extent of funds appropriated or otherwise legally available for such purposes, for all goods delivered and services performed and obligations incurred prior to the date of termination in accordance with the terms hereof, provided such payment amount is not disputed by City. The City reserves all rights, causes of action, and remedies available under law or in equity with respect to any dispute under this Contract and a termination under this provision does not waive such rights, causes of action, and remedies.

29. FRAUD: Fraudulent statements by the Contractor in any offer, Contract Document, or in any report or deliverable required to be submitted by the Contractor to the City shall be grounds for the termination of the Contract for cause by the City and may result in legal action.

30. DELAYS:

A. The City may delay scheduled delivery or other due dates by written notice to the Contractor if the City deems it is in its best interest. If such delay causes an increase in the cost of the work under the Contract, the City and the Contractor shall negotiate an equitable adjustment for costs incurred by the Contractor in the Contract price and execute an amendment to the Contract. The Contractor must assert its right to an adjustment within thirty (30) calendar days from the date of receipt of the notice of delay. Failure to agree on any adjusted price shall be handled under the Dispute Resolution process specified in Paragraph 53. However, nothing in this provision shall excuse the Contractor from delaying the delivery as notified.

B. Neither party shall be liable for any default or delay in the performance of its obligations under this Contract if, while and to the extent such default or delay is caused by acts of God, fire, riots, civil commotion, labor disruptions, sabotage, sovereign conduct, or any other cause beyond the reasonable control of such party. In the event of default or delay in Contract performance due to any of the foregoing causes, then the time for completion of the services will be extended; provided, however, in such an event, a conference will be held within three (3) business days to establish a mutually agreeable period of time reasonably necessary to overcome the effect of such failure to perform.

31. TIME OF COMPLETION AND LIQUIDATED DAMAGES: Contractor agrees and acknowledges that completing the services and/or delivering the goods described in this Contract

in a timely manner is very important to the City. Contractor agrees to perform all obligations within the timeframes required. As it is impracticable and extremely difficult to fix the actual damages, if any, that may proximately result from a failure by Contractor to provide the goods or perform the service, should Contractor fail to timely perform its obligations, Contractor agrees to pay to City, or have withheld and offset from monies due it, the amount stated in the Contract Documents as liquidated damages for each calendar day of delay or nonperformance. Any sums due and payable hereunder by the Contractor shall be payable, not as a penalty, but as liquidated damages representing an estimate of delay damages likely to be sustained by the City, estimated at the time of executing this Contract. Execution of the Contract shall constitute agreement by the City and Contractor that said amount is the minimum value of the costs and actual damage caused by the Contractor's failure to timely perform. Adjustments to the contract times can only be made as provided in the Contract Documents and any conditions or specifications referenced therein.

32. INDEMNITY:

A. Definitions:

i. "Indemnified Claims" shall include any and all claims, demands, suits, causes of action, judgments, and liability of every character, type, or description, including all reasonable costs and expenses of litigation, mediation, or other alternate dispute resolution mechanism, including attorney and other professional fees for: (1) damage to or loss of the property of any person (including, but not limited to the City, the Contractor, their respective agents, officers, employees and Subcontractors; the officers, agents, and employees of such Subcontractors; and third parties); and/or (2) death, bodily injury, illness, disease, worker's compensation, loss of services, or loss of income or wages to any person (including but not limited to the agents, officers and employees of the City, the Contractor, the Contractor's Subcontractors, and third parties), ii. "Fault" shall include the sale of defective or non-conforming deliverables, negligence, willful misconduct or a breach of any legally imposed strict liability standard.

B. THE CONTRACTOR SHALL DEFEND (AT THE OPTION OF THE CITY), INDEMNIFY, AND HOLD THE CITY, ITS SUCCESSORS, ASSIGNS, OFFICERS, EMPLOYEES AND ELECTED OFFICIALS HARMLESS FROM AND AGAINST ALL INDEMNIFIED CLAIMS DIRECTLY ARISING OUT OF, INCIDENT TO, CONCERNING OR RESULTING FROM THE FAULT OF THE CONTRACTOR, OR THE CONTRACTOR'S AGENTS, EMPLOYEES OR SUBCONTRACTORS, IN THE PERFORMANCE OF THE CONTRACTOR'S OBLIGATIONS UNDER THE CONTRACT. NOTHING HEREIN SHALL BE DEEMED TO LIMIT THE RIGHTS OF THE CITY OR THE CONTRACTOR (INCLUDING, BUT NOT LIMITED TO, THE RIGHT TO SEEK CONTRIBUTION) AGAINST ANY THIRD PARTY WHO MAY BE LIABLE FOR AN INDEMNIFIED CLAIM.

33. LIMITATION OF LIABILITY: This Contract does not, and shall not be interpreted to, contain an artificial limitation of liability (e.g. liability limited to contract price or liability capped at an amount actually paid in previous 3 months, etc.) or an artificial statute of limitations (e.g. any lawsuit must be commenced within one year of the event).

34. INSURANCE: The Contractor shall procure and maintain insurance of the types and in the minimum amounts acceptable to the City of Denton outlined in the Insurance Exhibit attached hereto, if applicable. The insurance shall be written by a company licensed to do business in the State of
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Texas and satisfactory to the City of Denton. The City of Denton reserves the right to add insurance during the contract term.

B. **Specific Coverage Requirements:** Specific insurance requirements are contained in the Solicitation and the Insurance Exhibit.

35. **CLAIMS:** If any claim, demand, suit, or other action is asserted against the Contractor which arises under or concerns the Contract, or which could have a material adverse effect on the Contractor's ability to perform thereunder, the Contractor shall give written notice thereof to the City within ten (10) calendar days after receipt of notice by the Contractor. Such notice to the City shall state the date of notification of any such claim, demand, suit, or other action; the names and addresses of the claimant(s); the basis thereof; and the name of each person against whom such claim is being asserted. Such notice shall be delivered personally or by mail and shall be sent to the City and to the Denton City Attorney. Personal delivery to the City Attorney shall be to City Hall, 215 East McKinney Street, Denton, Texas 76201.

36. **NOTICES:** Unless otherwise specified, all notices, requests, or other communications required or appropriate to be given under the Contract shall be in writing and shall be deemed delivered three (3) business days after postmarked if sent by U.S. Postal Service Certified or Registered Mail, Return Receipt Requested. Notices delivered by other means shall be deemed delivered upon receipt by the addressee. Routine communications may be made by first class mail, telefax, or other commercially accepted means. Notices to the Contractor shall be sent to the address specified in the Contractor's Offer, or at such other address as a party may notify the other in writing. Notices to the City shall be addressed to the City at 901B Texas Street, Denton, Texas 76209 and marked to the attention of the Purchasing Manager.

37. **RIGHTS TO BID, PROPOSAL AND CONTRACTUAL MATERIAL:** All material submitted by the Contractor to the City shall become property of the City upon receipt. Any portions of such material claimed by the Contractor to be proprietary must be clearly marked as such. Determination of the public nature of the material is subject to the Texas Public Information Act, Chapter 552, and Texas Government Code. The requirements of Subchapter J, Chapter 552 of the Texas Government Code, may apply to this Contract and the Contractor agrees that the Contract can be terminated if the Contractor knowingly or intentionally fails to comply with a requirement of that subchapter.

38. **INDEMNIFICATION AGAINST INFRINGEMENTS:** The Contractor represents and warrants to the City that: (i) the Contractor shall provide the City good and indefeasible title to the deliverables and (ii) the deliverables supplied by the Contractor in accordance with the specifications in the Contract will not infringe, directly or contributorily, any patent, trademark, copyright, trade secret, or any other intellectual property right of any kind of any third party; that no claims have been made by any person or entity with respect to the ownership or operation of the deliverables and the Contractor does not know of any valid basis for any such claims. Moreover, Contractor does not know of any valid basis for any such claims. **THE CONTRACTOR SHALL, AT ITS SOLE EXPENSE, DEFEND, INDEMNIFY, AND HOLD THE CITY HARMLESS FROM AND AGAINST ALL LIABILITY, DAMAGES, AND COSTS (INCLUDING COURT COSTS AND REASONABLE FEES OF ATTORNEYS AND OTHER PROFESSIONALS) ARISING OUT OF OR RESULTING FROM: (I) ANY CLAIM THAT THE CITY'S EXERCISE ANYWHERE IN THE WORLD OF THE RIGHTS ASSOCIATED WITH THE CITY'S' OWNERSHIP, AND IF APPLICABLE, LICENSE RIGHTS, AND ITS USE OF THE**

DELIVERABLES INFRINGES THE INTELLECTUAL PROPERTY RIGHTS OF ANY THIRD PARTY; OR (II) THE CONTRACTOR'S BREACH OF ANY OF CONTRACTOR'S REPRESENTATIONS OR WARRANTIES STATED IN THIS CONTRACT. IN THE EVENT OF ANY SUCH CLAIM, THE CITY SHALL HAVE THE RIGHT TO MONITOR SUCH CLAIM OR AT ITS OPTION ENGAGE ITS OWN SEPARATE COUNSEL TO ACT AS CO-COUNSEL ON THE CITY'S BEHALF. FURTHER, CONTRACTOR AGREES THAT THE CITY'S SPECIFICATIONS REGARDING THE DELIVERABLES SHALL IN NO WAY DIMINISH CONTRACTOR'S WARRANTIES OR OBLIGATIONS UNDER THIS PARAGRAPH AND THE CITY MAKES NO WARRANTY THAT THE PRODUCTION, DEVELOPMENT, OR DELIVERY OF SUCH DELIVERABLES WILL NOT IMPACT SUCH WARRANTIES OF CONTRACTOR. THIS PARAGRAPH SHALL SURVIVE THE TERMINATION OF THIS CONTRACT.

39. CONFIDENTIALITY: In order to provide the deliverables to the City, Contractor may require access to certain of the City's and/or its licensors' confidential information (including inventions, employee information, trade secrets, confidential know-how, confidential business information, and other information which the City or its licensors consider confidential) (collectively, "Confidential Information"). Contractor acknowledges and agrees that the Confidential Information is the valuable property of the City and/or its licensors and any unauthorized use, disclosure, dissemination, or other release of the Confidential Information will substantially injure the City and/or its licensors. The Contractor (including its employees, subcontractors, agents, or representatives) agrees that it will maintain the Confidential Information in strict confidence and shall not disclose, disseminate, copy, divulge, recreate, or otherwise use the Confidential Information without the prior written consent of the City or in a manner not expressly permitted under this Contract, unless the Confidential Information is required to be disclosed by law or an order of any court or other governmental authority with proper jurisdiction, provided the Contractor promptly notifies the City before disclosing such information so as to permit the City reasonable time to seek an appropriate protective order. The Contractor agrees to use protective measures no less stringent than the Contractor uses within its own business to protect its own most valuable information, which protective measures shall under all circumstances be at least reasonable measures to ensure the continued confidentiality of the Confidential Information.

40. OWNERSHIP AND USE OF DELIVERABLES: The City shall own all rights, titles, and interests throughout the world in and to the deliverables.

A. Patents. As to any patentable subject matter contained in the deliverables, the Contractor agrees to disclose such patentable subject matter to the City. Further, if requested by the City, the Contractor agrees to assign and, if necessary, cause each of its employees to assign the entire right, title, and interest to specific inventions under such patentable subject matter to the City and to execute, acknowledge, and deliver and, if necessary, cause each of its employees to execute, acknowledge, and deliver an assignment of letters patent, in a form to be reasonably approved by the City, to the City upon request by the City.

B. Copyrights. As to any deliverables containing copyrightable subject matter, the Contractor agrees that upon their creation, such deliverables shall be considered as work made-for-hire by the Contractor for the City and the City shall own all copyrights in and to such deliverables, provided however, that nothing in this Paragraph 41 shall negate the City's sole or joint ownership of any such deliverables arising by virtue of the City's sole or joint authorship of such deliverables. Should by operation of law, such deliverables not be considered works made-for-hire, the Contractor hereby assigns to the City (and agrees to cause each of its employees providing services to the City hereunder to execute, acknowledge, and deliver an assignment to the City of) all worldwide right, title, and interest in and to such deliverables. With respect to such work made-

for-hire, the Contractor agrees to execute, acknowledge, and deliver and cause each of its employees providing services to the City hereunder to execute, acknowledge, and deliver a work-made-for-hire agreement, in a form to be reasonably approved by the City, to the City upon delivery of such deliverables to the City or at such other time as the City may request.

C. **Additional Assignments.** The Contractor further agrees to, and if applicable, cause each of its employees to, execute, acknowledge, and deliver all applications, specifications, oaths, assignments, and all other instruments which the City might reasonably deem necessary in order to apply for and obtain copyright protection, mask work registration, trademark registration and/or protection, letters patent, or any similar rights in any and all countries and in order to assign and convey to the City, its successors, assigns and nominees, the sole and exclusive right, title, and interest in and to the deliverables. The Contractor's obligations to execute, acknowledge, and deliver (or cause to be executed, acknowledged, and delivered) instruments or papers such as those described in this Paragraph 41 A., B., and C. shall continue after the termination of this Contract with respect to such deliverables. In the event the City should not seek to obtain copyright protection, mask work registration or patent protection for any of the deliverables, but should desire to keep the same secret, the Contractor agrees to treat the same as Confidential Information under the terms of Paragraph 40 above.

41. **PUBLICATIONS:** All published material and written reports submitted under the Contract must be originally developed material unless otherwise specifically provided in the Contract. When material not originally developed is included in a report in any form, the source shall be identified.

42. **ADVERTISING:** The Contractor shall not advertise or publish, without the City's prior consent, the fact that the City has entered into the Contract, except to the extent necessary to comply with proper requests for information from an authorized representative of the federal, State, or local government.

43. **NO CONTINGENT FEES:** The Contractor warrants that no person or selling agency has been employed or retained to solicit or secure the Contract upon any agreement or understanding for commission, percentage, brokerage, or contingent fee, excepting bona fide employees of bona fide established commercial or selling agencies maintained by the Contractor for the purpose of securing business. For breach or violation of this warranty, the City shall have the right, in addition to any other remedy available, to cancel the Contract without liability and to deduct from any amounts owed to the Contractor, or otherwise recover, the full amount of such commission, percentage, brokerage or contingent fee.

44. **GRATUITIES:** The City may, by written notice to the Contractor, cancel the Contract without liability if it is determined by the City that gratuities were offered or given by the Contractor or any agent or representative of the Contractor to any officer or employee of the City of Denton with a view toward securing the Contract or securing favorable treatment with respect to the awarding or amending or the making of any determinations with respect to the performing of such contract. In the event the Contract is canceled by the City pursuant to this provision, the City shall be entitled, in addition to any other rights and remedies, to recover or withhold the amount of the cost incurred by the Contractor in providing such gratuities.

45. **PROHIBITION AGAINST PERSONAL INTEREST IN CONTRACTS:** The Contractor agrees to comply with the conflict of interest provisions of the City of Denton Code of Ordinances File 9060

and/or State law. No officer, employee, independent consultant, or elected official of the City who is involved in the development, evaluation, or decision-making process of the performance of any solicitation shall have a financial interest, direct or indirect, in the Contract resulting from that solicitation as defined in the City's Ethic Ordinance codified at Chapter 2, Article XI and in the City Charter Section 14.04, as amended. Any willful violation of this section shall constitute impropriety in office, and any officer or employee guilty thereof shall be subject to disciplinary action up to and including dismissal. Any violation of this provision, with the knowledge, expressed or implied, of the Contractor shall render the Contract voidable by the City. The Contractor shall complete and submit the City's Conflict of Interest Questionnaire. The Contractor agrees to maintain current, updated disclosure of information on file with the Procurement Department throughout the term of this Contract.

46. NO SUBCONTRACTING BID AFTER AWARD: Following the award of the Contract, no subcontracting except that specifically identified in the response to the Solicitation will be permitted without the express prior written consent of the City.

47. NO GIFT OF PUBLIC PROPERTY: The City will not agree to any terms or conditions that cause the City to lend its credit or grant public money or anything of value to the selected Contractor.

48. INDEPENDENT CONTRACTOR: The Contract shall not be construed as creating an employer/employee relationship, a partnership, or a joint venture. The Contractor's services shall be those of an independent contractor. The Contractor agrees and understands that the Contract does not grant any rights or privileges established for employees of the City of Denton, Texas for the purposes of income tax, withholding, social security taxes, vacation or sick leave benefits, worker's compensation, or any other City employee benefit. The City shall not have supervision and control of the Contractor or any employee of the Contractor, and it is expressly understood that Contractor shall perform the services hereunder according to the attached specifications at the general direction of the City Manager of the City of Denton, Texas, or their designee under this Contract. The Contractor is expressly free to advertise and perform services for other parties while performing services for the City.

49. ASSIGNMENT-DELEGATION: The Contract shall be binding upon and enure to the benefit of the City and the Contractor and their respective successors and assigns, provided however, that no right or interest in the Contract shall be assigned and no obligation shall be delegated by the Contractor without the prior written consent of the City. Any attempted assignment or delegation by the Contractor shall be void unless made in conformity with this Paragraph. The Contract is not intended to confer rights or benefits on any person, firm or entity not a party hereto; it being the intention of the parties that there are no third party beneficiaries to the Contract.

The Vendor shall notify the City's Purchasing Manager, in writing, of a company name, ownership, or address change for the purpose of maintaining updated City records. The president of the company or authorized official must sign the letter. A letter indicating changes in a company name or ownership must be accompanied with supporting legal documentation such as an updated W-9, documents filed with the state indicating such change, copy of the board of director's resolution approving the action, or an executed merger or acquisition agreement. Failure to do so may adversely impact future invoice payments.

50. **WAIVER:** No claim or right arising out of a breach of the Contract can be discharged in whole or in part by a waiver or renunciation of the claim or right unless the waiver or renunciation is supported by consideration and is in writing signed by the aggrieved party. No waiver by either the Contractor or the City of any one or more events of default by the other party shall operate as, or be construed to be, a permanent waiver of any rights or obligations under the Contract, or an express or implied acceptance of any other existing or future default or defaults, whether of a similar or different character. No delay, failure, or waiver of either party's exercise or partial exercise of any right or remedy under the Contract shall operate to limit, impair, preclude, cancel, waive or otherwise affect such right or remedy.

51. **MODIFICATIONS:** The Contract can be modified or amended only by a writing signed by both parties. No pre-printed or similar terms on any the Contractor invoice, order or other document submitted to the City by Contractor shall have any force or effect to change the terms, covenants, and conditions of the Contract.

52. **INTERPRETATION:** The Contract is intended by the parties as a final, complete and exclusive statement of the terms of their agreement. No course of prior dealing between the parties or course of performance or usage of the trade shall be relevant to supplement or explain any term used in the Contract. Acceptance or acquiescence in a course of performance rendered under this Contract shall not be relevant to determine the meaning of this agreement even though the accepting or acquiescing party has knowledge of the performance and opportunity for objection. Although the Contract may have been substantially drafted by one party, it is the intent of the parties that all provisions be construed in a manner to be fair to both parties, reading no provisions more strictly against one party or the other. Whenever a term defined by the Uniform Commercial Code, as enacted by the State of Texas, is used in the Contract, the UCC definition shall control, unless otherwise defined in the Contract.

53. **DISPUTE RESOLUTION:**

A. If a dispute arises out of or relates to the Contract, or the breach thereof, the parties agree to negotiate prior to prosecuting a suit for damages. However, this section does not prohibit the filing of a lawsuit to toll the running of a statute of limitations or to seek injunctive relief. Either party may make a written request for a meeting between representatives of each party within fourteen (14) calendar days after receipt of the request or such later period as agreed by the parties. Each party shall include, at a minimum, one (1) senior level individual with decision-making authority regarding the dispute, however any decision requiring approval of the City Council of the City will be required to be submitted to the City Council and the senior level person shall have authority to recommend approval of any resolution. The purpose of this and any subsequent meeting is to attempt in good faith to negotiate a resolution of the dispute. If, within thirty (30) calendar days after such meeting, the parties have not succeeded in negotiating a resolution of the dispute, they will proceed directly to mediation as described below. Negotiation may be waived by a written agreement signed by both parties, in which event the parties may proceed directly to mediation as described below.

B. If the efforts to resolve the dispute through negotiation fail, or the parties waive the negotiation process, the parties may select, within thirty (30) calendar days, a mediator trained in mediation skills to assist with resolution of the dispute. Should they choose this option; the City and the Contractor agree to act in good faith in the selection of the mediator and to give consideration to qualified individuals nominated to act as mediator. Nothing in the Contract prevents the parties from relying on the skills of a person who is trained in the subject matter of the dispute or a contract

interpretation expert. If the parties fail to agree on a mediator within thirty (30) calendar days of initiation of the mediation process, the mediator shall be selected by the Denton County Alternative Dispute Resolution Program (DCAP). The parties agree to participate in mediation in good faith for up to thirty (30) calendar days from the date of the first mediation session. The City and the Contractor will share the mediator's fees equally and the parties will bear their own costs of participation such as fees for any consultants or attorneys they may utilize to represent them or otherwise assist them in the mediation.

C. The parties shall not be required to submit to binding arbitration.

54. JURISDICTION AND VENUE: The Contract is made under and shall be governed by the laws of the State of Texas, including, when applicable, the Uniform Commercial Code as adopted in Texas, V.T.C.A., Bus. & Comm. Code, Chapter 1, excluding any rule or principle that would refer to and apply the substantive law of another state or jurisdiction. All issues arising from this Contract shall be resolved in the courts of Denton County, Texas and the parties agree to submit to the exclusive personal jurisdiction of such courts. The foregoing, however, shall not be construed or interpreted to limit or restrict the right or ability of the City to seek and secure injunctive relief from any competent authority as contemplated herein.

55. INVALIDITY: The invalidity, illegality, or unenforceability of any provision of the Contract shall in no way affect the validity or enforceability of any other portion or provision of the Contract. Any void provision shall be deemed severed from the Contract and the balance of the Contract shall be construed and enforced as if the Contract did not contain the particular portion or provision held to be void. The parties further agree to reform the Contract to replace any stricken provision with a valid provision that comes as close as possible to the intent of the stricken provision. The provisions of this section shall not prevent this entire Contract from being void should a provision which is the essence of the Contract be determined to be void.

56. HOLIDAYS: The following holidays are observed by the City:

- | |
|-----------------------------|
| New Year's Day (observed) |
| Martin Luther King, Jr. Day |
| Memorial Day |
| Juneteenth |
| Independence Day |
| Labor Day |
| Veteran's Day |
| Thanksgiving Day |
| Friday After Thanksgiving |
| Christmas Eve (observed) |
| Christmas Day (observed) |

If a Legal Holiday falls on Saturday, it will be observed on the preceding Friday. If a Legal Holiday falls on Sunday, it will be observed on the following Monday. Normal hours of operation shall be between 8:00 am and 4:00 pm, Monday through Friday, excluding City of Denton Holidays. Any scheduled deliveries or work performance not within the normal hours of operation **must be approved** by the City Manager of Denton, Texas or their authorized designee.

57. SURVIVABILITY OF OBLIGATIONS: All provisions of the Contract that impose
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continuing obligations on the parties, including but not limited to the warranty, indemnity, and confidentiality obligations of the parties, shall survive the expiration or termination of the Contract for fifteen (15) years.

58. NON-SUSPENSION OR DEBARMENT CERTIFICATION:

The City of Denton is prohibited from contracting with or making prime or sub-awards to parties that are suspended or debarred or whose principals are suspended or debarred from Federal, State, or City of Denton Contracts. By accepting a Contract with the City, the Vendor certifies that its firm and its principals are not currently suspended or debarred from doing business with the Federal Government, as indicated by the General Services Administration List of Parties Excluded from Federal Procurement and Non-Procurement Programs, the State of Texas, or the City of Denton.

59. EQUAL OPPORTUNITY Contractor agrees that during the performance of its contract it will:

A. Treat all applicants and employees without discrimination as to race, color, religion, sex, national origin, marital status, age, or handicap.

B. Identify itself as an “Equal Opportunity Employer” in all help wanted advertising or request. The Contractor shall be advised of any complaints filed with the City alleging that Contractor is not an Equal Opportunity Employer. The City reserves the right to consider its reports from its human relations administrator in response to such complaints in determining whether or not to terminate any portion of this contract for which purchase orders or authorities to deliver have not been included, however, the Contractor is specifically advised that no Equal Opportunity Employment complaint will be the basis for cancellation of this contract for which a purchase order has been issued or authority to deliver granted.

C. **Americans with Disabilities Act (ADA) Compliance:** No Contractor, or Contractor’s agent, shall engage in any discriminatory employment practice against individuals with disabilities as defined in the ADA.

60. BUY AMERICAN ACT-SUPPLIES (Applicable to certain federally funded requirements)

The following federally funded requirements are applicable. A. Definitions. As used in this paragraph –

i. “Component” means an article, material, or supply incorporated directly into an end product.

ii. “Cost of components” means -

(1) For components purchased by the Contractor, the acquisition cost, including transportation costs to the place of incorporation into the end product (whether or not such costs are paid to a domestic firm), and any applicable duty (whether or not a duty-free entry certificate is issued); or

(2) For components manufactured by the Contractor, all costs associated with the manufacture of the component, including transportation costs as described in paragraph (1) of this definition, plus allocable overhead costs, but excluding profit. Cost of components does not include any costs associated with the manufacture of the end product.

iii. “Domestic end product” means-

(1) An unmanufactured end product mined or produced in the United States; or

(2) An end product manufactured in the United States, if the cost of its components mined, produced, or manufactured in the United States exceeds 50 percent of the cost of all its components. Components of foreign origin of the same class or kind as those that the agency

determines are not mined, produced, or manufactured in sufficient and reasonably available commercial quantities of a satisfactory quality are treated as domestic. Scrap generated, collected, and prepared for processing in the United States is considered domestic.

iv. "End product" means those articles, materials, and supplies to be acquired under the contract for public use.

v. "Foreign end product" means an end product other than a domestic end product.

vi. "United States" means the 50 States, the District of Columbia, and outlying areas.

B. The Buy American Act (41 U.S.C. 10a - 10d) provides a preference for domestic end products for supplies acquired for use in the United States.

C. The City does not maintain a list of foreign articles that will be treated as domestic for this Contract; but will consider for approval foreign articles as domestic for this product if the articles are on a list approved by another Governmental Agency. The Contractor shall submit documentation with their offer demonstrating that the article is on an approved Governmental list.

D. The Contractor shall deliver only domestic end products except to the extent that it specified delivery of foreign end products in the provision of the Solicitation entitled "Buy American Act Certificate".

61. RIGHT TO INFORMATION: The City of Denton reserves the right to use any and all information presented in any response to this Contract, whether amended or not, except as prohibited by law. Selection or rejection of the submittal does not affect this right.

62. LICENSE FEES OR TAXES: Provided the solicitation requires an awarded contractor or supplier to be licensed by the State of Texas, any and all fees and taxes are the responsibility of the respondent.

63. PREVAILING WAGE RATES: The Contractor shall comply with prevailing wage rates as defined by the United States Department of Labor Davis-Bacon Wage Determination at <http://www.dol.gov/whd/contracts/dbra.htm> and at the Wage Determinations website www.wdol.gov for Denton County, Texas (WD-2509).

64. COMPLIANCE WITH ALL STATE, FEDERAL, AND LOCAL LAWS: The Contractor or supplier shall comply with all State, federal, and local laws and requirements. The Contractor must comply with all applicable laws at all times, including, without limitation, the following: (i) §36.02 of the Texas Penal Code, which prohibits bribery; (ii) §36.09 of the Texas Penal Code, which prohibits the offering or conferring of benefits to public servants; and (iii) Chapter 552 of the Texas Government Code, which outlines policy for public information. The Contractor shall give all notices and comply with all laws and regulations applicable to furnishing and performance of the Contract.

65. FEDERAL, STATE, AND LOCAL REQUIREMENTS: Contractor shall demonstrate on-site compliance with the provisions of federal law dealing with issuance of Form W-2's to common law employees. Contractor is responsible for both federal and State unemployment insurance coverage and standard Workers' Compensation insurance coverage. Contractor shall ensure compliance with all federal and State tax laws and withholding requirements. The City of Denton shall not be liable to Contractor or its employees for any Unemployment or Workers' Compensation coverage, or federal or State withholding requirements. Contractor shall indemnify the City of Denton and shall pay all costs, penalties, or losses resulting from Contractor's omission or breach of this Section.

66. ATTORNEY'S FEES; LEGAL COSTS: Contractor and City agree that the City will not be required to pay Contractor's attorney's fees or legal costs under any circumstances, unless expressly required by law.

67. DRUG FREE WORKPLACE: The Contractor shall comply with the applicable provisions of the Drug-Free Work Place Act of 1988 (Public Law 100-690, Title V, Subtitle D; 41 U.S.C. 701 ET SEQ.) and maintain a drug-free work environment; and the final rule, government-wide requirements for drug-free work place (grants), issued by the Office of Management and Budget and the Department of Defense (32 CFR Part 280, Subpart F) to implement the provisions of the Drug-Free Work Place Act of 1988 is incorporated by reference and the Contractor shall comply with the relevant provisions thereof, including any amendments to the final rule that may hereafter be issued.

68. CONTRACTOR LIABILITY FOR DAMAGE TO GOVERNMENT PROPERTY: The Contractor shall be liable for all damages to government-owned, leased, or occupied property and equipment caused by the Contractor and its employees, agents, subcontractors, and suppliers, including any delivery or cartage company, in connection with any performance pursuant to the Contract. The Contractor shall notify the City of Denton Procurement Manager in writing of any such damage within one (1) calendar day.

69. FORCE MAJEURE: The City of Denton, any Customer, and the Contractor shall not be responsible for performance under the Contract should it be prevented from performance by an act of war, order of legal authority, act of God, or other unavoidable cause not attributable to the fault or negligence of the City of Denton. In the event of an occurrence under this Section, the Contractor will be excused from any further performance or observance of the requirements so affected for as long as such circumstances prevail and the Contractor continues to use commercially reasonable efforts to recommence performance or observance whenever and to whatever extent possible without delay. The Contractor shall immediately notify the City of Denton Procurement Manager by telephone (to be confirmed in writing within five (5) calendar days of the inception of such occurrence) and describe at a reasonable level of detail the circumstances causing the non-performance or delay in performance.

70. NON-WAIVER OF RIGHTS: Failure of a Party to require performance by another Party under the Contract will not affect the right of such Party to require performance in the future. No delay, failure, or waiver of either Party's exercise or partial exercise of any right or remedy under the Contract shall operate to limit, impair, preclude, cancel, waive or otherwise affect such right or remedy. A waiver by a Party of any breach of any term of the Contract will not be construed as a waiver of any continuing or succeeding breach.

71. NO WAIVER OF SOVEREIGN IMMUNITY: The Parties expressly agree that no provision of the Contract is in any way intended to constitute a waiver by the City of Denton of any immunities from suit or from liability that the City of Denton may have by operation of law.

72. RECORDS RETENTION: The Contractor shall retain all financial records, supporting documents, statistical records, and any other records or books relating to the performances called for in the Contract. The Contractor shall retain all such records for a period of four (4) years after the expiration of the Contract, or until the CPA or State Auditor's Office is satisfied that all audit

and litigation matters are resolved, whichever period is longer. The Contractor shall grant access to all books, records and documents pertinent to the Contract to the CPA, the State Auditor of Texas, and any federal governmental entity that has authority to review records due to federal funds being spent under the Contract. In the event the value of this Contract is One Million (\$1,000,000) Dollars or greater: (i) all contracting information related to this contract will be preserved for the duration of the Contact; (ii) the Contractor shall provide any contracting information in its possession promptly upon request by the City; and (iii) at the expiration of this Contract, the Contractor will either provide all contracting information in its possession to the City or preserve same as required by the record retention requirements of the State of Texas.

73. **PROCUREMENT LAWS:** The City will not agree to any terms or conditions that cause the City to violate any federal, State, or local procurement laws, including its own Charter or Procurement Policy and any such laws included in boilerplate terms, online terms or other terms provided by the Contractor are considered null and void.

74. **AUTHORITY:** Contractor represents and warrants to the other that (a) it has company authority to execute and perform this Contract; (b) executing this Contract does not constitute a material conflict with, breach, or default under any applicable law, its respective organizational documents, or any documents, agreements, contracts or instruments which are binding upon it; and (c) this Contract creates valid, legal, and binding obligation enforceable against it, subject to applicable insolvency and bankruptcy laws. Contractor recognizes and agrees that a violation of this provision constitutes a material breach under this Contract.

Exhibit D
Certificate of Interested Parties Electronic Filing

In 2015, the Texas Legislature adopted House Bill 1295, which added section 2252.908 of the Government Code. The law states that the City may not enter into this contract unless the Contractor submits a disclosure of interested parties (Form 1295) to the City at the time the Contractor submits the signed contract. The Texas Ethics Commission has adopted rules requiring the business entity to file Form 1295 electronically with the Commission.

Contractor will be required to furnish a Certificate of Interest Parties before the contract is awarded, in accordance with Government Code 2252.908.

The contractor shall:

1. Log onto the State Ethics Commission Website at :
<https://www.ethics.state.tx.us/filinginfo/1295/>
2. Register utilizing the tutorial provided by the State
3. Print a copy of the completed Form 1295
4. Enter the Certificate Number on page 2 of this contract.
5. Complete and sign the Form 1295
6. Email the form to purchasing@cityofdenton.com with the contract number in the subject line. (EX: Contract 1234 – Form 1295)

The City must acknowledge the receipt of the filed Form 1295 not later than the 30th day after Council award. Once a Form 1295 is acknowledged, it will be posted to the Texas Ethics Commission's website within seven business days.

Exhibit E

INSURANCE REQUIREMENTS

Respondent's attention is directed to the insurance requirements below. It is highly recommended that respondents confer with their respective insurance carriers or brokers to determine in advance of Proposal/Bid submission the availability of insurance certificates and endorsements as prescribed and provided herein. If an apparent low respondent fails to comply strictly with the insurance requirements, that respondent may be disqualified from award of the contract. Upon contract award, all insurance requirements shall become contractual obligations, which the successful contractor shall have a duty to maintain throughout the course of this contract.

STANDARD PROVISIONS:

Without limiting any of the other obligations or liabilities of the Contractor, the Contractor shall provide and maintain until the contracted work has been completed and accepted by the City of Denton, Owner, the minimum insurance coverage as indicated hereinafter.

As soon as practicable after notification of contract award, Contractor shall file with the Purchasing Department satisfactory certificates of insurance including any applicable addendum or endorsements, containing the contract number and title of the project. Contractor may, upon written request to the Purchasing Department, ask for clarification of any insurance requirements at any time; however, Contractors are strongly advised to make such requests prior to proposal/bid opening, since the insurance requirements may not be modified or waived after proposal/bid opening unless a written exception has been submitted with the proposal/bid. Contractor shall not commence any work or deliver any material until he or she receives notification that the contract has been accepted, approved, and signed by the City of Denton.

All insurance policies proposed or obtained in satisfaction of these requirements shall comply with the following general specifications, and shall be maintained in compliance with these general specifications throughout the duration of the Contract, or longer, if so noted:

- Each policy shall be issued by a company authorized to do business in the State of Texas with an A.M. Best Company rating of at least **A- or better**.
- Any deductibles or self-insured retentions shall be declared in the proposal. If requested by the City, the insurer shall reduce or eliminate such deductibles or self-insured retentions with respect to the City, its officials, agents, employees and volunteers; or, the contractor shall procure a bond guaranteeing payment of losses and related investigations, claim administration and defense expenses.
- Liability policies shall be endorsed to provide the following:
 - Name as Additional Insured the City of Denton, its Officials, Agents,

Employees and volunteers.

- That such insurance is primary to any other insurance available to the Additional Insured with respect to claims covered under the policy and that this insurance applies separately to each insured against whom claim is made or suit is brought. The inclusion of more than one insured shall not operate to increase the insurer's limit of liability.
- Provide a Waiver of Subrogation in favor of the City of Denton, its officials, agents, employees, and volunteers.
- ***Cancellation: City requires 30 day written notice should any of the policies described on the certificate be cancelled or materially changed before the expiration date.***
- Should any of the required insurance be provided under a claims made form, Contractor shall maintain such coverage continuously throughout the term of this contract and, without lapse, for a period of three years beyond the contract expiration, such that occurrences arising during the contract term which give rise to claims made after expiration of the contract shall be covered.
- Should any of the required insurance be provided under a form of coverage that includes a general annual aggregate limit providing for claims investigation or legal defense costs to be included in the general annual aggregate limit, the Contractor shall either double the occurrence limits or obtain Owners and Contractors Protective Liability Insurance.
- Should any required insurance lapse during the contract term, requests for payments originating after such lapse shall not be processed until the City receives satisfactory evidence of reinstated coverage as required by this contract, effective as of the lapse date. If insurance is not reinstated, City may, at its sole option, terminate this agreement effective on the date of the lapse.

SPECIFIC ADDITIONAL INSURANCE REQUIREMENTS:

All insurance policies proposed or obtained in satisfaction of this Contract shall additionally comply with the following specifications, and shall be maintained in compliance with these additional specifications throughout the duration of the Contract, or longer, if so noted:

A. COMMERCIAL GENERAL LIABILITY INSURANCE

Commercial General Liability Insurance including, but not limited to, Premises/Operations, Personal & Advertising Injury, Products/Completed Operations, Independent Contractors, and Contractual Liability with minimum combined bodily injury (including death) and property damage limits of

\$1,000,000.00 per occurrence and \$2,000,000.00 general aggregate.

B. WORKERS' COMPENSATION and EMPLOYERS LIABILITY INSURANCE

Workers' Compensation within the regulations of the Texas Workers' Compensation Act. The minimum policy limits for **Employers Liability** are:

Bodily Injury by Accident: \$100,000.00 Each Accident

Bodily Injury by Disease: \$100,000.00 Each Employee

Bodily Injury by Disease: \$500,000.00 Policy Limit

NOTES:

- a. If CONTRACTOR will not be providing services under the contract at a City facility, has no employees and/or is operating as a sole owner and single operator, CONTRACTOR shall provide a signed letter, with the current date, on official letterhead stating such to meet the requirement.
- b. If CONTRACTOR is a non-subscriber or is self-insured CONTRACTOR shall provide a copy of its Certificate of Authority to Self-Insure from the Texas Department of Insurance, Division of Workers' Compensation Self Insurance Regulation Program, evidence of alternative coverage and internal safety and injury coverage policies and procedures.

C. BUSINESS AUTOMOBILE LIABILITY INSURANCE

Business Automobile Liability Insurance covering owned, hired, and non-owned vehicles, with a minimum combined single limit for bodily injury (including death) and property damage limit of \$500,000.00 per occurrence.

NOTE:

- a. If CONTRACTOR does not have owned, hired and non-owned autos or vehicles and/or no autos or vehicles will not be used in the performance of services under the contract, CONTRACTOR shall provide a signed letter, with the current date, on official letterhead stating such to meet the requirement for owned autos.

SUBCONTRACTING LIABILITY

(1) Without limiting any of the other obligations or liabilities of the CONTRACTOR, the CONTRACTOR shall require each Subcontractor performing work under the contract, at the Subcontractor's own expense, to maintain during the engagement with the CITY, types and limits of insurance that are appropriate for the services/work being performed, comply with all applicable laws and are consistent with industry standards. The Subcontractor's liability insurance shall name

CONTRACTOR as an additional insured.

(2) CONTRACTOR shall obtain and monitor the certificates of insurance from each Subcontractor. CONTRACTOR must retain the certificates of insurance for the duration of the contract and shall have the responsibility of enforcing insurance requirements among its subcontractors. The CITY shall be entitled, upon request and without expense, to receive copies of these certificates.

CONFLICT OF INTEREST QUESTIONNAIRE -

FORM CIQ

For vendor or other person doing business with local governmental entity

This questionnaire reflects changes made to the law by H.B. 23, 84th Leg., Regular Session.

This questionnaire is being filed in accordance with Chapter 176, Local Government Code, by a vendor who has a business relationship as defined by Section 176.001(1-a) with a local governmental entity and the vendor meets requirements under Section 176.006(a) and by City of Denton Ethics Code, Ordinance 18-757.

By law this questionnaire must be filed with the records administrator of the local government entity not later than the 7th business day after the date the vendor becomes aware of facts that require the statement to be filed. See Section 176.006(a-1), Local Government Code.

A vendor commits an offense if the vendor knowingly violates Section 176.006, Local Government Code. An offense under this section is a misdemeanor.

1 Name of vendor who has a business relationship with local governmental entity.

SYDH Dallas, Inc. dba Certified Lighting Pros

2 Check this box if you are filing an update to a previously filed questionnaire.

(The law requires that you file an updated completed questionnaire with the appropriate filing authority not later than the 7th business day after the date on which you became aware that the originally filed questionnaire was incomplete or inaccurate.)

3 Name of local government officer about whom the information in this section is being disclosed.

N/A

Name of Officer

Describe each employment or other business relationship with the local government officer, or a family member of the officer, as described by Section 176.003(a)(2)(A). Also describe any family relationship with the local government officer. This section, (item 3 including subparts A, B, C & D), must be completed for each officer with whom the vendor has an employment or other business relationship as defined by Section 176.001(1-a), Local Government Code. Attach additional pages to this Form CIQ as necessary.

A. Is the local government officer named in this section receiving or likely to receive taxable income, other than investment income, from the vendor?

Yes No

B. Is the vendor receiving or likely to receive taxable income, other than investment income, from or at the direction of the local government officer named in this section AND the taxable income is not received from the local governmental entity?

Yes No

C. Is the filer of this questionnaire employed by a corporation or other business entity with respect to which the local government officer serves as an officer or director, or holds an ownership of one percent or more?

Yes No

D. Describe each employment or business and family relationship with the local government officer named in this section.

N/A

4 I have no Conflict of Interest to disclose.

Signed by:
Ashtley Garner

5/29/2026

Signature of Vendor doing business with the governmental entity

Date

CONFLICT OF INTEREST QUESTIONNAIRE

For vendor doing business with local governmental entity

A complete copy of Chapter 176 of the Local Government Code may be found at <http://www.statutes.legis.state.tx.us/ Docs/LG/htm/LG.176.htm>. For easy reference, below are some of the sections cited on this form.

Local Government Code § 176.001(1-a): "Business relationship" means a connection between two or more parties based on commercial activity of one of the parties. The term does not include a connection based on:

- (A) a transaction that is subject to rate or fee regulation by a federal, state, or local governmental entity or an agency of a federal, state, or local governmental entity;
- (B) a transaction conducted at a price and subject to terms available to the public; or
- (C) a purchase or lease of goods or services from a person that is chartered by a state or federal agency and that is subject to regular examination by, and reporting to, that agency.

Local Government Code § 176.003(a)(2)(A) and (B):

- (A) A local government officer shall file a conflicts disclosure statement with respect to a vendor if:
 - (2) the vendor:
 - (A) has an employment or other business relationship with the local government officer or a family member of the officer that results in the officer or family member receiving taxable income, other than investment income, that exceeds \$2,500 during the 12-month period preceding the date that the officer becomes aware that
 - (i) a contract between the local governmental entity and vendor has been executed; or
 - (ii) the local governmental entity is considering entering into a contract with the vendor;
 - (B) has given to the local government officer or a family member of the officer one or more gifts that have an aggregate value of more than \$100 in the 12-month period preceding the date the officer becomes aware that:
 - (i) a contract between the local governmental entity and vendor has been executed; or
 - (ii) the local governmental entity is considering entering into a contract with the vendor.

Local Government Code § 176.006(a) and (a-1)

- (a) A vendor shall file a completed conflict of interest questionnaire if the vendor has a business relationship with a local governmental entity and:
 - (1) has an employment or other business relationship with a local government officer of that local governmental entity, or a family member of the officer, described by Section 176.003(a)(2)(A);
 - (2) has given a local government officer of that local governmental entity, or a family member of the officer, one or more gifts with the aggregate value specified by Section 176.003(a)(2)(B), excluding any gift described by Section 176.003(a-1); or
 - (3) has a family relationship with a local government officer of that local governmental entity.
- (a-1) The completed conflict of interest questionnaire must be filed with the appropriate records administrator not later than the seventh business day after the later of:
 - (1) the date that the vendor:
 - (A) begins discussions or negotiations to enter into a contract with the local governmental entity; or
 - (B) submits to the local governmental entity an application, response to a request for proposals or bids, correspondence, or another writing related to a potential contract with the local governmental entity; or
 - (2) the date the vendor becomes aware:
 - (A) of an employment or other business relationship with a local government officer, or a family member of the officer, described by Subsection (a);
 - (B) that the vendor has given one or more gifts described by Subsection (a); or
 - (C) of a family relationship with a local government officer.

City of Denton Ethics Code Ordinance Number 18-757

Definitions:

Relative: a family member related to a City Official within the third 3rd degree of affinity (marriage) or consanguinity (blood or adoption)

City Official: for purpose of this article, the term consists of the Council Members, Department Heads, or member of the Board of Ethics, Planning and zoning Commission Members, Board of Adjustment, Historic Landmark Commission, or Public Utilities Board

Vendor: a person who provides or seeks to provide goods, services, and/or real property to the City in exchange for compensation. This definition does not include those property owners from whom the City acquires public right-of-way or other real property interests for public use.

Per the City of Denton Ethics Code, Section 2-273. – Prohibitions

- (3) It shall be a violation of this Article for a Vendor to offer or give a Gift to City Official exceeding fifty dollars (\$50.00) per gift, or multiple gifts cumulatively valued at more than two hundred dollars (\$200.00) per a single fiscal year.

Per the City of Denton Ethics Code, Section 2-282. – Disposition (b), (5) Ineligibility

If the Board of Ethics finds that a Vendor has violated this Article, the Board may recommend to the City Manager that the Vendor be deemed ineligible to enter into a City contract or other arrangement for goods, services, or real property, for a period of one (1) year.

Certificate Of Completion

Envelope Id: FBE1C8B8-5774-8549-80E7-7C1AE8BC6569

Status: Sent

Subject: Please DocuSign: City Council Contract 9060 - Decorative Lighting

Source Envelope:

Document Pages: 33

Signatures: 4

Envelope Originator:

Certificate Pages: 6

Initials: 1

Kayla Clark

AutoNav: Enabled

901B Texas Street

Envelopeld Stamping: Enabled

Denton, TX 76209

Time Zone: (UTC-08:00) Pacific Time (US & Canada)

kayla.clark@cityofdenton.com

IP Address: 198.49.140.10

Record Tracking

Status: Original

Holder: Kayla Clark

Location: DocuSign

5/27/2026 7:33:59 AM

kayla.clark@cityofdenton.com

Signer Events

Signature

Timestamp

Kayla Clark

Completed

Sent: 5/27/2026 7:45:45 AM

kayla.clark@cityofdenton.com

Viewed: 5/27/2026 7:46:16 AM

Buyer

Signed: 5/27/2026 7:46:31 AM

City of Denton

Using IP Address: 198.49.140.10

Security Level: Email, Account Authentication (None)

Electronic Record and Signature Disclosure:

Not Offered via DocuSign

Lori Hewell

Initial

Sent: 5/27/2026 7:46:33 AM

lori.hewell@cityofdenton.com

Viewed: 5/27/2026 8:35:18 AM

Purchasing Manager

Signed: 5/27/2026 8:36:16 AM

City of Denton

Signature Adoption: Pre-selected Style

Security Level: Email, Account Authentication (None)

Using IP Address: 198.49.140.10

Electronic Record and Signature Disclosure:

Not Offered via DocuSign

Leah Bush

Signed by:

3A6254145BDA469...

Sent: 5/27/2026 8:36:18 AM

leah.bush@cityofdenton.com

Viewed: 5/27/2026 9:15:01 AM

Assistant City Attorney

Signed: 5/28/2026 8:54:40 AM

Security Level: Email, Account Authentication (None)

Signature Adoption: Pre-selected Style

Using IP Address: 198.49.140.10

Electronic Record and Signature Disclosure:

Not Offered via DocuSign

Ashley Garber

Signed by:

03933361BF5C46A...

Sent: 5/28/2026 8:54:42 AM

ashleygarber@certifiedlights.com

Viewed: 5/28/2026 2:17:49 PM

Vice President

Signed: 5/29/2026 4:59:56 AM

Security Level: Email, Account Authentication (None)

Signature Adoption: Pre-selected Style

Using IP Address:

2603:8080:6f00:16ed:d861:9940:c612:1b28

Electronic Record and Signature Disclosure:

Accepted: 5/28/2026 2:17:49 PM

ID: 57a656ae-4bbb-42b7-90fb-3defc4b77b2f

Signer Events	Signature	Timestamp
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Allison Wing
 Allison.wing@cityofdenton.com
 Interim Director
 Parks and Recreation
 Security Level: Email, Account Authentication (None)

Signed by:

 75387A6F0F1B4F3...
 Signature Adoption: Pre-selected Style
 Using IP Address: 198.49.140.10

Sent: 5/29/2026 4:59:58 AM
 Resent: 5/29/2026 12:50:17 PM
 Resent: 5/29/2026 12:50:19 PM
 Resent: 6/1/2026 6:44:23 AM
 Viewed: 6/1/2026 6:55:11 AM
 Signed: 6/1/2026 6:55:48 AM

Electronic Record and Signature Disclosure:
 Accepted: 6/1/2026 6:55:11 AM
 ID: 0e569813-5265-4899-8e85-2dbb3df27d81

Cheyenne Defee
 cheyenne.defee@cityofdenton.com
 Procurement Administration Supervisor
 City of Denton
 Security Level: Email, Account Authentication (None)

Sent: 6/1/2026 6:55:51 AM

Electronic Record and Signature Disclosure:
 Not Offered via DocuSign

Cassey Ogden
 Cassey.Ogden@cityofdenton.com
 Security Level: Email, Account Authentication (None)

Electronic Record and Signature Disclosure:
 Not Offered via DocuSign

Kristi Fogle
 Kristi.fogle@cityofdenton.com
 Security Level: Email, Account Authentication (None)

Electronic Record and Signature Disclosure:
 Accepted: 6/1/2026 8:39:01 AM
 ID: ce5b4e13-2713-4c1a-8680-081c9e611a0a

In Person Signer Events	Signature	Timestamp
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Editor Delivery Events	Status	Timestamp
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Agent Delivery Events	Status	Timestamp
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Intermediary Delivery Events	Status	Timestamp
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Certified Delivery Events	Status	Timestamp
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Carbon Copy Events	Status	Timestamp
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Cheyenne Defee
 cheyenne.defee@cityofdenton.com
 Procurement Administration Supervisor
 City of Denton
 Security Level: Email, Account Authentication (None)

COPIED

Sent: 5/27/2026 7:46:34 AM

Electronic Record and Signature Disclosure:
 Not Offered via DocuSign

Carbon Copy Events**Status****Timestamp**

Gretna Jones
 gretna.jones@cityofdenton.com
 Legal Secretary
 City of Denton
 Security Level: Email, Account Authentication
 (None)

COPIED

Sent: 6/1/2026 6:55:51 AM
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Electronic Record and Signature Disclosure:
 Not Offered via DocuSign

City Secretary Office
 citysecretary@cityofdenton.com
 Security Level: Email, Account Authentication
 (None)

Electronic Record and Signature Disclosure:
 Not Offered via DocuSign

Craig Arrington
 craig.arrington@cityofdenton.com
 Security Level: Email, Account Authentication
 (None)

Electronic Record and Signature Disclosure:
 Accepted: 5/14/2026 12:04:09 PM
 ID: d7277dcd-f517-4fe9-b1ff-3547f9d83b11

Witness Events**Signature****Timestamp****Notary Events****Signature****Timestamp****Envelope Summary Events****Status****Timestamps**

Envelope Sent

Hashed/Encrypted

5/27/2026 7:45:45 AM

Payment Events**Status****Timestamps****Electronic Record and Signature Disclosure**

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From time to time, City of Denton (we, us or Company) may be required by law to provide to you certain written notices or disclosures. Described below are the terms and conditions for providing to you such notices and disclosures electronically through your DocuSign, Inc. (DocuSign) Express user account. Please read the information below carefully and thoroughly, and if you can access this information electronically to your satisfaction and agree to these terms and conditions, please confirm your agreement by clicking the 'I agree' button at the bottom of this document.

Getting paper copies

At any time, you may request from us a paper copy of any record provided or made available electronically to you by us. For such copies, as long as you are an authorized user of the DocuSign system you will have the ability to download and print any documents we send to you through your DocuSign user account for a limited period of time (usually 30 days) after such documents are first sent to you. After such time, if you wish for us to send you paper copies of any such documents from our office to you, you will be charged a \$0.00 per-page fee. You may request delivery of such paper copies from us by following the procedure described below.

Withdrawing your consent

If you decide to receive notices and disclosures from us electronically, you may at any time change your mind and tell us that thereafter you want to receive required notices and disclosures only in paper format. How you must inform us of your decision to receive future notices and disclosure in paper format and withdraw your consent to receive notices and disclosures electronically is described below.

Consequences of changing your mind

If you elect to receive required notices and disclosures only in paper format, it will slow the speed at which we can complete certain steps in transactions with you and delivering services to you because we will need first to send the required notices or disclosures to you in paper format, and then wait until we receive back from you your acknowledgment of your receipt of such paper notices or disclosures. To indicate to us that you are changing your mind, you must withdraw your consent using the DocuSign 'Withdraw Consent' form on the signing page of your DocuSign account. This will indicate to us that you have withdrawn your consent to receive required notices and disclosures electronically from us and you will no longer be able to use your DocuSign Express user account to receive required notices and consents electronically from us or to sign electronically documents from us.

All notices and disclosures will be sent to you electronically

Unless you tell us otherwise in accordance with the procedures described herein, we will provide electronically to you through your DocuSign user account all required notices, disclosures, authorizations, acknowledgements, and other documents that are required to be provided or made available to you during the course of our relationship with you. To reduce the chance of you inadvertently not receiving any notice or disclosure, we prefer to provide all of the required notices and disclosures to you by the same method and to the same address that you have given us. Thus, you can receive all the disclosures and notices electronically or in paper format through the paper mail delivery system. If you do not agree with this process, please let us know as described below. Please also see the paragraph immediately above that describes the consequences of your electing not to receive delivery of the notices and disclosures electronically from us.

How to contact City of Denton:

You may contact us to let us know of your changes as to how we may contact you electronically, to request paper copies of certain information from us, and to withdraw your prior consent to receive notices and disclosures electronically as follows:

To contact us by email send messages to: purchasing@cityofdenton.com

To advise City of Denton of your new e-mail address

To let us know of a change in your e-mail address where we should send notices and disclosures electronically to you, you must send an email message to us at melissa.kraft@cityofdenton.com and in the body of such request you must state: your previous e-mail address, your new e-mail address. We do not require any other information from you to change your email address..

In addition, you must notify DocuSign, Inc to arrange for your new email address to be reflected in your DocuSign account by following the process for changing e-mail in DocuSign.

To request paper copies from City of Denton

To request delivery from us of paper copies of the notices and disclosures previously provided by us to you electronically, you must send us an e-mail to purchasing@cityofdenton.com and in the body of such request you must state your e-mail address, full name, US Postal address, and telephone number. We will bill you for any fees at that time, if any.

To withdraw your consent with City of Denton

To inform us that you no longer want to receive future notices and disclosures in electronic format you may:

- i. decline to sign a document from within your DocuSign account, and on the subsequent page, select the check-box indicating you wish to withdraw your consent, or you may;
- ii. send us an e-mail to purchasing@cityofdenton.com and in the body of such request you must state your e-mail, full name, IS Postal Address, telephone number, and account number. We do not need any other information from you to withdraw consent.. The consequences of your withdrawing consent for online documents will be that transactions may take a longer time to process..

Required hardware and software

Operating Systems:	Windows2000? or WindowsXP?
Browsers (for SENDERS):	Internet Explorer 6.0? or above
Browsers (for SIGNERS):	Internet Explorer 6.0?, Mozilla FireFox 1.0, NetScape 7.2 (or above)
Email:	Access to a valid email account
Screen Resolution:	800 x 600 minimum
Enabled Security Settings:	<ul style="list-style-type: none"> •Allow per session cookies •Users accessing the internet behind a Proxy Server must enable HTTP 1.1 settings via proxy connection

** These minimum requirements are subject to change. If these requirements change, we will provide you with an email message at the email address we have on file for you at that time providing you with the revised hardware and software requirements, at which time you will have the right to withdraw your consent.

Acknowledging your access and consent to receive materials electronically

To confirm to us that you can access this information electronically, which will be similar to other electronic notices and disclosures that we will provide to you, please verify that you were able to read this electronic disclosure and that you also were able to print on paper or electronically save this page for your future reference and access or that you were able to e-mail this disclosure and consent to an address where you will be able to print on paper or save it for your future reference and access. Further, if you consent to receiving notices and disclosures exclusively in electronic format on the terms and conditions described above, please let us know by clicking the 'I agree' button below.

By checking the 'I Agree' box, I confirm that:

- I can access and read this Electronic CONSENT TO ELECTRONIC RECEIPT OF ELECTRONIC RECORD AND SIGNATURE DISCLOSURES document; and
- I can print on paper the disclosure or save or send the disclosure to a place where I can print it, for future reference and access; and
- Until or unless I notify City of Denton as described above, I consent to receive from exclusively through electronic means all notices, disclosures, authorizations, acknowledgements, and other documents that are required to be provided or made available to me by City of Denton during the course of my relationship with you.



City of Denton

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

AGENDA INFORMATION SHEET

DEPARTMENT: Procurement
ACM: Christine Taylor
DATE: July 14, 2026

SUBJECT

Consider adoption of an ordinance of the City of Denton, a Texas home-rule municipal corporation, authorizing the approval of a first amendment to a Professional Services Agreement between the City of Denton and Kimley-Horn and Associates, Inc., amending the contract approved by Purchasing on April 15, 2026, in the not-to-exceed amount of \$99,500.00; said first amendment to continue to provide additional design services relating to the McKinney Street Sidewalk Improvement Project for the Capital Projects Department; providing for the expenditure of funds therefor; and providing an effective date (RFQ 8377-018 – providing for an additional first amendment expenditure amount not-to-exceed \$35,000.00, with the total contract amount not-to-exceed \$134,500.00).

STRATEGIC ALIGNMENT

This action supports Key Focus Area: Enhance Infrastructure and Mobility.

INFORMATION/BACKGROUND

The City of Denton received funding from the Denton County Transportation Authority (DCTA) in 2024 through the Transportation Reinvestment Program (TRiP) grant cycle. The City's grant application requested support for planning, design, and construction of mobility enhancements along McKinney Street from Carroll Blvd. to Woodrow Lane. DCTA approved the project and executed the funding agreement on March 26, 2025, in the not-to-exceed amount of \$1,510,000.00.

The McKinney Street Sidewalk Improvement Project includes the installation of approximately 450 linear feet of five (5) foot-wide sidewalk along the north side of West McKinney Street from North Elm Street to Bolivar Street, and approximately 1,100 linear feet of five (5) foot-wide sidewalk along the south side of East McKinney Street from Frame Street to Bradshaw Street.

To advance the project, the Capital Projects Department utilized the City's approved RFQ 8377 Pre-Qualified List for Professional Engineering Services specializing in Roadways/Sidewalks/Bike Lanes/Intersections/Bridges. A Professional Services Agreement was executed with Kimley-Horn, as the highest-ranked firm, based on the experience of its traffic study and design team and its continuity with prior project studies. On April 15, 2026, Purchasing approved the contract between the City and Kimley-Horn in a total not-to-exceed amount of \$99,500.

During a field visit on April 23, 2026, a potential drainage conflict was identified in the project area. To address this issue, a first amendment is required to expand the project scope. The amendment will provide

additional field survey work to support further design along E McKinney Street, from approximately 400 feet east of Oakland Street to 200 feet west of the railroad tracks.

Request for Qualifications for state certified engineers for professional engineering services for various capital infrastructure-related projects within the City of Denton for the Capital Projects Department was solicited using the City's formal solicitation process. City Council approved a pre-qualified list of professional service firms on February 20, 2024 (Ordinance 24-276).

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On February 20, 2024, City Council approved RFQ 8377 for state-certified engineers for professional engineering services for various capital infrastructure-related projects within the City of Denton for the Capital Improvements Department (Ordinance 24-276).

RECOMMENDATION

Award Amendment No. 1 with Kimley-Horn and Associates, Inc., to continue to provide additional design services relating to the McKinney Street Sidewalk Improvement Project for the Capital Projects Department, not-to-exceed amount of \$35,000, for a total amended contract amount of \$134,500.

PRINCIPAL PLACE OF BUSINESS

Kimley-Horn and Associates, Inc.
Raleigh, NC

ESTIMATED SCHEDULE OF PROJECT

Estimated design completion is Q3 of 2026.

FISCAL INFORMATION

These services will be funded from Transportation Services account 360243446 and are reimbursable through the Denton County Transportation Authority Reinvestment Program. Purchase Order #214695 will be revised to include the first amendment amount of \$35,000. The total amended amount of the contract is \$134,500.

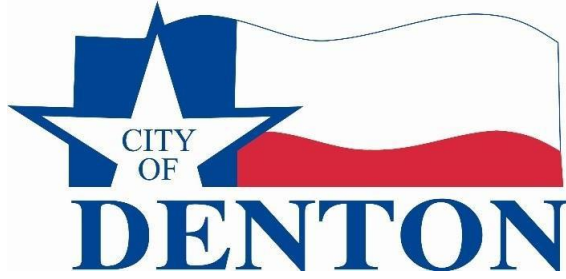
EXHIBITS

- Exhibit 1: Agenda Information Sheet
- Exhibit 2: Original Contract
- Exhibit 3: Ordinance and Amendment 1

Respectfully submitted:
Lori Hewell, 940-349-7100
Purchasing Manager

For information concerning this acquisition, contact: Megan Davidson, 940-349-8111.

Legal point of contact: Leah Bush at 940-349-8333.



DocuSign Transmittal Coversheet

File Name	8377-018 Mckinney Sidewalk (Elm to Bolivar St) Design
Purchasing Contact	Cori Power

CITY OF DENTON, TEXAS

STANDARD AGREEMENT FOR ENGINEERING RELATED PROFESSIONAL SERVICES

This AGREEMENT is between the City of Denton, a Texas home-rule municipality ("CITY"), and Kimley-Horn and Associates, Inc., with its corporate office at 421 Fayetteville Street, Suite 600, Raleigh, NC 27601 and authorized to do business in Texas, ("ENGINEER"), for a PROJECT generally described as: McKinney Sidewalk Improvements (Elm to Bolivar St) (the "PROJECT").

SECTION 1 **Scope of Services**

- A. The CITY hereby agrees to retain the ENGINEER, and the ENGINEER hereby agrees to perform, professional engineering services set forth in the Scope of Services attached hereto as Attachment A. These services shall be performed in connection with the PROJECT.
- B. Additional services, if any, will be requested in writing by the CITY. CITY shall not pay for any work performed by ENGINEER or its consultants, subcontractors and/or suppliers that has not been ordered in advance and in writing. It is specifically agreed that ENGINEER shall not be compensated for any additional work resulting from oral orders of any person.

SECTION 2 **Compensation and Term of Agreement**

- A. The ENGINEER shall be compensated for all services provided pursuant to this AGREEMENT in an amount not to exceed \$99,500.00 in the manner and in accordance with the fee schedule as set forth in Attachment B. Payment shall be considered full compensation for all labor, materials, supplies, and equipment necessary to complete the services described in Attachment A.
- B. Unless otherwise terminated pursuant to Section 6. D. herein, this AGREEMENT shall be for a term beginning upon the effective date, as described below, and shall continue for a period which may reasonably be required for the completion of the PROJECT, until the expiration of the funds, or completion of the PROJECT and acceptance by the CITY, whichever occurs first. ENGINEER shall proceed diligently with the PROJECT to completion as described in the PROJECT schedule as set forth in Attachment C.

SECTION 3 **Terms of Payment**

Payments to the ENGINEER will be made as follows:

A. Invoice and Payment

- (1) The Engineer shall provide the City sufficient documentation, including but not limited to meeting the requirements set forth in the PROJECT schedule as set forth in Attachment C to reasonably substantiate the invoices.
- (2) The ENGINEER will issue monthly invoices for all work performed under this AGREEMENT. Invoices for the uncontested performance of the particular services are due and payable within 30 days of receipt by City.
- (3) Upon completion of services enumerated in Section 1, the final payment of any balance for the uncontested performance of the services will be due within 30 days of receipt of the final invoice.
- (4) In the event of a disputed or contested billing, only that portion so contested will be withheld from payment, and the undisputed portion will be paid. The CITY will exercise reasonableness in contesting any bill or portion thereof. No interest will accrue on any contested portion of the billing until mutually resolved.
- (5) If the CITY fails to make payment in full to ENGINEER for billings contested in good faith within 60 days of the amount due, the ENGINEER may, after giving 7 days' written notice to CITY, suspend services under this AGREEMENT until paid in full. In the event of suspension of services, the ENGINEER shall have no liability to CITY for delays or damages caused the CITY because of such suspension of services.

SECTION 4 Obligations of the Engineer

General

The ENGINEER will serve as the CITY's professional engineering representative under this AGREEMENT, providing professional engineering consultation and advice and furnishing customary services incidental thereto.

A. Standard of Care

The ENGINEER shall perform its services:

- (1) with the professional skill and care ordinarily provided by competent engineers practicing in the same or similar locality and under the same or similar circumstances and professional license; and
- (2) as expeditiously as is prudent considering the ordinary professional skill and care of a competent engineer.

B. Subsurface Investigations

- (1) The ENGINEER shall advise the CITY with regard to the necessity for subcontract work such as special surveys, tests, test borings, or other subsurface investigations in connection with design and engineering work to be performed hereunder. The ENGINEER shall also advise the CITY concerning the results of same. Such surveys, tests, and investigations shall be furnished by the CITY, unless otherwise specified in Attachment A.
- (2) In soils, foundation, groundwater, and other subsurface investigations, the actual characteristics may vary significantly between successive test points and sample intervals and at locations other than where observations, exploration, and investigations have been made. Because of the inherent uncertainties in subsurface evaluations, changed or unanticipated underground conditions may occur that could affect the total PROJECT cost and/or execution. These conditions and cost/execution effects are not the responsibility of the ENGINEER.

C. Preparation of Engineering Drawings

The ENGINEER will provide to the CITY the original drawings of all plans in ink on reproducible mylar sheets and electronic files in .pdf format, or as otherwise approved by CITY, which shall become the property of the CITY. CITY may use such drawings in any manner it desires; provided, however, that the ENGINEER shall not be liable for the use of such drawings for any project other than the PROJECT described herein.

D. Engineer's Personnel at Construction Site

- (1) The presence or duties of the ENGINEER's personnel at a construction site, whether as on-site representatives or otherwise, do not make the ENGINEER or its personnel in any way responsible for those duties that belong to the CITY and/or the CITY's construction contractors or other entities, and do not relieve the construction contractors or any other entity of their obligations, duties, and responsibilities, including, but not limited to, all construction methods, means, techniques, sequences, and procedures necessary for coordinating and completing all portions of the construction work in accordance with the AGREEMENT Documents and any health or safety precautions required by such construction work. The ENGINEER and its personnel have no authority to exercise any control over any construction contractor or other entity or their employees in connection with their work or any health or safety precautions.
- (2) Except to the extent of specific site visits expressly detailed and set forth in Attachment A, the ENGINEER or its personnel shall have no obligation or responsibility to visit the construction site to become familiar with the progress or quality of the completed work on the PROJECT or to determine, in general, if the work on the PROJECT is being performed in a manner indicating that the

PROJECT, when completed, will be in accordance with the AGREEMENT Documents, nor shall anything in the AGREEMENT Documents or this AGREEMENT between CITY and ENGINEER be construed as requiring ENGINEER to make exhaustive or continuous on-site inspections to discover latent defects in the work or otherwise check the quality or quantity of the work on the PROJECT. If the ENGINEER makes on-site observation(s) of a deviation from the AGREEMENT Documents, the ENGINEER shall inform the CITY.

- (3) When professional certification of performance or characteristics of materials, systems or equipment is reasonably required to perform the services set forth in the Scope of Services, the ENGINEER shall be entitled to rely upon such certification to establish materials, systems or equipment and performance criteria to be required in the AGREEMENT Documents.

E. Opinions of Probable Cost, Financial Considerations, and Schedules

- (1) The ENGINEER shall provide opinions of probable costs based on the current available information at the time of preparation, in accordance with Attachment A.
- (2) In providing opinions of cost, financial analyses, economic feasibility projections, and schedules for the PROJECT, the ENGINEER has no control over cost or price of labor and materials; unknown or latent conditions of existing equipment or structures that may affect operation or maintenance costs; competitive bidding procedures and market conditions; time or quality of performance by third parties; quality, type, management, or direction of operating personnel; and other economic and operational factors that may materially affect the ultimate PROJECT cost or schedule. Therefore, the ENGINEER makes no warranty that the CITY's actual PROJECT costs, financial aspects, economic feasibility, or schedules will not vary from the ENGINEER's opinions, analyses, projections, or estimates.

F. Construction Progress Payments

Recommendations by the ENGINEER to the CITY for periodic construction progress payments to the construction contractor will be based on the ENGINEER's knowledge, information, and belief from selective sampling and observation that the work has progressed to the point indicated. Such recommendations do not represent that continuous or detailed examinations have been made by the ENGINEER to ascertain that the construction contractor has completed the work in exact accordance with the AGREEMENT Documents; that the final work will be acceptable in all respects; that the ENGINEER has made an examination to ascertain how or for what purpose the construction contractor has used the moneys paid; that title to any of the work, materials, or equipment has passed to the CITY free and clear of liens, claims, security interests, or encumbrances; or that there are not other matters at issue between the CITY and the

construction contractor that affect the amount that should be paid.

G. Record Drawings

Record drawings, if required, will be prepared, in part, on the basis of information compiled and furnished by others, and may not always represent the exact location, type of various components, or exact manner in which the PROJECT was finally constructed. The ENGINEER is not responsible for any errors or omissions in the information from others that is incorporated into the record drawings.

I. Right to Audit

- (1) ENGINEER agrees that the CITY shall, until the expiration of five (5) years after final payment under this AGREEMENT, have access to and the right to examine and photocopy any directly pertinent books, documents, papers and records of the ENGINEER involving transactions relating to this AGREEMENT. ENGINEER agrees that the CITY shall have access during normal working hours to all necessary ENGINEER facilities and shall be provided adequate and appropriate work space in order to conduct audits in compliance with the provisions of this section. The CITY shall give ENGINEER reasonable advance notice of intended audits.
- (2) ENGINEER further agrees to include in all its subconsultant agreements hereunder a provision to the effect that the subconsultant agrees that the CITY shall, until the expiration of five (5) years after final payment under the subcontract, have access to and the right to examine and photocopy any directly pertinent books, documents, papers and records of such subconsultant, involving transactions to the subcontract, and further, that the CITY shall have access during normal working hours to all subconsultant facilities, and shall be provided adequate and appropriate work space, in order to conduct audits in compliance with the provisions of this section together with subsection (3) hereof. CITY shall give subconsultant reasonable advance notice of intended audits.
- (3) ENGINEER and subconsultant agree to photocopy such documents as may be requested by the CITY. The CITY agrees to reimburse ENGINEER for the cost of copies at the rate published in the Texas Administrative Code in effect as of the time copying is performed.

J. INSURANCE

During the performance of the services under this Agreement, ENGINEER shall maintain insurance in compliance with the requirements of Attachment **D** which is attached hereto and made a part of this Agreement as if written word for word herein.

K. Independent Consultant

The ENGINEER agrees to perform all services as an independent consultant and not as a subcontractor, agent, or employee of the CITY. The doctrine of *respondeat superior* shall not apply.

L. Disclosure

The ENGINEER acknowledges to the CITY that it has made full disclosure in writing of any existing conflicts of interest or potential conflicts of interest, including personal financial interest, direct or indirect, in property abutting the proposed PROJECT and business relationships with abutting property cities. The ENGINEER further acknowledges that it will make disclosure in writing of any conflicts of interest that develop subsequent to the signing of this AGREEMENT and prior to final payment under the AGREEMENT.

M. Asbestos or Hazardous Substances

- (1) If asbestos or hazardous substances in any form are encountered or suspected, the ENGINEER will stop its own work in the affected portions of the PROJECT to permit testing and evaluation.
- (2) If asbestos or other hazardous substances are suspected, the CITY may request the ENGINEER to assist in obtaining the services of a qualified subcontractor to manage the remediation activities of the PROJECT.

N. Permitting Authorities - Design Changes

If permitting authorities require design changes so as to comply with published design criteria and/or current engineering practice standards which the ENGINEER should have been aware of at the time this AGREEMENT was executed, the ENGINEER shall revise plans and specifications, as required, at its own cost and expense. However, if design changes are required due to the changes in the permitting authorities' published design criteria and/or practice standards criteria which are published after the date of this AGREEMENT which the ENGINEER could not have been reasonably aware of, the ENGINEER shall notify the CITY of such changes and an adjustment in compensation will be made through an amendment to this AGREEMENT.

O. Schedule

ENGINEER shall manage the PROJECT in accordance with the schedule developed per Attachment C to this AGREEMENT.

P. Equal Opportunity

- (1) **Equal Employment Opportunity:** ENGINEER and ENGINEER's agents shall not engage in any discriminatory employment practice. No person shall,

on the grounds of race, sex, sexual orientation, age, disability, creed, color, genetic testing, or national origin, be refused the benefits of, or be otherwise subjected to discrimination under any activities resulting from this AGREEMENT.

- (2) **Americans with Disabilities Act (ADA) Compliance:** ENGINEER and ENGINEER's agents shall not engage in any discriminatory employment practice against individuals with disabilities as defined in the ADA.

SECTION 5 **Obligations of the City**

A. City-Furnished Data

ENGINEER may rely upon the accuracy, timeliness, and completeness of the information provided by the CITY.

B. Access to Facilities and Property

The CITY will make its facilities accessible to the ENGINEER as required for the ENGINEER's performance of its services. The CITY will perform, at no cost to the ENGINEER, such tests of equipment, machinery, pipelines, and other components of the CITY's facilities as may be required in connection with the ENGINEER's services. The CITY will be responsible for all acts of the CITY's personnel.

C. Advertisements, Permits, and Access

Unless otherwise agreed to in the Scope of Services, the CITY will obtain, arrange, and pay for all advertisements for bids; permits and licenses required by local, state, or federal authorities; and land, easements, rights-of-way, and access necessary for the ENGINEER's services or PROJECT construction.

D. Timely Review

The CITY will examine the ENGINEER's studies, reports, sketches, drawings, specifications, proposals, and other documents; obtain advice of an attorney, insurance counselor, accountant, auditor, bond and financial advisors, and other consultants as the CITY deems appropriate; and render in writing decisions required by the CITY in a timely manner in accordance with the PROJECT schedule prepared in accordance with Attachment C.

E. Prompt Notice

The CITY will give prompt written notice to the ENGINEER whenever CITY observes or becomes aware of any development that affects the scope or timing of the ENGINEER's

services or of any defect in the work of the ENGINEER or construction contractors.

F. Asbestos or Hazardous Substances Release.

- (1) CITY acknowledges ENGINEER will perform part of the work at CITY's facilities that may contain hazardous materials, including asbestos containing materials, or conditions, and that ENGINEER had no prior role in the generation, treatment, storage, or disposition of such materials. In consideration of the associated risks that may give rise to claims by third parties or employees of City, City hereby releases ENGINEER from any damage or liability related to the presence of such materials.
- (2) The release required above shall not apply in the event the discharge, release or escape of hazardous substances, contaminants, or asbestos is a result of ENGINEER's negligence or if ENGINEER brings such hazardous substance, contaminant or asbestos onto the PROJECT.

G. Contractor Indemnification and Claims

The CITY agrees to include in all construction contracts the provisions of Article IV.E. regarding the ENGINEER's Personnel at Construction Site, and provisions providing for contractor indemnification of the CITY and the ENGINEER for contractor's negligence.

H. Contractor Claims and Third-Party Beneficiaries

- (1) The CITY agrees to include the following clause in all contracts with construction contractors and equipment or materials suppliers:

"Contractors, subcontractors and equipment and materials suppliers on the PROJECT, or their sureties, shall maintain no direct action against the ENGINEER, its officers, employees, and subcontractors, for any claim arising out of, in connection with, or resulting from the engineering services performed. Only the CITY will be the beneficiary of any undertaking by the ENGINEER."
- (2) This AGREEMENT gives no rights or benefits to anyone other than the CITY and the ENGINEER and there are no third-party beneficiaries.
- (3) The CITY will include in each agreement it enters into with any other entity or person regarding the PROJECT a provision that such entity or person shall have no third-party beneficiary rights under this AGREEMENT.
- (4) Nothing contained in this Section H. shall be construed as a waiver of any right the CITY has to bring a claim against ENGINEER.

I. CITY's Insurance

- (1) The CITY may maintain property insurance on certain pre-existing structures associated with the PROJECT.
- (2) The CITY may secure Builders Risk/Installation insurance at the replacement cost value of the PROJECT. The CITY may provide ENGINEER a copy of the policy or documentation of such on a certificate of insurance.

J. Litigation Assistance

The Scope of Services does not include costs of the ENGINEER for required or requested assistance to support, prepare, document, bring, defend, or assist in litigation undertaken or defended by the CITY. In the event CITY requests such services of the ENGINEER, this AGREEMENT shall be amended or a separate agreement will be negotiated between the parties.

K. Changes

The CITY may make or approve changes within the general Scope of Services in this AGREEMENT. If such changes affect the ENGINEER's cost of or time required for performance of the services, an equitable adjustment will be made through an amendment to this AGREEMENT with appropriate CITY approval.

SECTION 6 **General Legal Provisions**

A. Authorization to Proceed

ENGINEER shall be authorized to proceed with this AGREEMENT upon receipt of a written Notice to Proceed from the CITY.

B. Reuse of Project Documents

All designs, drawings, specifications, documents, and other work products of the ENGINEER, whether in hard copy or in electronic form, are instruments of service for this PROJECT, whether the PROJECT is completed or not. Reuse, change, or alteration by the CITY or by others acting through or on behalf of the CITY of any such instruments of service without the written permission of the ENGINEER will be at the CITY's sole risk. The CITY shall own the final designs, drawings, specifications and documents.

C. Force Majeure

The ENGINEER is not responsible for damages or delay in performance caused by acts of God, strikes, lockouts, accidents, or other events beyond the control of the ENGINEER that prevent ENGINEER's performance of its obligations hereunder.

D. Termination

(1) This AGREEMENT may be terminated:

- a. by the City for its convenience upon 30 days' written notice to ENGINEER.
- b. by either the CITY or the ENGINEER for cause if either party fails substantially to perform through no fault of the other and the nonperforming party does not commence correction of such nonperformance within 5 days' written notice or thereafter fails to diligently complete the correction.

(2) If this AGREEMENT is terminated for the convenience of the City, the ENGINEER will be paid for termination expenses as follows:

- a. Cost of reproduction of partial or complete studies, plans, specifications or other forms of ENGINEER'S work product;
- b. Out-of-pocket expenses for purchasing electronic data files and other data storage supplies or services;
- c. The time requirements for the ENGINEER'S personnel to document the work underway at the time of the CITY'S termination for convenience so that the work effort is suitable for long time storage.

(3) Prior to proceeding with termination services, the ENGINEER will submit to the CITY an itemized statement of all termination expenses. The CITY'S approval will be obtained in writing prior to proceeding with termination services.

E. Suspension, Delay, or Interruption to Work

The CITY may suspend, delay, or interrupt the services of the ENGINEER for the convenience of the CITY. In the event of such suspension, delay, or interruption, an equitable adjustment in the PROJECT's schedule, commitment and cost of the ENGINEER's personnel and subcontractors, and ENGINEER's compensation will be made.

F. Indemnification

IN ACCORDANCE WITH TEXAS LOCAL GOVERNMENT CODE SECTION 271.904, THE ENGINEER SHALL INDEMNIFY OR HOLD HARMLESS THE CITY AGAINST LIABILITY FOR ANY DAMAGE COMMITTED BY THE ENGINEER OR ENGINEER'S AGENT, ENGINEER UNDER CONTRACT, OR ANOTHER ENTITY OVER WHICH THE ENGINEER EXERCISES CONTROL TO THE EXTENT THAT THE DAMAGE IS CAUSED BY OR RESULTING FROM AN ACT OF NEGLIGENCE, INTENTIONAL TORT, INTELLECTUAL PROPERTY INFRINGEMENT, OR FAILURE TO PAY A SUBCONTRACTOR OR SUPPLIER. CITY IS ENTITLED TO RECOVER ITS REASONABLE ATTORNEY'S FEES IN PROPORTION TO THE ENGINEER'S LIABILITY.

G. Assignment

Neither party shall assign all or any part of this AGREEMENT without the prior written consent of the other party.

H. Jurisdiction

The law of the State of Texas shall govern the validity of this AGREEMENT, its interpretation and performance, and any other claims related to it. The venue for any litigation related to this AGREEMENT shall be Denton County, Texas.

I. Severability and Survival

If any of the provisions contained in this AGREEMENT are held for any reason to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability will not affect any other provision, and this AGREEMENT shall be construed as if such invalid, illegal, or unenforceable provision had never been contained herein. Sections 5.F., 6.B., 6.D., 6.F., 6.H., and 6.I. shall survive termination of this AGREEMENT for any cause.

J. Observe and Comply

ENGINEER shall at all times observe and comply with all federal and State laws and regulations and with all City ordinances and regulations which in any way affect this AGREEMENT and the work hereunder, and shall observe and comply with all orders, laws ordinances and regulations which may exist or may be enacted later by governing bodies having jurisdiction or authority for such enactment. No plea of misunderstanding or ignorance thereof shall be considered. **ENGINEER AGREES TO DEFEND, INDEMNIFY AND HOLD HARMLESS CITY AND ALL OF ITS OFFICERS, AGENTS AND EMPLOYEES FROM AND AGAINST ALL CLAIMS OR LIABILITY ARISING OUT OF THE VIOLATION OF ANY SUCH ORDER, LAW, ORDINANCE, OR REGULATION, WHETHER IT BE BY ITSELF OR ITS EMPLOYEES.**

K. Immigration Nationality Act

ENGINEER shall verify the identity and employment eligibility of its employees who

perform work under this AGREEMENT, including completing the Employment Eligibility Verification Form (I-9). Upon request by CITY, ENGINEER shall provide CITY with copies of all I-9 forms and supporting eligibility documentation for each employee who performs work under this AGREEMENT. ENGINEER shall adhere to all Federal and State laws as well as establish appropriate procedures and controls so that no services will be performed by any ENGINEER employee who is not legally eligible to perform such services. **ENGINEER SHALL INDEMNIFY CITY AND HOLD CITY HARMLESS FROM ANY PENALTIES, LIABILITIES, OR LOSSES DUE TO VIOLATIONS OF THIS PARAGRAPH BY ENGINEER, ENGINEER'S EMPLOYEES, SUBCONTRACTORS, AGENTS, OR LICENSEES.** CITY, upon written notice to ENGINEER, shall have the right to immediately terminate this AGREEMENT for violations of this provision by ENGINEER.

L. Prohibition On Contracts With Companies Boycotting Israel

Engineer acknowledges that in accordance with Chapter 2271 of the Texas Government Code, City is prohibited from entering into a contract with a company for goods or services unless the contract contains a written verification from the company that it: (1) does not boycott Israel; and (2) will not boycott Israel during the term of the contract. The terms "boycott Israel" and "company" shall have the meanings ascribed to those terms in Section 808.001 of the Texas Government Code. ***By signing this agreement, Engineer certifies that Engineer's signature provides written verification to the City that Engineer: (1) does not boycott Israel; and (2) will not boycott Israel during the term of the agreement.*** Failure to meet or maintain the requirements under this provision will be considered a material breach.

M. Prohibition On Contracts With Companies Doing Business with Iran, Sudan, or a Foreign Terrorist Organization

Sections 2252 and 2270 of the Texas Government Code restricts CITY from contracting with companies that do business with Iran, Sudan, or a foreign terrorist organization. ***By signing this agreement, Engineer certifies that Engineer's signature provides written verification to the City that Engineer, pursuant to Chapters 2252 and 2270, is not ineligible to enter into this agreement and will not become ineligible to receive payments under this agreement by doing business with Iran, Sudan, or a foreign terrorist organization.*** Failure to meet or maintain the requirements under this provision will be considered a material breach.

N. Prohibition on Contracts with Companies Boycotting Certain Energy Companies

Engineer acknowledges that in accordance with Chapter 2274 of the Texas Government Code, City is prohibited from entering into a contract with a company for goods or services unless the contract contains written verification from the company that it (1) does not boycott energy companies; and (2) will not boycott energy

companies during the term of the contract. The terms “boycott energy company” and “company” shall have the meanings ascribed to those terms in Section 809.001 of the Texas Government Code. ***By signing this agreement, Engineer certifies that Engineer’s signature provides written verification to the City that Engineer: (1) does not boycott energy companies; and (2) will not boycott energy companies during the term of the agreement.*** Failure to meet or maintain the requirements under this provision will be considered a material breach.

O. Prohibition on Contracts with Companies Boycotting Certain Firearm Entities and Firearm Trade Associations

Engineer acknowledges that in accordance with Chapter 2274 of the Texas Government Code, City is prohibited from entering into a contract with a company for goods or services unless the contract contains written verification from the company that it (1) does not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association; and (2) will not discriminate during the term of the contract against a firearm entity or firearm trade association. The terms “discriminate against a firearm entity or firearm trade association,” “firearm entity” and “firearm trade association” shall have the meanings ascribed to those terms in Chapter 2274 of the Texas Government Code. ***By signing this agreement, Engineer certifies that Engineer’s signature provides written verification to the City that Engineer: (1) does not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association; and (2) will not discriminate during the term of the contract against a firearm entity or firearm trade association.*** Failure to meet or maintain the requirements under this provision will be considered a material breach.

P. Termination Right for Contracts with Companies Doing Business with Certain Foreign-Owned Companies

The City of Denton may terminate this Contract immediately without any further liability if the City of Denton determines, in its sole judgment, that this Contract meets the requirements under Chapter 2274, and Engineer is, or will be in the future, (i) owned by or the majority of stock or other ownership interest of the company is held or controlled by individuals who are citizens of China, Iran, North Korea, Russia, or other designated country (ii) directly controlled by the Government of China, Iran, North Korea, Russia, or other designated country, or (iii) is headquartered in China, Iran, North Korea, Russia, or other designated country.

Q. Prohibition Against Personal Interest in Contracts

No officer, employee, independent consultant, or elected official of the City who is involved in the development, evaluation, or decision-making process of the performance of any solicitation shall have a financial interest, direct or indirect, in the Contract resulting from that solicitation as defined in the City’s Ethic Ordinance 23-1165 and in the City Charter chapter 2 article XI(Ethics). Any willful violation of this section shall

constitute impropriety in office, and any officer or employee guilty thereof shall be subject to disciplinary action up to and including dismissal. Any violation of this provision, with the knowledge, expressed or implied, of the Contractor shall render the Contract voidable by the City. The Contractor shall complete and submit the City's Conflict of Interest Questionnaire.

R. Agreement Documents

This AGREEMENT, including its attachments and schedules, constitutes the entire AGREEMENT, which supersedes all prior written or oral understandings, and may only be changed by a written amendment executed by both parties. This AGREEMENT may be executed in one or more counterparts and each counterpart shall, for all purposes, be deemed an original, but all such counterparts shall together constitute but one and the same instrument. The following attachments and schedules are hereby made a part of this AGREEMENT:

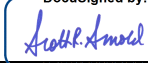
- Attachment A - Scope of Services
- Attachment B – Compensation
- Attachment C – Project Schedule
- Attachment D – Insurance Requirements

These documents make up the AGREEMENT documents and what is called for by one shall be as binding as if called for by all. In the event of an inconsistency or conflict in any of the provisions of the AGREEMENT documents, the inconsistency or conflict shall be resolved by giving precedence first to the written AGREEMENT then to the AGREEMENT documents in the order in which they are listed above.

The parties agree to transact business electronically. Any statutory requirements that certain terms be in writing will be satisfied using electronic documents and signing. Electronic signing of this document will be deemed an original for all legal purposes.

Duly executed by each party's designated representative to be effective on 4/15/2026

BY:
ENGINEER
Kimley-Horn and Associates, Inc.

DocuSigned by:
 Vice President

 Authorized Agent, Title

Full Name: Scott Arnold

BY:
CITY OF DENTON, TEXAS

DocuSigned by:
Covi Power Purchasing Supervisor
5F1FE1003F7D4FE...
Authorized Agent, Title

APPROVED AS TO LEGAL FORM:
MACK REINWAND, CITY ATTORNEY

Signed by:
Leah Bush
3A6254145BDA469...
BY: _____

THIS AGREEMENT HAS BEEN BOTH
REVIEWED AND APPROVED
as to financial and operational obligations
and business terms.

Signed by:
Seth Garcia
A13701F6BC954FC...
SIGNATURE

Director of Capital Projects
TITLE

Capital Projects
DEPARTMENT

ATTACHMENT "A"

Scope of Services and Fee for Engineering Design Related Services for:

McKinney Street Sidewalk Improvements

The scope set forth herein defines the work to be performed by the ENGINEER in completing the project. Both the CITY and ENGINEER have attempted to clearly define the work to be performed and to address the Project's needs.

OBJECTIVE

The objective of this project is to design sidewalks at the following locations

- *Approximately 450 linear feet of 5' wide sidewalk along the north side of W. McKinney Street from N Elm Street to Bolivar Street.*
- *Approximately 1,100 linear feet of 5' wide sidewalk along the south side of E. McKinney Street from Frame Street to Bradshaw Street.*

Work under this agreement consists of project management, preliminary and final design, bid phase services, construction phase services, and topographic survey. The work also includes assisting CITY with construction task order package utilizing CITY's on-call contractor.

WORK TO BE PERFORMED

- Task 1. Design Management
- Task 2. Preliminary Design (60%)
- Task 3. Final Design (90% and 100%)
- Task 4. Bidding Phase Services
- Task 5. Construction Phase Services
- Task 6. Topographic Survey
- Task 7. Geotechnical Engineering
- Task 8. Subsurface Utility Engineering (SUE)
- Task 9. TDLR Permitting

TASK 1. DESIGN MANAGEMENT.

ENGINEER will manage the work outlined in this scope to ensure efficient and effective use of ENGINEER's and CITY's time and resources. ENGINEER will manage change, communicate effectively, coordinate internally and externally as needed, and proactively address issues with the CITY's Project Manager and others as necessary to make progress on the work.

1.1. Managing the Team:

- Lead, manage, and direct design team activities
- Ensure Quality Control / Quality Assurance (QC/QA) is practiced in the performance of the work.
- Communicate internally among team members

- Task and allocate team resources

1.2. Communications and Reporting:

- Attend a pre-design project kickoff/charter meeting with CITY staff to confirm and clarify scope, understand CITY's objectives, and ensure economical and functional designs that meet CITY's requirements.
- Attend two (2) field meetings with City representatives prior to the 30% and 90% submittals.
- Conduct and document *monthly* project update meetings with the CITY's Project Manager and CITY staff.
- Conduct review meetings with the CITY at the end of each design phase.
- Conduct QC/QA reviews and document those activities.
- Prepare invoices and submit monthly in the format requested by the CITY.
- Prepare and submit monthly project status reports in the format provided by the CITY.
- Prepare and submit baseline project schedule initially, and project schedule updates with a schedule narrative as necessary.
- Coordinate with other agencies and entities as necessary for the design of the proposed infrastructure, and provide and obtain information needed to prepare the design
- With respect to coordination with permitting authorities, ENGINEER shall communicate with permitting authorities such that their regulatory requirements are appropriately reflected in the designs. ENGINEER shall work with regulatory authorities to obtain approval of the designs, and make changes necessary to meet their requirements, as part of the design scope.

ASSUMPTIONS

- One (1) pre-design project kickoff/chartering meeting.
- Two (2) field review meetings.
- Six (6) monthly project update meetings during the design phase.
- Two (2) plan review meetings.
- Project design phase is estimated to be six (6) months.
- Project construction phase is estimated to be six (6) months.
- Twelve (12) monthly updates of project status reports and project schedule.

DELIVERABLES

- Meeting summaries with action items
- Baseline design schedule

- Schedule updates with a schedule narrative describing any current or anticipated schedule changes
- Monthly project status reports
- Monthly invoices

TASK 2. PRELIMINARY DESIGN (60 PERCENT).

Preliminary plans and specifications shall be submitted to CITY per the approved Project Schedule.

ENGINEER will develop the preliminary design of the infrastructure as follows.

2.1. Data Collection

- In addition to data obtained from the CITY, the ENGINEER will research and make efforts to obtain pertinent information to aid in the coordination of the proposed improvements with any planned future improvements that may influence the project. The ENGINEER will also identify and obtain data on existing conditions that may impact the project, including utilities, agencies (City, TxDOT, etc.), City Master Plans, and property ownership, as available from the Tax Assessor's office.
- The ENGINEER will consult with the City's Public Works Department, public utilities, private utilities, and government agencies to determine the approximate location of above and underground utilities, and other facilities (current and future) that have an impact or influence on the project.

2.2. Utility Clearance

- The ENGINEER will develop the design of the CITY facilities to avoid or minimize conflicts with existing utilities, and, where known and possible, consider potential future utilities in designs. Where conflicts cannot be avoided, coordination of Utility Conflicts will begin at the Conceptual Design phase.
- In the case of a public utility conflict, the ENGINEER will design CITY facilities to avoid or minimize conflicts with existing utilities, and, where known and possible, consider potential future utilities in designs. [the following are examples of activities that ENGINEER may expand upon – be sure to track changes.]

2.3. The Preliminary Design Drawings and Specifications shall include the following:

- Preliminary cover and index of sheets including project limits, area location map and beginning and end station limits.
- Quantity Summary page.
- Traffic Control Plan, including all construction signage and pavement markings, which will be in accordance with the latest edition of the Texas Manual on Uniform Traffic Control Devices.

- A Project Control Sheet, showing all Control Points, used or set while gathering data. Generally, on a scale of not less than 1:400. The following information shall be indicated for each Control Point: Identified (existing City Monument #8901, PK Nail, 5/8" Iron Rod); X, Y, and Z Coordinates, in an identified coordinate system, and a referred bearing base. Z coordinate on City Datum only; descriptive location.
- Updated existing and proposed typical section sheets.
- Updated sidewalk plan sheets displaying station and coordinate data for all horizontal alignment P.C.'s, P.T.'s, P.I.'s.
- No less than two bench marks plan sheet.
- Bearings given on all proposed centerlines or baselines.
- Sidewalk layout sheets showing ROW lines, horizontal alignments, utilities, curbs, sidewalks, driveways, and existing and proposed contours (0.25' intervals).
- Preliminary pre-cast pedestrian bridge plan and profile, details and notes, abutments and foundations.
- Documentation of key design decisions.
- OPCC.

2.4. Constructability Review

- Prior to the 60 percent review meeting with the CITY and TxDOT, the ENGINEER shall schedule and attend a project site visit with the CITY Project Manager and CITY staff to walk the project. The ENGINEER shall summarize the comments from the field visit and submit them in writing to the CITY.

ASSUMPTIONS

- Three (3) sets of 11"x17" size plans will be delivered to CITY and TxDOT for the 60% design for review coordination.
- ENGINEER shall not proceed with Final Design activities without written approval by the CITY of the Preliminary Design plans.
- The prefabricated pedestrian bridge manufacturer will provide sealed structural calculations and drawings for the truss bridge. The prefabricated bridge is assumed to be 8' wide by 70' in length.

DELIVERABLES

- Preliminary Design drawings.
- OPCC.

TASK 3. FINAL DESIGN (90 PERCENT) AND FINAL CONSTRUCTION DOCUMENTS (100 PERCENT).

Upon approval of the Preliminary plans, ENGINEER will prepare construction plans as follows:

- Final draft construction plans (90%), including specifications, shall be submitted to CITY per the approved Project Schedule.
- Following a 90% construction plan review meeting with the CITY, the ENGINEER shall submit Final Plans (100%) to the CITY per the approved Project Schedule. Each plan sheet shall be stamped, dated, and signed by the ENGINEER registered in the State of Texas.
- A Quantity Summary page will be included in both the 90% and 100% design packages. Each design sheet of those packages shall include a quantity take off table.
- The ENGINEER shall submit an OPCC with both the 90% and 100% design packages. This estimate shall use standard TxDOT bid items.

ASSUMPTIONS

- Three (3) sets of 11"x17" size drawings will be delivered for the 90% Design package.
- Three (3) sets of 11"x17" size drawings will be delivered for the 100% Design package.

DELIVERABLES

- 90% construction plans.
- 100% construction plans and applicable letting forms and documents.
- Detailed OPCC including summaries of bid items and quantities.
- Original 11"x17" size cover mylar for the signatures of authorized CITY officials.

TASK 4. BIDDING PHASE SERVICES

ENGINEER will complete the following tasks for the bidding phase of the project. CITY will utilize existing paving unit price contractor for the construction of this project.

4.1. Bidding Support

- ENGINEER will prepare a construction task order for this project by utilizing CITY's existing on-call paving contractor.
- ENGINEER will prepare a change order to add new bid items to the existing on-call contractor if necessary.

TASK 5. CONSTRUCTION PHASE SERVICES.

ENGINEER will support the construction phase of the project as follows.

5.1. Construction Support

- The ENGINEER shall attend the preconstruction conference.
- *Visits to the Site and Observation of Construction.* ENGINEER will make up to ten (10) visits as directed by CITY to observe the progress of the work. Such observations will not be exhaustive or extend to every aspect of the Contractor's work. Observations will be limited to spot checking, selective measurement, and similar methods of general observation. Based on information obtained during site visits, the ENGINEER will evaluate whether the Contractor's work is generally proceeding in accordance with the Contract Documents and will keep the CITY informed of the work's general progress.

ENGINEER will not supervise, direct, or have control over Contractor's work, nor shall ENGINEER have authority to stop the Work or have responsibility for the means, methods, techniques, equipment choice and usage, schedules, or procedures of construction selected by Contractor, for safety programs incident to Contractor's work, or for any failure of Contractor to comply with any laws. ENGINEER does not guarantee the performance of any Contractor and has no responsibility for Contractor's failure to perform its work in accordance with the Contract Documents.

- *Clarifications and Interpretations.* ENGINEER will respond to reasonable and appropriate Contractor requests for information and issue necessary clarifications and interpretations of the Contract Documents. Any orders authorizing variations from the Contract Documents will be made by CITY.
- *Shop Drawings and Samples.* The ENGINEER will review and approve, or take other appropriate action with respect to, Shop Drawings, Samples, and other data that the Contractor is required to submit, but only for conformance with the information provided in the Contract Documents. Such review and approvals, or other actions, will not extend to means, methods, techniques, equipment selection and use, schedules, or procedures of construction, or to related safety programs.
- *Substantial Completion.* ENGINEER will, after notice from Contractor that it considers the Work ready for its intended use, in company with City, TxDOT, and Contractor, conduct a site visit to determine if the Work is substantially complete. Work will be considered substantially complete upon satisfactory completion of all items, except those identified on the final punch list.
- *Final Notice of Acceptability of the Work.* ENGINEER will conduct a final site visit to determine if the completed Work of Contractor is generally in accordance with the Contract Documents and the final punch list.

ASSUMPTIONS

- Two (2) site visits are assumed.
- Two (2) submittal reviews are assumed.
- Two (2) RFI's are assumed.

DELIVERABLES

- Response to Contractor's Request for Information
- Review of shop drawings
- Final Punch List items

TASK 6. TOPOGRAPHIC SURVEY SERVICES.

ENGINEER will provide survey support as follows.

6.1. Design Survey

- The ENGINEER will perform field surveys to collect horizontal and vertical elevations and other information needed by the ENGINEER in the design and preparation of plans for the project. Information gathered during the survey shall include topographic data; elevations of all sanitary and adjacent storm sewers; rim/invert elevations; locations of buried utilities, structures, and trees (measure caliper, identify overall canopy, and identify tree species); and other features relevant to the final plan sheets. Existing drainage at intersections will be verified by field surveys. Spot elevations will be shown on intersection layouts, with cross slopes to match intersecting grade lines.
- The minimum survey information to be provided on the plans shall include the following:
 - A Project Control Sheet, showing **ALL** Control Points, used or set while gathering data. Generally, on a scale of not less than 1:400:
 - The following information about each Control Point;
 - a. Identified (Existing. City Monument #8901, PK Nail, 5/8" Iron Rod)
 - b. X, Y, and Z Coordinates, in an identified coordinate system, and a referred bearing base. Z coordinates on City Datum only.
 - c. Descriptive Location.
 - Coordinates on all P.C.'s, P.T.'s, P.I.'s, Manholes, Valves, etc., in the same coordinate system as the Control.
 - No less than two horizontal bench marks, per line or location.
 - Bearings given on all proposed centerlines, or baselines.
 - Station equations relating utilities to paving, when appropriate.

6.2. Temporary Right of Entry Preparation and Submittal

- Prior to entering the property, the ENGINEER shall prepare, mail, and obtain Temporary Right of Entry from landowners.

ASSUMPTIONS

- Survey limits are on the north side of McKinney Street, from Elm Street to Bolivar Street.

DELIVERABLES

- Drawing of the project layout with dimensions and a coordinate list.

TASK 7. GEOTECHNICAL ENGINEERING.

The ENGINEER, utilizing a geotechnical engineering subconsultant, will provide the following geotechnical engineering tasks.

8.1. Subsurface Exploration

Drillers and technicians will evaluate subsurface conditions in accordance with the following field program.

- Pedestrian Bridge and Abutment Retaining Walls – Two (2) borings drilled to depths of 40 to 45 feet, planned to extend at least 15 feet into unweathered gray sandy shale or cemented sand.

Cohesive and non-cohesive soil samples will be obtained using 3-inch-diameter Shelby tube samplers and 2-inch-diameter standard split-spoon samplers, respectively. In addition, the rock (shale) encountered will be evaluated using Texas Department of Transportation (TXDOT) cone penetration tests. A soils logger will extrude the samples in the field, check the samples for consistency with a hand penetrometer, carefully wrap them to preserve their condition, and return them to the laboratory for testing. A log of each boring will be prepared to document field activities and results.

The subconsultant will stake the boring locations using handheld GPS equipment. Approximate locations of the borings will be shown on the plan. Precise surveying of boring locations and elevations is not included in the cost estimate. These services may be provided as Additional Services upon request. At the completion of drilling operations, boreholes will be backfilled with drill cuttings and plugged at the surface by hand tamping.

8.2. Laboratory Services

Given the planned facilities, anticipated soil conditions, and geology, laboratory tests will be required to classify the soils and determine their strength characteristics. The following types of tests are therefore recommended:

- moisture content and soil identification

- liquid and plastic limit determinations
- percent passing the No. 200 sieve
- sieve and hydrometer particle size analyses
- unconfined compression tests on soil
- direct shear tests on soils (optional)
- unit weight determinations
- free swell tests

The specific types and quantities of tests will be determined based on geologic conditions encountered in the borings.

8.3. Engineering Services

An engineering report will be prepared to present the results of field and laboratory data, along with our analyses and recommendations. The subconsultant will provide two hard copies and an electronic copy. The report will address:

- general soil and groundwater conditions
- recommendations for foundation type, depth, and allowable loading for pedestrian bridge
- minimum penetration of piers to resist uplift (if required)
- Lpile design parameters
- foundation construction requirements
- recommended lateral pressures for the design of abutment retaining structures
- global slope stability analyses at proposed bridge abutment retaining walls (optional)
- recommendations for tiebacks, including founding material, allowable adhesion, and spacing (optional and if required)
- an evaluation of the swell characteristics of the subgrade soils
- earthwork recommendations

ASSUMPTIONS

- Items other than those specified above, which are revealed by these studies or are necessitated by a change in project scope, may require revised field, laboratory, and engineering services. These services, if required and requested, will be performed as Additional Services.

DELIVERABLES

A. Geotechnical report

TASK 8. SUBSURFACE UTILITY ENGINEERING (SUE).

The ENGINEER, utilizing a Subsurface Utility Engineering (SUE) subconsultant, will provide SUE services as below. the Level B and Level A SUE in the location of proposed pedestrian bridge to support foundation design for the prefabricated pedestrian bridge.

8.1. Level B and Level A SUE

- Level B SUE will be collected in the location of proposed pedestrian bridge to support foundation design for the prefabricated pedestrian bridge.
- Level A test holes will be provided as necessary if the conflict with known utilities from Level B is anticipated.

ASSUMPTIONS

- Up to four (4) Level A test holes are included.

• DELIVERABLES

- A. Drawing of the project layout with dimensions and coordinate list.
- B. SUE plan drawings sealed by a professional engineer registered in the State of Texas.

TASK 9. TDLR PERMITTING.

ENGINEER will provide permitting support for the CITY to obtain any and all agreements and/or permits normally required for a project of this size and type, as follows

9.1. Texas Department of Licensing and Regulation (TDLR)

- Identify and analyze the requirements of the Texas Architectural Barriers Act, Chapter 68 Texas Administrative Code, and become familiar with the governmental authorities having jurisdiction to approve the design of the Project.
- ENGINEER is responsible for providing plans that are in compliance with TDLR requirements.
- Submit construction documents to the TDLR.
- Completing all TDLR forms/applications necessary.
- Obtain the Notice of Substantial Compliance from the TDLR.
- Request an inspection from TDLR or a TDLR locally approved Registered Accessibility Specialist no later than 30 calendar days after construction's substantial completion. Advise the CITY in writing of the inspection results.
- Responding to agency comments and requests.
- All costs associated with TDLR plan review and inspections are to be paid by the ENGINEER during the course of the project.

ASSUMPTIONS

- Permit preparation will begin after approval of the Final Design.
- One (1) on-site meeting for the final TDLR inspection is assumed.

DELIVERABLES

- B. Copies of Permit Applications
- C. Copies of Approved Permits

ADDITIONAL SERVICES NOT INCLUDED IN THE EXISTING SCOPE OF SERVICES

Additional Services not included in the existing Scope of Services – CITY and ENGINEER agree that the following services are beyond the Scope of Services described in the tasks above. However, ENGINEER can provide these services, if needed, upon the CITY's written request. Any additional amounts paid to the ENGINEER as a result of any material change to the Scope of the Project shall be agreed upon in writing by both parties before the services are performed. These additional services include the following:

- Sub-surface Utility Engineering (SUE) beyond the scope included.
- Roadway design and drainage design
- Preparation of ROW and easement documents
- Negotiation of easements or property acquisition.
- Services related to the development of the CITY's project financing and/or budget.
- Construction management and inspection services
- Services necessary due to the default of the Contractor.
- Services related to damages caused by fire, flood, earthquake, or other acts of God.
- Services related to warranty claims, enforcement, and inspection after final completion.
- Services to support, prepare, document, bring, defend, or assist in litigation undertaken or defended by the CITY.
- Performance of miscellaneous and supplemental services related to the project as requested by the CITY.

ATTACHMENT "B"

Compensation for Engineering Related Professional Services for:

MCKINNEY STREET SIDEWALK IMPROVEMENTS

Total compensation for the ENGINEER contemplated under the terms of this agreement **shall be a lump sum total not to exceed \$99,500 for all services**, including reimbursable expenses. The CITY shall compensate the ENGINEER as follows:

The total compensation for Tasks 1 through 8 shall be on a lump sum basis and shall not exceed **\$99,500**.

Progress payments shall be paid monthly based on the actual work satisfactorily completed per month.

• Task 1 – Design Management	\$ 8,500
• Task 2 – Preliminary Design (60%)	\$ 38,500
• Task 3 – Final Design (90% and 100%)	\$ 18,500
• Task 4 – Bidding Phase Services	\$ 1,500
• Task 5 – Construction Phase Services	\$ 3,500
• Task 6 – Topographic Survey	\$ 5,000
• Task 7 – Geotechnical Engineering	\$ 10,000
• Task 8 – Subsurface Utility Engineering (SUE)	\$ 11,500
• Task 9 – TDLR Permitting	\$ 2,500

Grand Total \$ 99,500

ENGINEER will not exceed the total maximum fee shown without authorization from the CITY. Individual task amounts are provided for budgeting purposes only.

All permitting, application, and similar project fees will be paid directly by the CITY.

Payment is due within 30 days of invoice receipt and should include the invoice number and the ENGINEER project number.

Attachment "C"
 McKinney Street Sidewalk Improvements
 Kimley-Horn and Associates, Inc.

TASK	START DATE	END DATE
Project Initiation		
Design Notice to Proceed	Apr-26	Apr-26
Design		
Data Collection/Survey	Apr-26	May-26
60% Submittal	May-26	Jun-26
City Review	Jun-26	Jul-26
90% Submittal	Jul-26	Jul-26
City Review	Jul-26	Aug-26
Final Design Submittal	Aug-26	Aug-26
Bidding		
Construction Task Order Submittal	Aug-26	Sep-26
Contractor Notice to Proceed	Sep-26	Nov-26
Construction		
Construction	Nov-26	May-27

Attachment D INSURANCE REQUIREMENTS

Respondent's attention is directed to the insurance requirements below. It is highly recommended that respondents confer with their respective insurance carriers or brokers to determine in advance of Proposal/Bid submission the availability of insurance certificates and endorsements as prescribed and provided herein. If an apparent low respondent fails to comply strictly with the insurance requirements, that respondent may be disqualified from award of the contract. Upon contract award, all insurance requirements shall become contractual obligations, which the successful ENGINEER shall have a duty to maintain throughout the course of this contract.

STANDARD PROVISIONS:

Without limiting any of the other obligations or liabilities of the ENGINEER, the ENGINEER shall provide and maintain until the contracted work has been completed and accepted by the City of Denton, Owner, the minimum insurance coverage as indicated hereinafter.

As soon as practicable after notification of contract award, ENGINEER shall file with the Purchasing Department satisfactory certificates of insurance including any applicable addendum or endorsements, containing the contract number and title of the project. ENGINEER may, upon written request to the Purchasing Department, ask for clarification of any insurance requirements at any time; however, ENGINEERS are strongly advised to make such requests prior to proposal/bid opening, since the insurance requirements may not be modified or waived after proposal/bid opening unless a written exception has been submitted with the proposal/bid. ENGINEER shall not commence any work or deliver any material until he or she receives notification that the contract has been accepted, approved, and signed by the City of Denton.

All insurance policies proposed or obtained in satisfaction of these requirements shall comply with the following general specifications, and shall be maintained in compliance with these general specifications throughout the duration of the Contract, or longer, if so noted:

- Each policy shall be issued by a company authorized to do business in the State of Texas with an A.M. Best Company rating of at least **A- or better**.
- Any deductibles or self-insured retentions shall be declared in the proposal. If requested by the City, the insurer shall reduce or eliminate such deductibles or self-insured retentions with respect to the City, its officials, agents, employees, and volunteers; or, the ENGINEER shall procure a bond guaranteeing payment of losses and related investigations, claim administration and defense expenses.
- Liability policies shall be endorsed to provide the following:

- Name as Additional Insured the City of Denton, its Officials, Agents, Employees, and volunteers.
- That such insurance is primary to any other insurance available to the Additional Insured with respect to claims covered under the policy and that this insurance applies separately to each insured against whom claim is made or suit is brought. The inclusion of more than one insured shall not operate to increase the insurer's limit of liability.
- Provide a Waiver of Subrogation in favor of the City of Denton, its officials, agents, employees, and volunteers.
- ***Cancellation: City requires 30 day written notice should any of the policies described on the certificate be cancelled or materially changed before the expiration date.***
- Should any of the required insurance be provided under a claims made form, ENGINEER shall maintain such coverage continuously throughout the term of this contract and, without lapse, for a period of three years beyond the contract expiration, such that occurrences arising during the contract term which give rise to claims made after expiration of the contract shall be covered.
- Should any of the required insurance be provided under a form of coverage that includes a general annual aggregate limit providing for claims investigation or legal defense costs to be included in the general annual aggregate limit, the ENGINEER shall either double the occurrence limits or obtain Owners and ENGINEERs Protective Liability Insurance.
- Should any required insurance lapse during the contract term, requests for payments originating after such lapse shall not be processed until the City receives satisfactory evidence of reinstated coverage as required by this contract, effective as of the lapse date. If insurance is not reinstated, City may, at its sole option, terminate this agreement effective on the date of the lapse.

SPECIFIC ADDITIONAL INSURANCE REQUIREMENTS:

All insurance policies proposed or obtained in satisfaction of this Contract shall additionally comply with the following specifications, and shall be maintained in compliance with these additional specifications throughout the duration of the Contract, or longer, if so noted:

A. COMMERCIAL GENERAL LIABILITY INSURANCE

Commercial General Liability Insurance including, but not limited to, Premises/Operations, Personal & Advertising Injury, Products/Completed Operations, Independent ENGINEERs, and Contractual Liability with minimum

combined bodily injury (including death) and property damage limits of \$1,000,000.00 per occurrence and \$2,000,000.00 general aggregate.

B. PROFESSIONAL LIABILITY INSURANCE

If ENGINEER is a licensed or certified person who renders professional services, then **Professional Liability Insurance** to provide coverage against any claim which the ENGINEER becomes legally obligated to pay as damages arising out of the performance of professional services caused by any negligent error, omission or act with minimum limits of \$1,000,000.00 per claim, \$2,000,000.00 annual aggregate.

SUBCONTRACTING LIABILITY

(1) Without limiting any of the other obligations or liabilities of the ENGINEER, the ENGINEER shall require each SubENGINEER performing work under the contract, at the SubENGINEER's own expense, to maintain during the engagement with the CITY, types and limits of insurance that are appropriate for the services/work being performed, comply with all applicable laws and are consistent with industry standards. The SubENGINEER's liability insurance shall name ENGINEER as an additional insured.

(2) ENGINEER shall obtain and monitor the certificates of insurance from each SubENGINEER. ENGINEER must retain the certificates of insurance for the duration of the contract and shall have the responsibility of enforcing insurance requirements among its subENGINEERs. The CITY shall be entitled, upon request and without expense, to receive copies of these certificates.

Attachment CIQ

CONFLICT OF INTEREST QUESTIONNAIRE

CONFLICT OF INTEREST QUESTIONNAIRE -

FORM CIQ

For vendor or other person doing business with local governmental entity

This questionnaire reflects changes made to the law by H.B. 23, 84th Leg., Regular Session.

This questionnaire is being filed in accordance with Chapter 176, Local Government Code, by a vendor who has a business relationship as defined by Section 176.001(1-a) with a local governmental entity and the vendor meets requirements under Section 176.006(a).

By law this questionnaire must be filed with the records administrator of the local government entity not later than the 7th business day after the date the vendor becomes aware of facts that require the statement to be filed. See Section 176.006(a-1), Local Government Code.

A vendor commits an offense if the vendor knowingly violates Section 176.006, Local Government Code. An offense under this section is a misdemeanor.

1 Name of vendor who has a business relationship with local governmental entity. Kimley-Horn and Associates, Inc.

2 Check this box if you are filing an update to a previously filed questionnaire.

(The law requires that you file an updated completed questionnaire with the appropriate filing authority not later than the 7th business day after the date on which you became aware that the originally filed questionnaire was incomplete or inaccurate.)

3 Name of local government officer about whom the information in this section is being disclosed. n/a

Name of Officer

This section, (item 3 including subparts A, B, C & D), must be completed for each officer with whom the vendor has an employment or other business relationship as defined by Section 176.001(1-a), Local Government Code. Attach additional pages to this Form CIQ as necessary.

A. Is the local government officer named in this section receiving or likely to receive taxable income, other than investment income, from the vendor?

Yes No

B. Is the vendor receiving or likely to receive taxable income, other than investment income, from or at the direction of the local government officer named in this section AND the taxable income is not received from the local governmental entity?

Yes No

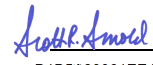
C. Is the filer of this questionnaire employed by a corporation or other business entity with respect to which the local government officer serves as an officer or director, or holds an ownership of one percent or more?

Yes No

D. Describe each employment or business and family relationship with the local government officer named in this section.

4 I have no Conflict of Interest to disclose.

5 DocuSigned by:



4/15/2026

Signature of vendor doing business with the governmental entity

Date

Certificate Of Completion

Envelope Id: 022AF6C6-E495-496A-B6B6-C02B15B2F06F

Status: Completed

Subject: ***Purchasing Approval*** 8377-018 Mckinney Sidewalk (elm to Bolivar St) Design

Source Envelope:

Document Pages: 33

Signatures: 5

Envelope Originator:

Certificate Pages: 6

Initials: 1

Cori Power

AutoNav: Enabled

901B Texas Street

Envelopeld Stamping: Enabled

Denton, TX 76209

Time Zone: (UTC-06:00) Central Time (US & Canada)

cori.power@cityofdenton.com

IP Address: 198.49.140.10

Record Tracking

Status: Original

Holder: Cori Power

Location: DocuSign

4/13/2026 3:56:29 PM

cori.power@cityofdenton.com

Signer Events

Signature

Timestamp

Cori Power

Completed

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cori.power@cityofdenton.com

Viewed: 4/13/2026 4:02:46 PM

Purchasing Supervisor

Signed: 4/13/2026 4:02:53 PM

City of Denton

Using IP Address: 198.49.140.10

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(None)

Electronic Record and Signature Disclosure:

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Lori Hewell

Initial

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lori.hewell@cityofdenton.com

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Purchasing Manager

Signed: 4/13/2026 4:39:40 PM

City of Denton

Signature Adoption: Pre-selected Style

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Electronic Record and Signature Disclosure:

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Leah Bush

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leah.bush@cityofdenton.com

Viewed: 4/15/2026 10:13:36 AM

Assistant City Attorney

Signed: 4/15/2026 10:19:17 AM

Security Level: Email, Account Authentication
(None)

Signature Adoption: Pre-selected Style

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Scott Arnold

DocuSigned by:

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Sent: 4/15/2026 10:19:19 AM

Scott.arnold@kimley-horn.com

Viewed: 4/15/2026 10:57:21 AM

Vice President

Signed: 4/15/2026 10:58:29 AM

Kimley-Horn and Associates, Inc.

Signature Adoption: Uploaded Signature Image

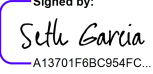
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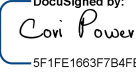
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<p>Cori Power cori.power@cityofdenton.com Purchasing Supervisor City of Denton Security Level: Email, Account Authentication (None)</p>	<p>DocuSigned by:  5F1FE1863F7B4FE...</p> <p>Signature Adoption: Pre-selected Style Using IP Address: 198.49.140.10</p>	<p>Sent: 4/15/2026 12:05:03 PM Viewed: 4/15/2026 2:40:46 PM Signed: 4/15/2026 2:40:54 PM</p>
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Electronic Record and Signature Disclosure:
Not Offered via Docusign

<p>Zoro Gomez zoro.gomez@cityofdenton.com Construction Security Level: Email, Account Authentication (None)</p>	<div style="border: 2px solid blue; padding: 5px; text-align: center; color: blue; font-weight: bold; font-size: 1.2em;">COPIED</div>	<p>Sent: 4/15/2026 2:40:57 PM</p>
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Certified Delivered	Security Checked	4/15/2026 2:40:46 PM
Signing Complete	Security Checked	4/15/2026 2:40:54 PM
Completed	Security Checked	4/15/2026 2:40:57 PM

Payment Events

Status

Timestamps

Electronic Record and Signature Disclosure

ELECTRONIC RECORD AND SIGNATURE DISCLOSURE

From time to time, City of Denton (we, us or Company) may be required by law to provide to you certain written notices or disclosures. Described below are the terms and conditions for providing to you such notices and disclosures electronically through your DocuSign, Inc. (DocuSign) Express user account. Please read the information below carefully and thoroughly, and if you can access this information electronically to your satisfaction and agree to these terms and conditions, please confirm your agreement by clicking the 'I agree' button at the bottom of this document.

Getting paper copies

At any time, you may request from us a paper copy of any record provided or made available electronically to you by us. For such copies, as long as you are an authorized user of the DocuSign system you will have the ability to download and print any documents we send to you through your DocuSign user account for a limited period of time (usually 30 days) after such documents are first sent to you. After such time, if you wish for us to send you paper copies of any such documents from our office to you, you will be charged a \$0.00 per-page fee. You may request delivery of such paper copies from us by following the procedure described below.

Withdrawing your consent

If you decide to receive notices and disclosures from us electronically, you may at any time change your mind and tell us that thereafter you want to receive required notices and disclosures only in paper format. How you must inform us of your decision to receive future notices and disclosure in paper format and withdraw your consent to receive notices and disclosures electronically is described below.

Consequences of changing your mind

If you elect to receive required notices and disclosures only in paper format, it will slow the speed at which we can complete certain steps in transactions with you and delivering services to you because we will need first to send the required notices or disclosures to you in paper format, and then wait until we receive back from you your acknowledgment of your receipt of such paper notices or disclosures. To indicate to us that you are changing your mind, you must withdraw your consent using the DocuSign 'Withdraw Consent' form on the signing page of your DocuSign account. This will indicate to us that you have withdrawn your consent to receive required notices and disclosures electronically from us and you will no longer be able to use your DocuSign Express user account to receive required notices and consents electronically from us or to sign electronically documents from us.

All notices and disclosures will be sent to you electronically

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To contact us by email send messages to: purchasing@cityofdenton.com

To advise City of Denton of your new e-mail address

To let us know of a change in your e-mail address where we should send notices and disclosures electronically to you, you must send an email message to us at melissa.kraft@cityofdenton.com and in the body of such request you must state: your previous e-mail address, your new e-mail address. We do not require any other information from you to change your email address..

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- ii. send us an e-mail to purchasing@cityofdenton.com and in the body of such request you must state your e-mail, full name, IS Postal Address, telephone number, and account number. We do not need any other information from you to withdraw consent.. The consequences of your withdrawing consent for online documents will be that transactions may take a longer time to process..

Required hardware and software

Operating Systems:	Windows2000? or WindowsXP?
Browsers (for SENDERS):	Internet Explorer 6.0? or above
Browsers (for SIGNERS):	Internet Explorer 6.0?, Mozilla FireFox 1.0, NetScape 7.2 (or above)
Email:	Access to a valid email account
Screen Resolution:	800 x 600 minimum
Enabled Security Settings:	<ul style="list-style-type: none"> •Allow per session cookies •Users accessing the internet behind a Proxy Server must enable HTTP 1.1 settings via proxy connection

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ORDINANCE NO. _____

AN ORDINANCE OF THE CITY OF DENTON, A TEXAS HOME-RULE MUNICIPAL CORPORATION, AUTHORIZING THE APPROVAL OF A FIRST AMENDMENT TO A PROFESSIONAL SERVICES AGREEMENT BETWEEN THE CITY OF DENTON AND KIMLEY-HORN AND ASSOCIATES, INC., AMENDING THE CONTRACT APPROVED BY PURCHASING ON APRIL 15, 2026, IN THE NOT-TO-EXCEED AMOUNT OF \$99,500.00; SAID FIRST AMENDMENT TO CONTINUE TO PROVIDE ADDITIONAL DESIGN SERVICES RELATING TO THE MCKINNEY STREET SIDEWALK IMPROVEMENT PROJECT FOR THE CAPITAL PROJECTS DEPARTMENT; PROVIDING FOR THE EXPENDITURE OF FUNDS THEREFOR; AND PROVIDING AN EFFECTIVE DATE (RFQ 8377-018 – PROVIDING FOR AN ADDITIONAL FIRST AMENDMENT EXPENDITURE AMOUNT NOT-TO-EXCEED \$35,000.00, WITH THE TOTAL CONTRACT AMOUNT NOT-TO-EXCEED \$134,500.00).

WHEREAS, on April 15, 2026, Purchasing awarded a contract to Kimley-Horn and Associates, Inc. in the amount of \$99,500.00, for design services relating to the McKinney Street Sidewalk Improvement Project for the Capital Projects Department; and

WHEREAS, this procurement was undertaken as part of the City’s governmental function; and

WHEREAS, the additional fees under the proposed First Amendment are fair and reasonable and are consistent with, and not higher than, the recommended practices and fees applicable to the Provider’s profession, and such fees do not exceed the maximum provided by law; NOW, THEREFORE,

THE COUNCIL OF THE CITY OF DENTON HEREBY ORDAINS:

SECTION 1. The First Amendment, increasing the amount of the contract between the City and Kimley-Horn and Associates, Inc., which is on file in the office of the Purchasing Agent, in the amount of Thirty-Five Thousand and 0/100 (\$35,000.00) Dollars, is hereby approved, and the expenditure of funds therefor is hereby authorized in accordance with said amendment which shall be effective upon the execution of the amendment attached hereto. The total contract amount increases to \$134,500.00.

SECTION 2. This ordinance shall become effective immediately upon its passage and approval.

The motion to approve this ordinance was made by _____ and seconded by _____. The ordinance was passed and approved by the following vote [___ - ___]:

	Aye	Nay	Abstain	Absent
Mayor Chris Watts:	_____	_____	_____	_____
Jordan Villarreal, District 1:	_____	_____	_____	_____
Nick Stevens, District 2:	_____	_____	_____	_____
Suzi Rumohr, District 3:	_____	_____	_____	_____
Joe Holland, District 4:	_____	_____	_____	_____
George Ferrie: At Large Place 5:	_____	_____	_____	_____
Jill Jester, At Large Place 6:	_____	_____	_____	_____

PASSED AND APPROVED this the _____ day of _____, 2026.

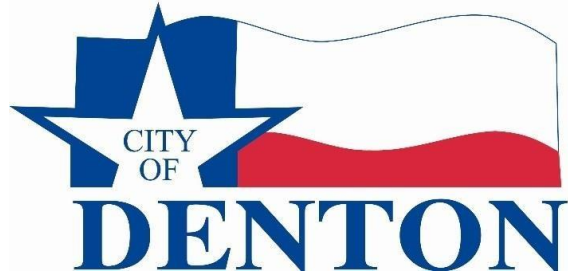
CHRIS WATTS, MAYOR

ATTEST:
KRISTI FOGLE, INTERIM CITY SECRETARY

BY: _____

APPROVED AS TO LEGAL FORM:
MACK REINWAND, CITY ATTORNEY

BY: Leah Bush



DocuSign City Council Transmittal Coversheet

PSA	8377-018
File Name	McKinney Sidewalk Improvement Amendment #1
Purchasing Contact	Cori Power
City Council Target Date	
Piggy Back Option	Not Applicable
Contract Expiration	
Ordinance	

THE STATE OF TEXAS §
 §
COUNTY OF DENTON §

**FIRST AMENDMENT TO CONTRACT
BY AND BETWEEN THE CITY OF DENTON, TEXAS
AND KIMLEY-HORN AND ASSOCIATES, INC.
PSA 8377-018**

THIS FIRST AMENDMENT TO CONTRACT 8377-018 (“Amendment”) by and between the City of Denton, Texas (“City”) and Kimley-Horn and Associates, Inc. (“Engineer”); to that certain contract executed on April 15, 2026, in the original not-to-exceed amount of \$99,500 (the “Agreement”); for services related to the McKinney Sidewalk Improvements (Elm to Bolivar St) project.

WHEREAS, the City deems it necessary to further expand the services provided by Engineer to the City pursuant to the terms of the Agreement, and to provide an additional not-to-exceed amount \$35,000 with this Amendment for an aggregate not-to-exceed amount of \$134,500; and

FURTHERMORE, the City deems it necessary to further expand the goods/services provided by Engineer to the City;

NOW THEREFORE, the City and Engineer (hereafter collectively referred to as the “Parties”), in consideration of their mutual promises and covenants, as well as for other good and valuable considerations, do hereby AGREE to the following Amendment, which amends the following terms and conditions of the said Agreement, to wit:

1. The additional services described in Exhibit “A” of this Amendment, attached hereto and incorporated herein for all purposes, for professional services related to the design of the McKinney Sidewalk Improvements (Elm to Bolivar St) Project, are hereby authorized to be performed by Engineer. For and in consideration of the additional services to be performed by Engineer, the City agrees to pay, based on the cost estimate detail attached as Exhibit “A”, a total fee, including reimbursement for non-labor expenses an amount not to exceed \$35,000.
2. This Amendment modifies the Agreement amount to provide an additional \$35,000 for the additional services with a revised aggregate not to exceed total of \$134,500.

The Parties hereto agree, that except as specifically provided for by this Amendment, that all of the terms, covenants, conditions, agreements, rights, responsibilities, and obligations of the Parties, set forth in the Agreement remain in full force and effect.

IN WITNESS WHEREOF, the City and the Engineer, have each executed this Amendment electronically, by and through their respective duly authorized representatives and officers on this date _____.

“CITY”

“ENGINEER”

CITY OF DENTON, TEXAS
A Texas Municipal Corporation

KIMLEY-HORN AND ASSOCIATES, INC.

By: _____
AUTHORIZED SIGNOR, TITLE

DocuSigned by:
Scott H. Arnold
D185A80061EE4E9...
By: _____ Vice President
AUTHORIZED SIGNOR, TITLE

THIS AGREEMENT HAS BEEN
BOTH REVIEWED AND APPROVED
as to financial and operational
obligations and business terms.

Signed by:
Seth Garcia
A13701F6BC954FC...
SIGNATURE Seth Garcia
PRINTED NAME

Director of Capital Projects

TITLE

Capital Projects

DEPARTMENT

APPROVED AS TO FORM:
MACK REINWAND, CITY ATTORNEY

BY: *Leah Bush*
3A6254145BDA469... _____

Exhibit A

AMENDMENT NO. 1 TO PROFESSIONAL SERVICES AGREEMENT ADDITIONAL SERVICES

Professional Services Agreement:
McKinney Street Sidewalk Improvements
Amendment Scope of Services

Scope of Services

The CITY has requested that the ENGINEER perform additional services consisting of the following:

Task 10 – Additional Design Management

ENGINEER will perform additional design management tasks for the new segment of sidewalk. Following tasks are anticipated under additional design management tasks.

- ENGINEER will attend pre-design site meeting with the CITY staff to confirm and clarify scope, understand CITY's objectives, and ensure economical and functional designs that meet CITY's requirements.
- ENGINEER will conduct QC/QA reviews and document those activities.
- ENGINEER will conduct review meetings with CITY at the end of each design phase.
- ENGINEER will attend up to two (2) coordination meetings with the CITY.

Task 11 – Additional Topographic Survey

ENGINEER will perform additional field surveys to collect horizontal and vertical elevations and other information needed by ENGINEER in design and preparation of additional sidewalk design along E McKinney Street from Oakland Street to Bell Place. Additional filed survey will be collected as outlined in the original agreement.

- Survey will extend along E McKinney Street approximately 400 feet east of Oakland Road intersection to 200 feet west of railroad tracks.

These additional surveys collected will supplement the existing topographic survey collected under previous scope.

Task 12 – Additional Sidewalk Design

ENGINEER will perform additional sidewalk design for the additional segments on McKinney Street as stated below.

- The installation and replacement of sidewalk will be limited to south side of E McKinney Street within the project limit specified above.
- All curb ramps and sidewalk will be replaced to meet ADA/ PROWAG requirements.

- Adjustments of curb and curb inlets are necessary for the installation of sidewalk.
- Existing electric poles within the project limits will remain and relocation of these electric poles are not required.
- Any additional easement or ROW needed will be considered as additional services.
- The additional sidewalk included on this scope will be bid together with the sidewalk section included in the original contract.
- TDLR will be completed together with the original project,
- The new segment of sidewalk will be included together with the 60% design for the overall project.
- A retaining wall is anticipated on the new section of sidewalk included on this scope.
- Narrowing of a roadway segment is required for the sidewalk section between Bell Ave and Bell Place on the south side of McKinney Street.
- ENGINEER will provide modifications of curb inlets as necessary to accommodate new curb lines and sidewalk alignment.
- Preparation of ROW and easement documents, if required, will be done by the CITY.
- ENGINEER will provide additional control points for the new sections of sidewalk on the plans.
- ENGINEER will update 90% and final design of the added segment of sidewalk with the original segments.

Task 13 – Additional Construction Phase Services

- ENGINEER will provide construction phase services for the added segment of sidewalk as outlined in the original contract. Following assumptions and deliverables are included with the additional construction phase services.

ASSUMPTIONS

- Two (2) site visits are assumed.
- Two (2) submittal reviews are assumed.
- Two (2) RFI's are assumed.

DELIVERABLES

- Response to Contractor's Request for Information.
- Review of shop drawings.
- Final Punch List items.

Compensation

The additional services described above will be accommodated by increasing the contract amount by \$35,000. The following table summarizes the revised contract amount:

Task	Original Contract	Amendment No. 1	Revised Contract
Task 1 – Design Management	\$8,500	-	\$8,500
Task 2 – Preliminary Design (60 Percent)	\$38,500	-	\$38,500
Task 3 – Final Design (90 Percent and 100 Percent)	\$18,500	-	\$18,500
Task 4 – Bidding Phase Services	\$1,500	-	\$1,500
Task 5 – Construction Phase Services	\$3,500	-	\$3,500
Task 6 – Topographic Survey Services	\$5,000	-	\$5,000
Task 7 – Geotechnical Investigation/Pavement Design	\$10,000	-	\$10,000
Task 8 – Subsurface Utility Engineering (SUE)	\$11,500	-	\$11,500
Task 9 – TDLR Permitting	\$2,500	-	\$2,500
Task 10 – Additional Design Management		\$5,000	\$5,000
Task 11 – Additional Topographic Survey		\$4,000	\$4,000
Task 12 – Additional Sidewalk Design		\$22,000	\$22,000
Task 13 – Additional Construction Phase Services		\$4,000	\$4,000

Totals:	\$99,500	\$35,000	\$134,500
----------------	-----------------	-----------------	------------------

Duly executed by each party’s designated representative to be effective on the date subscribed by the CITY.

BY:
CITY OF DENTON, TEXAS

BY:
ENGINEER
Kimley-Horn and Associates, Inc

Title: _____

Title: Scott Arnold, P.E., Vice President

Date: _____

Date: _____

Certificate Of Completion

Envelope Id: 597659C9-F331-894D-83E9-B8F998BAC2C5

Status: Sent

Subject: Please DocuSign: City Council Contract 8377-018 McKinney Sidewalk Improvement Amendment #1

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Document Pages: 6

Signatures: 3

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Cori Power

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901B Texas Street

Envelopeld Stamping: Enabled

Denton, TX 76209

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Lori Hewell

Initial

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lori.hewell@cityofdenton.com

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Purchasing Manager

Signed: 6/4/2026 3:21:59 PM

City of Denton

Signature Adoption: Pre-selected Style

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Leah Bush

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3A6254145BDA469...

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leah.bush@cityofdenton.com

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Assistant City Attorney

Signed: 6/9/2026 10:07:33 AM

Security Level: Email, Account Authentication (None)

Signature Adoption: Pre-selected Style

Using IP Address: 198.49.140.104

Electronic Record and Signature Disclosure:

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Scott Arnold

DocuSigned by:

D1B5A80061EE4E9...

Sent: 6/9/2026 10:07:35 AM

Scott.arnold@kimley-horn.com

Viewed: 6/9/2026 12:06:32 PM

Vice President

Signed: 6/9/2026 12:08:58 PM

Kimley-Horn and Associates, Inc.

Signature Adoption: Uploaded Signature Image

Security Level: Email, Account Authentication (None)

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Electronic Record and Signature Disclosure:

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Seth Garcia
Seth.Garcia@cityofdenton.com
Director of Capital Projects
Security Level: Email, Account Authentication (None)

Signed by:

A13701F6BC954FC...
Signature Adoption: Pre-selected Style
Using IP Address: 198.49.140.10

Sent: 6/9/2026 12:08:59 PM
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Signed: 6/9/2026 12:10:55 PM

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Cheyenne Defee
cheyenne.defee@cityofdenton.com
Procurement Administration Supervisor
City of Denton
Security Level: Email, Account Authentication (None)

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Cassey Ogden
Cassey.Ogden@cityofdenton.com
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Electronic Record and Signature Disclosure:

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Ingrid Rex
Ingrid.Rex@cityofdenton.com
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Agent Delivery Events	Status	Timestamp
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Intermediary Delivery Events	Status	Timestamp
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Certified Delivery Events	Status	Timestamp
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Carbon Copy Events	Status	Timestamp
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Cheyenne Defee
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Procurement Administration Supervisor
City of Denton
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Gretna Jones
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Legal Secretary
City of Denton
Security Level: Email, Account Authentication (None)

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citysecretary@cityofdenton.com
Security Level: Email, Account Authentication
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Electronic Record and Signature Disclosure:
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Megan Davidson
megan.davidson@cityofdenton.com
Security Level: Email, Account Authentication
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Electronic Record and Signature Disclosure:
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Notary Events	Signature	Timestamp
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Envelope Summary Events	Status	Timestamps
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Payment Events	Status	Timestamps
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To let us know of a change in your e-mail address where we should send notices and disclosures electronically to you, you must send an email message to us at melissa.kraft@cityofdenton.com and in the body of such request you must state: your previous e-mail address, your new e-mail address. We do not require any other information from you to change your email address..

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Operating Systems:	Windows2000? or WindowsXP?
Browsers (for SENDERS):	Internet Explorer 6.0? or above
Browsers (for SIGNERS):	Internet Explorer 6.0?, Mozilla FireFox 1.0, NetScape 7.2 (or above)
Email:	Access to a valid email account
Screen Resolution:	800 x 600 minimum
Enabled Security Settings:	<ul style="list-style-type: none"> •Allow per session cookies •Users accessing the internet behind a Proxy Server must enable HTTP 1.1 settings via proxy connection

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City of Denton

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

AGENDA INFORMATION SHEET

DEPARTMENT: Parks and Recreation

ACM: Christine Taylor, Assistant City Manager

DATE: July 14, 2026

SUBJECT

Consider the adoption of an ordinance of the City of Denton granting Health Services of North Texas, a noise exception for the Strive N' Thrive 5K event on Saturday, August 8, 2026, from 7:30 a.m. to 11:00 a.m. at North Lakes Park; and providing an effective date.

BACKGROUND

The first-time event, Strive N' Thrive 5K, is hosted by non-profit Community Health Center providing primary medical care for the entire family including prenatal care, behavioral health, prescription assistance and more.

RECOMMENDATION

Staff recommends approval.

ESTIMATED SCHEDULE OF PROJECT

N/A

PRIOR ACTION/REVIEW (Council, Boards, Commissions)

N/A

FISCAL INFORMATION

N/A

BID INFORMATION

N/A

EXHIBITS

Exhibit 1- Agenda Information Sheet

Exhibit 2- Ordinance

Respectfully submitted:
Allison Wing, Interim Parks and Recreation
Director

Prepared by:
Meredith Jones, Special Events Coordinator

ORDINANCE NO. _____

AN ORDINANCE OF THE CITY OF DENTON GRANTING HEALTH SERVICES OF NORTH TEXAS A NOISE EXCEPTION FOR THE STRIVE N' THRIVE 5K EVENT ON SATURDAY, AUGUST 8, 2026, FROM 7:30 A.M. TO 11:00 A.M. AT NORTH LAKES PARK; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, pursuant to Section 17-20 of the Code of Ordinances of the City of Denton, the City Council may make exceptions upon application for sound levels or hours of operation when the public interest will be served thereby; and

WHEREAS, The Strive N' Thrive 5K has made an application to the City Council for an exception to Section 17-20 of the Code of Ordinances regarding sound levels and hours of operation, in connection with the Strive N' Thrive 5K, which will be held on Saturday, August 8, 2026, from 7:30 a.m. to 11:00 a.m., at North Lakes Park in Denton, Texas; and

WHEREAS, Strive N' Thrive 5K will showcase ten LED screens with various digital artworks and a live band; and

WHEREAS, the City Council of the City of Denton finds that granting a noise exception for this event, subject to the restrictions contained herein, would serve the public interest; NOW THEREFORE,

THE COUNCIL OF THE CITY OF DENTON HEREBY ORDAINS:

SECTION 1. Pursuant to Section 17-20 of the Code of Ordinances, Strive N' Thrive 5K is hereby granted an exception to said section's amplified sound prohibition subject to the following restrictions:

1. This exception to the limitations imposed by Section 17-20 of the Code of Ordinances of the City of Denton, is granted only in connection with the operation of the Strive N' Thrive 5K event in Denton, Texas, on Saturday, August 8, 2026, from 7:30 a.m. to 11:00 a.m.
2. Strive N' Thrive 5K agrees to take full responsibility for ensuring that the conditions of this exception are met and to take all reasonable measures necessary to avoid disturbing persons of ordinary sensibilities in the immediate vicinity of the event.
3. Strive N' Thrive 5K agrees to cease using amplified loudspeakers on Saturday, August 8, 2026, at 11:00 a.m.
4. Under no circumstances shall Strive N' Thrive 5K employ the use of amplified loudspeakers past 11:00 a.m. on Saturday, August 8, 2026.
5. The Director of Parks and Recreation may approve modifications to the dates and times of the events.
6. Under no circumstances shall Strive N' Thrive 5K employ the use of amplified loudspeakers that exceeds 75 dba for an outdoor event when measured from the perimeter of the source as

measured by an approved measuring instrument.

- 7. This Ordinance confers no personal or property rights, and may be amended, modified, suspended, or revoked in whole or in part at the will of the City Council of the City of Denton, without any warning, hearing, or compensation, for any reason at all, or for no reason.
- 8. This Ordinance shall be strictly construed as an exception granted pursuant to Section 17- 20 of the Code of Ordinances of the City of Denton. The City of Denton expressly reserves unto itself and all other persons any and all legal remedies, both civil and criminal, relating to excessive noise in connection with this annual event, and hereby disclaims any promissory, or equitable estoppel which might in any way impede the pursuit of such remedies by any person.

SECTION 2. This Ordinance shall be effective immediately upon its passage and approval and shall expire upon the completion of the Strive N' Thrive 5K on Saturday, August 8, 2026, at 11:00 a.m.

The motion to approve this Ordinance was made by _____ and seconded by _____ . This Ordinance was passed and approved by the following vote [___ - ___]:

	Aye	Nay	Abstain	Absent
Mayor Chris Watts:	_____	_____	_____	_____
Jordan E. Villarreal, District 1:	_____	_____	_____	_____
Nick Stevens, District 2:	_____	_____	_____	_____
Suzi Rumohr, District 3:	_____	_____	_____	_____
Joe Holland, District 4:	_____	_____	_____	_____
George Ferrie, At Large Place 5:	_____	_____	_____	_____
Jill Jester, At Large Place 6:	_____	_____	_____	_____

PASSED AND APPROVED this the _____ day of _____, 2026.

CHRIS WATTS, MAYOR

ATTEST:
KRISTI FOGLE, INTERIM CITY SECRETARY

BY: _____

APPROVED AS TO LEGAL FORM:
MACK REINWAND, CITY ATTORNEY

A handwritten signature in blue ink, appearing to read "Amanda Brown". The signature is fluid and cursive, with the first name "Amanda" written in a larger, more prominent script than the last name "Brown".

BY: _____



City of Denton

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

AGENDA INFORMATION SHEET

DEPARTMENT: Economic Development

ACM: Christine Taylor

DATE: July 14, 2026

SUBJECT

Hold a public hearing and consider approval of a resolution of the City Council of the City of Denton, Texas approving the establishment of policies, guidelines, and criteria governing Tax Abatements; and declaring an effective date. The Economic Development Partnership Board recommends approval (7-0).

BACKGROUND

The City of Denton first adopted a Tax Abatement Policy in 1989. Chapter 312 of the Texas Tax Code requires that the Policy for Tax Abatement and Incentives must be approved by the City Council every two years. The current Tax Abatement Policy and Chapter 380 Policy were approved in May 2024. The Tax Abatement Policy expires in May 2026.

The Tax Abatement and Incentive Policy were separated into two policies in 2022: Denton Tax Abatement Policy and the Denton Chapter 380 Policy. The policies were updated to align with the City's Core Values and the 2020 Economic Development Strategic Plan. Strategic Growth Areas (SGA), identified in the strategic plan, replaced our former policy targeted industry sectors for cultivation and recruitment. An additional consideration to encourage minimum and/or living wage was added to the SGAs. An Incentive Evaluation Matrix incorporating these strategic initiatives and values was also developed.

The last update to the policies in 2024 made the following changes:

- Structured the policy priority considerations and public benefit factors around both the three major goals and the SGAs of the strategic plan;
- Incorporated possible underwriting of incentives into the policies;
- Updated the Incentive Evaluation Matrix to match these changes; and
- Updated the Census maps

Staff has prepared draft updates to the Tax Abatement Policy, (Exhibit 2). The following changes to the Tax Abatement Policy seek to:

- Update and align the city's core values that have changed slightly since the last policy update from Integrity, Transparency, Inclusion, Fiscal Responsibility, and Outstanding Customer Service to Inclusion, Collaboration, Quality Service, Strategic Focus and Fiscal Responsibility
- Add targeted industry sectors to replace the SGAs
- Reduce the minimum job threshold of at least 90% to 75% of the jobs in the application to help incentivize projects in early stages that have a path to full employment and support hiring delays due to seasonal, training or supply chain needs
- General administrative clean-up of definitions not needed and other edits to shorten the policy
- Update the Census maps

At the June 10, 2026 Economic Development Partnership Board (EDPB) meeting, the board recommended a revision to the eligibility requirement in the Chapter 312 Tax Abatement Policy from 24 months from the execution of the agreement to 24 months after a permit is issued. The proposed change to the policy is included below.

- To qualify to receive the abatement, companies must meet the minimum threshold of projected tax value for the project in the first 24 months after permit issued or as specified in the tax abatement agreement. The minimum threshold is at least 75% of the incentivized projected tax value for new projects and 50% of the tax value for expansion projects.

PRIOR ACTION/REVIEW (Council, Boards, Commissions)

- **June 10, 2026** - The EDPB reviewed the proposed Chapter 312 Tax Abatement Policy and recommended approval (7-0).

EXHIBITS

Exhibit 1 – Agenda Information Sheet

Exhibit 2 – Resolution and Chapter 312 Tax Abatement Policy

Exhibit 3 – Presentation

Respectfully Submitted:
Brittany Sotelo
Economic Development Director

Prepared By:
Erica Sullivan
Economic Development Program Administrator

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF DENTON, TEXAS APPROVING THE ESTABLISHMENT OF POLICIES, GUIDELINES, AND CRITERIA GOVERNING TAX ABATEMENTS; AND DECLARING AN EFFECTIVE DATE

WHEREAS, the City Council desires to promote economic development within Denton; and

WHEREAS, the Property Development and Tax Abatement Act (“the Act”), Chapter 312, Texas Tax Code allows the City to establish its own criteria for tax abatements; and

WHEREAS, the Act requires the City to establish guidelines and criteria prior to entering into a tax abatement agreement; and

WHEREAS, guidelines and criteria adopted under the Act are effective for two years from the date adopted; and

WHEREAS, on June 6, 2000, the City Council approved guidelines and criteria, known as the Denton Policy for Tax Abatements and Incentives (“Policy”); by passing Resolution No. R2000-28; and

WHEREAS, the City previously adopted, amended, and reauthorized guidelines and criteria for tax abatement by passing Resolution Nos. R90-18, R98-004, R2000-028, R2001-020, R2003-021, R2005-057, R2008-003, R2010-009, R2012-009, R2014-016, R2015-042, R2016-009; 18-148; 20-504; and 22-356; and

WHEREAS, on May 7, 2024, the City Council approved the current Policy by passing Resolution No. 24-821; and

WHEREAS, the current Policy expired on May 7, 2026; and

WHEREAS, the City Council held a public hearing on July 14, 2026, as required by the Act, to receive public feedback regarding the proposed adoption of the Policy attached hereto as Exhibit A and incorporated herein for all purposes; and

WHEREAS, the City Council deems it in the public interest to continue to be eligible for participation in tax abatements and to adopt policies, guidelines, and criteria for tax abatement by adopting the Policy attached hereto as Exhibit A and incorporated herein for all purposes; NOW, THEREFORE,

THE COUNCIL OF THE CITY OF DENTON HEREBY RESOVLES:

SECTION 1. The policies, guidelines, and criteria, set forth in Exhibit A, which is made a part of this Resolution and incorporated herein for all purposes, is approved and adopted, and shall be known as the Denton Chapter 312 Tax Abatement Policy.

SECTION 2. From and after the effective date of this Resolution, the attached Denton Chapter 312 Tax Abatement Policy shall constitute the policies, guidelines, and criteria for tax abatement agreements for the City of Denton in accordance with Chapter 312 of the Texas Tax Code.

SECTION 3. Pursuant to Texas Tax Code Section 312.002(c), the Denton Tax Abatement Policy approved herein shall be effective for two (2) years from the date of the approval of this Resolution, during which time it may amended or repealed by a vote of $\frac{3}{4}$ of the members of Council.

SECTION 4. The City Council reasserts its decision to become eligible to participate in tax abatements. The City Council provides certain tax abatements to applicable business enterprises in various reinvestment zones which are established in the City in accordance with the applicable provisions of Chapter 312 of the Texas Tax Code and in accordance with the Denton Chapter 312 Tax Abatement Policy.

SECTION 5. The Denton Chapter 312 Tax Abatement Policy shall be filed in the official records with the City Secretary and posted on the City's website in accordance with Texas Tax Code Section 312.002(c-2).

SECTION 6. This resolution shall become effective immediately upon its passage and approval.

The motion to approve this resolution was made by _____ and seconded by _____, the resolution was passed and approved by the following vote [___ - ___]:

	Aye	Nay	Abstain	Absent
Mayor, Chris Watts:	_____	_____	_____	_____
Jordan Villarreal , District 1:	_____	_____	_____	_____
Nick Stevens, District 2:	_____	_____	_____	_____
Suzi Rumohr, District 3:	_____	_____	_____	_____
Joe Holland, District 4:	_____	_____	_____	_____
George Michael Ferrie Jr., At Large Place 5:	_____	_____	_____	_____
Jill Jester, At Large Place 6:	_____	_____	_____	_____

PASSED AND APPROVED this the _____ day of _____, 2026.

CHRIS WATTS, MAYOR

ATTEST:
KRISTI FOGLE, INTERIM CITY SECRETARY

BY: _____

APPROVED AS TO LEGAL FORM:
MACK REINWAND, CITY ATTORNEY

BY:  _____
Scott Bray
Deputy City Attorney

EXHIBIT A

Denton Chapter 312 Tax Abatement Policy



Chapter 312

Tax Abatement Policy



**Office of Economic
Development**

Statement of Policy

The City of Denton is committed to promoting economic growth and redevelopment that expands and diversifies the tax base; creates and retains quality jobs; enhances the quality of life for residents; protects human health and the environment; and secures new customers for municipal utilities. Local economic development incentives serve as a tool for the City to accomplish those objectives. To provide a framework for the consideration of the use of public resources to stimulate economic activity, the City has established this policy to align the use of tax abatement incentives with the City's strategic focus areas and ensure a positive return on investment for the community. Tax incentives, as described in this policy, will be available for new and/or existing facilities and structures and for businesses wanting to locate, expand, upgrade, or modernize existing or new facilities and structures in the City of Denton. These tax incentives, as described herein, are governed by Chapter 312 of the Texas Tax Code. This policy is adopted under the authority of the Constitution and Laws of the State of Texas and the City Charter of the City of Denton.

The City of Denton has adopted the core values of

- Inclusion
- Collaboration
- Quality Service
- Strategic Focus,
- Fiscal Responsibility

These values are exemplified in our operations and are considered when contemplating any request for incentives.

The 2020 Economic Development Strategic Plan has a framework built around three major goals: Accelerate Recovery, Foster Growth, and Strengthen Community Inclusion.

While this policy is used to outline the procedures and criteria for granting incentives, the City is not under any obligation to provide an incentive to any applicant. The City considers incentives to be strategic investments in organizations, developments, or projects that benefit the community, are in alignment with the economic development strategic plan, and must comply with all program criteria, policies, and guidelines adopted by the City Council.

All applications or requests are considered on a case-by-case basis by the Economic Development Partnership Board (EDPB) and the City Council. The City will conduct significant due diligence when an application is submitted, which could include reviewing an applicant's submission, requesting information to verify any claims, reviewing any other incentives received by the applicant from other jurisdictions, and conducting an independent economic and fiscal analysis for any proposed project. This policy is designed to help catalyze investment that would not otherwise occur at the scope or length of time without additional public investment. Applications will be excluded from consideration if a building permit for new construction or alteration has been issued or the purchase of an existing building has been executed (excluding existing businesses seeking to expand).

The Office of Economic Development has target industry sectors for recruitment that will be given priority consideration:

- aviation/aerospace

- drone and transportation applications
- mobility
- advanced manufacturing
- biomedical/bioscience
- information technology
- renewable energy
- research and development
- supply chain and logistics

While these targeted industry sectors will be given priority consideration, not being in a targeted industry sector does not disqualify a business from applying for an incentive if it meets other requirements under the policy.

All incentives offered will be evaluated through a cost-benefit analysis. The economic impacts evaluated may include net new jobs, wages, and contributions through property tax, sales taxes, hotel occupancy taxes, mixed beverage taxes, or other significant public benefit. Applicants for tax abatement must make specific repairs or improvements to the property that provide a benefit both to the property and City that will last beyond the expiration of a tax abatement agreement.

All agreements will be based on performance. Successful applicants must demonstrate performance with agreed-upon metrics to continue to receive funding. Failure to meet performance standards will result in recapture, reduction of abatement(s), or termination of agreement(s). Grantees will also be responsible for making periodic reports on their investments, hiring, and providing the City access to records to verify their reports.

Definitions

“Agreement” means a contract between an Incentive recipient and the City clarifying the terms, performance measures, and obligations of the parties.

“Assessed Taxable Value” means the value of the real and business personal property, as appraised by the Denton Central Appraisal District (“DCAD”/or “District”), after any exemptions have been applied.

“Base Year Value” means the Assessed Taxable Value as of January 1 preceding the execution of the agreement, excluding land value, inventory, vehicles and supplies, as determined by the DCAD.

“Business Personal Property” means property associated with a Project other than Real Property and excluding inventory, vehicles and supplies.

“Capital Investment” means the total actual capital cost to grantee for the acquisition of land, development, and construction of the Project, including a reasonable capital operating reserve, and the furniture and equipment installed at the Project.

“City” means the City of Denton, Texas, and its governing and operating bodies.

“Community Support and Involvement” may include but is not limited to monetary or active investment in local nonprofits, public institutions, or community organizations.

“City Council” is the City Council of the City of Denton, Texas.

“Default” is an event in which a party to an Agreement has failed to meet Performance Measures and to perform under prescribed cures.

“Expansion” means an investment in fixed assets that will result in an increase in occupied building areas, increased employment, or higher Assessed Value of Real Property or Business Personal Property by a firm already located in the City.

“Higher wage” means having an average annual wage of \$65,000 or greater for all positions or at least 25% of the positions have an annual wage of \$75,000 or greater.

“Improvement” means a building, structure, or fixture erected on or affixed to land.

“Incentive” means any inducement for economic activity given by the City such as a tax abatement or rebate or any other incentives not prohibited by state or federal law.

“Job” means a permanent, full-time employment position that has provided or will result in employment of at least 2,080 hours per position per year. Part-time positions may be aggregated to create a full-time position for consideration in this policy.

“Knowledge-based jobs” are defined as occupations which require specialized and theoretical knowledge, usually acquired through a college education or through work experience or other training which provides comparable knowledge; require some research, analysis, report writing and presentations; or require special licensing, certification, or registration to perform the job task.

“Leadership in Energy and Environmental Design” (LEED) certification is a voluntary, internationally recognized green building certification system, with verification by a third party that a building or community was designed and built using strategies aimed at improving performance across the following metrics: energy savings, water efficiency, CO₂ emissions reduction, improved indoor environmental quality, and stewardship of resources.

“Living Wage” is the wage necessary to provide the basic family expenses “basic needs budget” plus all relevant taxes.¹

“Local Contractors” and “Local Sub-Contractors” refer to vendors that have their “principal office or place of business,” as reported to the Texas Secretary of State Office, located within Denton City Limits or Extraterritorial Jurisdiction (ETJ).

¹ Online Internet. Massachusetts Institute of Technology’s (MIT) Living Wage Calculator for Denton County <https://livingwage.mit.edu/counties/48121>.

“Modernization” means the replacement and upgrading of existing facilities which increases the productive input or output, updates the technology, or substantially lowers the unit cost of operation, and extends the economic life of the facility. Modernization may result from the construction, alteration, or installation of buildings, structures, fixed machinery, or equipment.

“Primary Employer” refers to employers that produce products or services which are sold outside of the community or region.

“Project” means the combination of proposed investment, improvements, and economic activity that is submitted in an application for an economic incentive.

“Real Property” means land or an improvement affixed thereto.

“Reinvestment Zone” is a geographic area designated as blighted and in need of revitalization for the purpose of granting incentives as authorized by law.

“Tax Abatement” means the full or partial exemption of ad valorem taxes for eligible properties in a reinvestment zone designated as such for economic development purposes for new or expanded business development for a period of up to 10 years. Abatement may be granted for real property improvements and/or business personal property.

“Sustainable materials” or products related to manufacturing may include but are not limited to: biobased; recyclable; pollution reduction equipment or systems; and reclaimed goods.

Application Procedure

To ensure fairness, accountability, and compliance with all applicable regulations, every incentive request must proceed through a uniform application process. Nothing within these guidelines implies or suggests that the City is under any obligation to provide an incentive to any applicant.

1. Applicant shall complete the online Incentive Application Form. The application Form will not be considered until it is administratively complete. The Economic Development Director or the City Manager, or their designee, may amend the Application Form at their discretion from time to time. Applicant shall be responsible for obtaining and submitting the most recent Application Form from the City.
2. Applicant shall prepare a map or other documents providing the following: precise location of the property and all roadways within 500 feet of the site; existing uses and conditions of real property; proposed improvements and uses; zoning changes; compatibility with the Denton 2040 Plan and applicable building codes and City ordinances; and a complete legal description as provided in the deed granting title to the owner of the property. This information will be submitted with the completed Incentive Application Form or the application may be considered incomplete.
3. Applicant shall provide metes and bounds, legal description, and/or plat information on the property in order for staff to prepare the reinvestment zone materials required under Chapter 312 of the Texas Tax Code.
4. Applicant shall complete a Due Diligence Form which authorizes the City to obtain and review any and all information needed to evaluate an application for an

economic development incentive, including business financial statements, creation documents, and credit rating. The City may request additional information related to the creditworthiness or financial position of a business in the process of reviewing and evaluating the application for economic development incentive.

5. Applicant shall complete all forms and information detailed in the Incentive Application Form and submit the Incentive Application Form and all additional required information on the online Application Form.
6. All information in the application package detailed above will be reviewed for completeness and accuracy. Additional information may be requested as needed.
7. The application will be distributed to the appropriate City departments for internal review and comment. Additional information may be requested as needed.
8. Fiscal agents of the City may review the application for comment and recommendation. Additional information may be requested as needed.
9. A third-party underwriter may also be used to review the project and present possible options or recommendations. Additional information may be requested as needed.
10. The Denton Economic Development Partnership Board (EDPB) serves as an advisory body, which makes recommendations to the City Council regarding whether economic development incentives should be offered in each individual case. Its recommendation shall be based upon an evaluation of information submitted in the incentive application and any additional information requested by the EDPB or presented to the EDPB. The EDPB will consider the application at a regular or special-called meeting(s). All meetings of the EDPB shall be held in compliance with the Texas Open Meetings Act, Chapter 551 of the Texas Government Code. Additional information may be requested as needed. The recommendation of the EDPB will be forwarded, with all relevant materials, to the City Council.
11. If the City Council decides to grant a tax abatement, it shall call a public hearing to consider establishment of a tax reinvestment zone in accordance with Section 312.201 of the Texas Tax Code. The reinvestment zone must meet one or more of the criteria of Section 312.202 of the Texas Tax Code.
12. The City Council may consider adoption of an ordinance or resolution approving the terms and conditions of a contract between the City and the applicant governing the provision of the tax abatement or incentive and the commitments of the applicant, including all the terms required by Section 312.205 of the Texas Tax Code and such other terms and conditions as the City Council may require.
13. The City reserves the authority to enter into tax abatement agreements at differing percentages and/or terms as set forth in the guidelines of this Policy, consistent with the requirements of Chapter 312 of the Texas Tax Code. The City also reserves the authority to enter into incentive agreements under Chapter 380 of the Texas Local Government Code. The City has a separate policy for Chapter 380 incentive programs.

Section 312.003 of the Texas Tax Code makes confidential information provided to the City as a part of this application that describes the specific processes or business activities to be conducted or the equipment or other property to be located on the property. This information is not subject to

public disclosure until the incentive agreement is executed. Section 522.131 of the Texas Government Code (Texas Public Information Act) makes confidential information which relates to economic development negotiations between the City and a business prospect that the City seeks to have locate, stay, or expand in or near the territory of the City. The information must relate to a trade secret of the business prospect or commercial or financial information which the business prospect can demonstrate based on specific factual evidence that disclosure would cause substantial competitive harm to the person from whom the information was obtained or information about a financial or other incentive being offered to the business prospect by the City or by another person. Information about a financial or other incentive being offered to the business prospect is required to be disclosed when an agreement is made with a business prospect. The City will respond to requests for disclosure as required by law and will assert exceptions to disclosure as it deems relevant. The City will make reasonable attempts to notify the applicant of the request so it may assert its own objections to the Attorney General.

Any incentive agreement will address various issues, including but not limited to, the following:

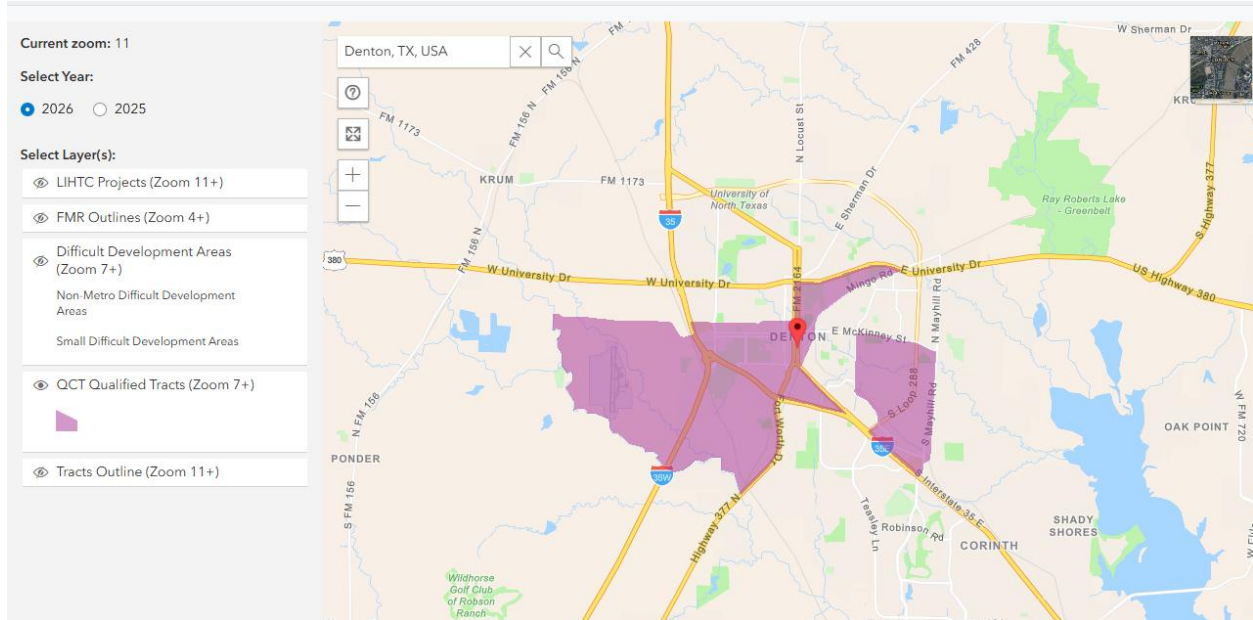
1. General description of the project
2. Amount of the incentive and percent of value to be abated each year
3. Method of calculating the value of the abatement
4. Duration of the abatement, including commencement date and termination date
5. Complete legal description of the property as provided in the deed granting title to the owner of the property
6. Kind, number, location and timetable of planned improvement
7. Specific terms and conditions to be met by applicant, which will be based on the information submitted by the applicant in the Incentive Application Form and/or other appropriate criteria
8. The proposed use of the facility and nature of construction
9. Contractual obligations in the event of default, violation of terms or conditions, delinquent taxes, recapture, any decrease in valuation, administration and assignment.

Businesses receiving an incentive are asked to use diligent efforts to purchase all goods and services from Denton businesses whenever such goods and services are comparable in availability, quality and price. The City of Denton also encourages the use, if applicable, of qualified contractors, subcontractors and suppliers who are historically underutilized businesses based on information provided by the General Services Commission pursuant to Chapter 2161 of the Government Code. Businesses receiving an incentive are encouraged to use diligent efforts to hire local contractors and local subcontractors where possible during construction of the project.

Businesses receiving incentives are asked to endeavor to make available, or endeavor to cause lessees or assignees to make available full-time or part-time employment for Denton residents. In this effort, the business, lessee or assignee is encouraged to recruit from the low-moderate income Census tracts as further defined by the U.S. Department of Housing and Urban Development's (HUD) Qualified Census Tracts (QCT) map shown in Figure 1. HUD defines QCTs as "census tracts in which one-half or more of the households have incomes below 60 percent of the area median income or the poverty rate is 25 percent of [or] higher.

Figure 1: 2026 Qualified Census Tracts in Denton

The 2026 Qualified Census Tracts (QCTs) and Difficult Development Areas (DDAs) are effective January 1, 2026. The 2026 QCT designations use tract boundaries from the 2020 decennial census. The 2026 metro DDAs use ZIP Code Tabulation Area (ZCTA) boundaries from the 2020 decennial census. The designation methodology is explained in the [Federal Register notice](#) published September 30, 2025.



Tax Abatement

New, expanding, and modernizing businesses may be considered for a tax abatement if a minimum threshold of \$5 million in ad valorem value will be created by the project. Once a determination has been made that a project is eligible for a tax abatement, the targeted industries, public benefit factors, and considerations will serve as a basis for determining the amount and term of abatement.

To qualify to receive the abatement, companies must meet the minimum threshold of projected tax value for the project within the first 24 months after the City issues a construction permit for the project or as specified in the tax abatement agreement. The minimum threshold is at least 75% of the incentivized projected tax value for new projects and 50% of the tax value for expansion projects. Minimum job-related thresholds, if applicable, will be at least 75% of the jobs in the application for that year, or as required by the agreement.

If, upon initial application, a project qualifies for tax abatement under the guidelines set forth in this Policy, the City may consider the economic and fiscal impacts, targeted industries, public benefit factors, and the following priority considerations in evaluating the project and the abatement percentage.

- Generates new utility customers (priority consideration for larger customers);
- Encourages new business markets/suppliers and entrepreneurship (the project is from an industry not significantly represented in the local economy or is a new business startup or entrepreneurial endeavor);
- Expands the tax base through property, sales, Hotel Occupancy Tax (HOT), or other taxes to the City, County, DISD, and DCTA through the development of property, facility or by making improvements to an existing property or facility, through the development of a new business

or expansion of an existing business, through the development of a new multi-tenant complex where businesses can locate, or through the addition or increase in jobs available in the City;

- Public-Private Partnerships include development of public infrastructure or public amenities that City deems beneficial, or developer assumes responsibility for development of infrastructure or other public facilities beyond what is required. Project will involve a significant relationship with a public school district or institution of higher education;
- Increases higher wage or knowledge-based jobs (includes an average annual wage of \$65,000 or greater for all positions or at least 25% of the positions have an annual wage of \$75,000 or greater or an average wage that is above the average wage in Denton County or at least 25 percent of jobs requiring a college bachelor's degree);
- Pays a living wage for all new employees in accordance with the current "Living Wage" from the MIT Living Wage Calculator for Denton County;
- Engages in sustainable practices (Renewable energy will be generated, stored, or utilized for the project or the project incorporates significant environmentally sustainable practices that include: Leadership in Energy and Environmental Design (LEED) certification, recycling initiatives, the manufacture of sustainable materials or products that support sustainable industries, or the incorporation of clean technology);
- Spur infill development or redevelopment (Project is to develop/redevelop a property in a manner that reduces urban sprawl and/or increases density in a desirable area; project includes property or an existing facility that has been vacant or underutilized for at least two years);
- The project is an international or national headquarters facility;
- Provides benefits to employees that may include: on-site childcare services; adult care; vouchers or other financial assistance for child or adult care; backup or temporary childcare services; flexible hours or remote work accommodations; and flexible spending accounts; 401(k) matching/pension; tuition reimbursement; or other benefits;
- The project will redevelop or create improvements in Tax Increment Reinvestment Zone Number One or it meets a community priority of the Design Downtown Plan.
- Community Investment demonstrates a commitment to community support or involvement through monetary or in-kind support of local nonprofits, public institutions, or community organizations;
- Other priorities or considerations as determined by City Council.
- 25% of local contractors used in construction or 25% of new jobs filled by Denton residents

All abatements are subject to final approval of the City Council. Even though a project may meet the criteria as set forth in this Policy, an application may be denied at the discretion of the City. The incentive shall not apply to any portion of the land value of the project.

The City may consider the use of incentives to retain existing businesses, which propose to improve or redevelop property within the City limits. The City may also take into consideration the expansion/redevelopment of existing businesses that create new or additional higher wage or knowledge-based jobs. The incentive will only apply to the increased valuation of the improvements

over the appraised value of the property prior to such improvements as determined by the Denton Central Appraisal District the year in which the tax abatement agreement is executed. The City may also consider other tax incentives authorized by law.

July 14 2026

Chp. 312 Tax Abatement Policy

OFFICE OF ECONOMIC DEVELOPMENT

Erica Sullivan
Economic Development Program Administrator



ID 26-0925; 7/14/2026

Incentive Policies

Overview and History

Tax Abatement Considerations

Proposed Changes

Tax Abatement Overview

- New and Expanded businesses
- Minimum capital investment required
- Property owner receives an exception deducted from total on tax statement from appraisal district
- Economic analysis is performed to determine project costs and ROI to the City

Increment: New ad valorem taxes created from real property improvements and business personal property improvements

Policy History

City of Denton Policy for Tax Abatement and Incentives

- First Tax Abatement Policy approved in 1989
- Updated to include green initiatives in 2010 and 2012
- Broadened to apply Chapter 380 of the Texas Local Government Code (LGC) to implement a wider range of incentive programs in 2014
- Retail addressed, definitions added, and the Investment Fund and Aircraft Incentive programs were incorporated in 2018
- Update in 2020 had no significant changes

Policy History: Economic Development Strategic Plan

- The 2020 Strategic Plan was approved in February of 2021.
- The policies were separated and aligned with the strategic plan and the City’s Core Values in 2022.

Five Guiding Principles

Core Resiliency
Future Focused
Inclusive Growth
Entrepreneurial Spirit
Cultural Vitality

Three Major Goals

Accelerate Recovery
Foster Growth
Strengthen Community
Inclusion

- Structured the priority considerations and public benefit factors around the SGAs, added a comprehensive benefit package consideration and incorporated underwriting in 2024.

Tax Abatement Considerations

Chapter 312 of the Texas Tax Code requires governing body to adopt guidelines and criteria governing tax abatements in order to be eligible to grant tax abatements.

- Policy is effective for 2 years after adoption
- During the 2 year period, the policy can only be amended by a three-fourths vote of the government body
- Governing body must hold a public hearing regarding the proposed policy
- Denton County generally prefers to participate in tax abatements with Cities

Proposed Changes to the Current Policy

- Any minimum job-related thresholds will be at least 75% of the jobs in the application (previous was 90%)
- Revision to the eligibility requirement from 24 months from the execution of the agreement to 24 months after a permit is issued.
- General administrative clean-up of definitions and items not needed
- Updated the Census maps

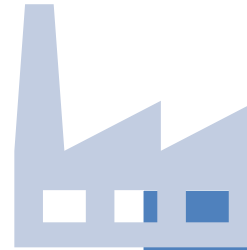
Proposed Changes to the Current Policy: Values



Current

City Core Values

- Integrity
- Transparency
- Inclusion
- Fiscal Responsibility
- Outstanding Customer Service



Proposed

City Core Values

- Inclusion
- Collaboration
- Quality Service
- Strategic Focus
- Fiscal Responsibility

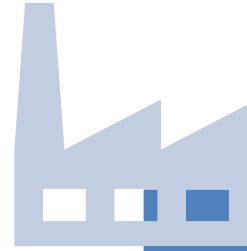
Proposed Changes to Current Policies: Targets



Current

Targeted Sectors

- Strategic growth areas and related industries, organized by (NAICS) codes. These industries have been identified in the Strategic Plan.
- The strategic growth areas include: Connectivity, Creativity, Sustainability, and Competitiveness.



Proposed

Targeted Sectors

- Aviation/aerospace
- Drone & Transportation
- Mobility
- Advanced Manufacturing
- Biomedical/Bioscience
- Information Technology
- Renewable Energy
- Research & Development
- Supply Chain & Logistics
- Significant Consumers of Municipal Utilities
- UAS Tech Ecosystem

EDPB and Staff Recommendations

Prior Action/Review

- The Economic Development Partnership Board (EDPB) reviewed the proposed Chapter 312 Tax Abatement Policy and recommended approval (7-0).

Staff Recommendation

- City Council approve the Chapter 312 Tax Abatement Policy with the proposed changes

Questions

ID 26-0925; 7/14/2026



City of Denton

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

AGENDA INFORMATION SHEET

DEPARTMENT: Department of Development Services

ACM: Kenneth Hedges

DATE: July 14, 2026

SUBJECT

Hold a public hearing and consider adoption of an ordinance of the City of Denton, Texas, regarding a change in the zoning district and use classification from Residential 3 (R3) district to Residential 7 (R7) district on approximately 0.74 acres of land generally located on the northeast corner of Bolivar Street and Taliaferro Street, approximately 155 feet west of North Elm Street in the City of Denton, Denton County, Texas; adopting an amendment to the City's Official Zoning Map; providing for a penalty in the maximum amount of \$2,000.00 for violations thereof; providing for a severability clause and an effective date. The Planning and Zoning Commission voted (5-1) to recommend approval. Motion for approval by Chair Pruett and second by Commissioner Riggs (Z25-0018b, Denton Duplexes, Angie Manglaris).

[Jan 14, 2026 Planning and Zoning Commission on 2026-01-14 5:30 PM - Denton, TX](#)

BACKGROUND

The applicant, Candy Whitaker of McAdams Company, has applied to rezone approximately 0.74 acres from Residential 3 (R3) Zoning District to Residential 7 (R7) Zoning District. The site is currently vacant with mature trees scattered throughout the site. There is no Environmentally Sensitive Area or wildlife corridor present on this site.

The subject property was developed as a single-family residence in 1955. After an initial zoning district of One-Family Dwelling District (SF-7) in 1969 the property was transitioned to Neighborhood Residential 3 (NR-3) in 2002. Following the implementation of the 2019 Denton Development Code, the property was reclassified in the Residential 3 (R3) zoning district. In March of 2025, it was determined that the single-family residence and accessory buildings were in a state of disrepair, and the demolition of these buildings was approved by City Staff.

The applicant has submitted a conceptual site plan proposing the subdivision of the subject property into four parcels, each containing a duplex. While the applicant has indicated the intent is to develop the subject property as duplexes, if this change is approved any use permitted in the R7 District could be allowed (see Exhibit 9).

The zoning of surrounding properties is a mixture comprised of Residential 7 (R7) to the east, Residential 3 (R3) to the north, and Residential 4 (R4) to the west. Development in the vicinity is varied and includes single-family residences, duplexes, a religious facility, and multifamily. The Bolivar Street area has developed over time as a mixed residential neighborhood. The area was characterized by single-family homes developed in the 1940's, followed by phases of duplex development in 1971, 1995, and 2018. In

addition to residential uses, a small number of supporting uses such as churches and low-intensity commercial were developed beginning in the 1970's and continuing through 1995.

A full Staff Analysis is provided in Exhibit 2.

PLANNING AND ZONING COMMISSION

On January 14, 2026, the Planning and Zoning Commission held a public hearing and recommended approval of the rezoning request [5-1]. Several members of the community spoke in opposition during the public hearing; citing concerns related to density, parking, traffic, tree preservation, and building orientation.

During the discussion that followed, the Commissioners considered the following:

- The Commission requested confirmation regarding maximum allowed parking for the use and the developer's plan for parking regarding single-car garages. Staff stated that the 16 spaces proposed by the developer are in line with current DDC requirements for duplexes. It was noted that the site plan is not finalized and will be revised upon Staff review at future submittals.
- The Commission requested information from the developer regarding the total number of bedrooms planned. The applicant noted that the project is still in the design phase and no final layout has been decided upon.
- The Commission requested additional detail from Staff related to the development history of the area and the ongoing city-wide parking study. Staff informed the Commission that development of the single-family residences in the area began in the 1940's, with duplexes and quadplexes being developed in the 1970's, 1990's, and 2010's.
- The Commission requested further clarification about allowed uses within the R3 zoning district. Staff referred to the table of allowed uses, stating that R3 district allows for single-family residential and supporting uses such as schools, religious buildings, and agricultural uses.

The applicant stated that they will engage in ongoing neighborhood engagement in order to address concerns. Since the Public Hearing, no neighborhood meetings have been held, but the applicant has talked with individual property owners in order to discuss their concerns. The applicant has indicated that they plan to incorporate changes addressing neighbor concerns into their conceptual plans; this could include things such as adding additional parking spaces and increasing landscape buffers and tree preservation. It should be noted that since this request is for a straight zoning change from R3 to R7, any conceptual plans shown or discussed at the public hearing would not be adopted as part of the zoning ordinance. Changes to the plans intended to address neighborhood concerns could be proposed as part of a future Zoning Compliance Plan, but ultimately any plan that meets the minimum standards of the DDC could be approved.

CITY COUNCIL

On May 5, 2026, the City Council held a public hearing and voted (7-0) to continue the item until such time the applicant could bring back additional information related to the affordability of the project. During the hearing Councilmembers requested information about the estimated rental rate or purchase price of the proposed duplex units, and the applicant indicated that the owners did not have that information at the time. Members of the community spoke in opposition during the public hearing, citing concerns related to density of the development, on-street parking, traffic patterns in the area, and construction activity concerns. Since the May 5, 2026 City Council Meeting, the applicant has held one (1) additional neighborhood meeting. Topics raised during the neighborhood meeting included density and compatibility concerns, alternative zoning districts which may be considered on the property, traffic, and on-street parking in the area. The applicant is prepared to bring back pricing and affordability information at the July 14, 2026 City Council meeting.

OPTIONS

- 1. Approve
- 2. Deny
- 3. Postpone item

RECOMMENDATION

Staff recommends approval of the rezoning of approximately 0.74 acres from Residential 3 (R3) zoning district to a Residential 7 (R7) zoning district as it complies with the criteria in Section 2.4.5.E of the Denton Development Code for approval of all applications, and Section 2.7.2.D of the DDC for approval of a Zoning Map Amendment (Rezoning).

PRIOR ACTION/REVIEW (Council, Boards, Commissions)

Date	Council, Board, Commission	Request	Action
1969	City Council	Assigned One-Family Dwelling District (SF-7) zoning	Approved
2002	City Council	Citywide rezoning to Neighborhood Residential 3 (NR-3) zoning	Approved
April 10, 2019	City Council	Citywide rezoning to Residential 3 (R3)	Approved
January 14, 2026	Planning and Zoning Commission	Requested rezoning to R3	Recommended Approval
May 5, 2026	City Council	Requested rezoning to R3	Postponed until additional information could be provided.

PUBLIC OUTREACH:

The following public outreach efforts were done to meet legal notice requirements and to seek feedback from adjacent property owners and residents:

- On December 22, 2025, a total of two hundred and five (205) notices were mailed out to property owners near the subject property. Prior to the Planning and Zoning Commission meeting, Staff received 4 letters in opposition totaling 11.8% of the 200’ buffer area.
- A notice was published on the City’s website on December 23, 2025, April 14, 2026, and June 25, 2026.
- A notice was published in the Denton Record Chronicle on December 26, 2025, April 19, 2026, and June 27, 2026.
- One sign was posted on the subject property on December 29, 2025.
- The applicant held three neighborhood meetings. Attendance at these meetings varied and concerns were shared by the residents related to on-street parking, density, and compatibility with the overall area.

DEVELOPER ENGAGEMENT DISCLOSURES

No developer contact disclosures have been provided to staff from members of this body as of the issuance of this report.

EXHIBITS

- Exhibit 1 - Agenda Information Sheet
- Exhibit 2 - Staff Analysis
- Exhibit 3 - Applicant's Project Narrative
- Exhibit 4 - Project Site Location
- Exhibit 5 - Future Land Use Map
- Exhibit 6 - Existing Zoning Map
- Exhibit 7 - Proposed Zoning Map
- Exhibit 8 - Financial Impact Analysis
- Exhibit 9 - Table of Allowed Uses
- Exhibit 10 - Notification Map and Responses
- Exhibit 11 - LLC Members list
- Exhibit 12 - Draft Ordinance
- Exhibit 13 - Presentation

Respectfully submitted:
Hayley Zagurski, AICP
Planning Director

Prepared by:
Angie Manglaris, AICP
Assistant Planning Director

Planning Staff Analysis

Z26-0018b / Denton Duplexes Rezoning R3 to R7

City Council District #2

REQUEST:

Rezoning of approximately 0.74 acres from Residential 3 (R3) Zoning District to a Residential 7 (R7) Zoning District.

STAFF RECOMMENDATION:

Staff recommends **approval** of the rezoning of approximately 0.74 acres from R3 Zoning District to a R7 Zoning District as it complies with the criteria in Section 2.4.5.E of the Denton Development Code (DDC) for approval of all applications, and Section 2.7.2.D of the DDC for approval of a Zoning Map Amendment (Rezoning).

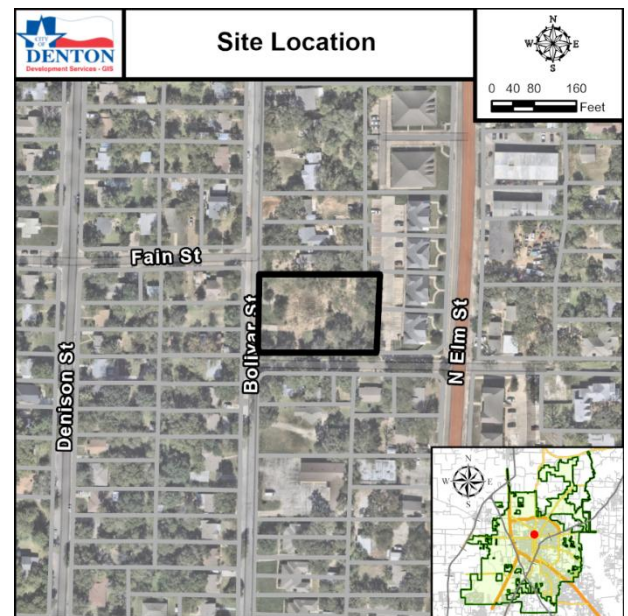
SITE DATA:

The subject property was initially developed as a single-family residence in 1955. After an initial zoning district of One-Family Dwelling District (SF-7) in 1969 the property was transitioned to Neighborhood Residential 3 (NR-3) in 2002. Following the implementation of the 2019 Denton Development Code, the property was reclassified in the Residential 3 (R3) zoning district. In March of 2025, it was determined that the single-family residence and accessory buildings were in a state of disrepair and the demolition of these buildings was approved by City Staff.

The property owner, 2306 Bolivar St an individual protected series of series of Elsi LLC, acquired the property in January of 2025 and has submitted a zoning change request to allow for the development of four duplexes. Should the zoning change be approved, the property owner will apply for a subdivision of the property in order to facilitate the duplex development. The R7 zoning district permits a variety of residential, public, institutional, religious, and commercial uses by right and with the approval a Specific Use Permit (SUP). See Exhibit 9 for a complete table of allowed uses.

The subject site is generally located on the northeast corner of Bolivar Street and Taliaferro Street, approximately 155 feet west of North Elm Street. Per the City's 2022 Mobility Plan, Bolivar Street is a north-south Residential Street and Taliaferro Street is an east-west Residential Street. The property is vacant at this time with 138 feet of frontage along Bolivar Street and 220 feet of frontage along Taliaferro Street. Previously, access to this property was granted via curb cuts on both Bolivar and Taliaferro Streets. The site contains an urban stand of protected trees but is otherwise not improved.

The City's maps reflect that no Environmentally Sensitive Area (ESA) or wildlife corridors are present on the subject lot.



SURROUNDING ZONING AND USES:

Northwest: Zoning: Bolivar Street Right of Way and R3 zoning district Use: Single-family residential	North: Zoning: R3 zoning district Use: Single-family residential	Northeast: Zoning: R7 zoning district Use: Duplex
West: Zoning: Bolivar Street Right of Way and R4 zoning district Use: Single-family residential	SUBJECT PROPERTY	East: Zoning: R7 zoning district Use: Duplex
Southwest: Zoning: Bolivar Street Right of Way and R3 zoning district Use: Single-family residential	South: Zoning: Taliaferro Street Right of Way and R3 zoning district Use: Single-family residential	Southeast: Zoning: R7 zoning district Use: Duplex

CONSIDERATIONS:

A. Section 2.4.5.E of the DDC provides approval criteria applicable to all applications.

1. *General Criteria*

a. *Unless otherwise specified in this DDC, City review and decision-making bodies must review all development applications submitted pursuant to this subchapter for compliance with the general review criteria stated below.*

The review criteria were applied as required.

b. *The application may also be subject to additional review criteria specific to the type of application, as set forth in sections 2.5 through 2.9.*

Section 2.7.2.D of the DDC applies to this rezoning request. An analysis of this request per those criteria can be found below in Consideration B.

c. *If there is a conflict between the general review criteria in this section and the specific review criteria in sections 2.5 through 2.9, the applicable review criteria in sections 2.5 through 2.9 controls.*

There are no conflicts between the general criteria and the criteria specific for zoning requests.

2. *Prior Approvals*

There are no prior approvals associated with this project.

3. *Consistent with the Comprehensive Plan and Other Applicable Plans*

The decision-making authority:

a. *Shall weigh competing goals, policies, and strategies.*

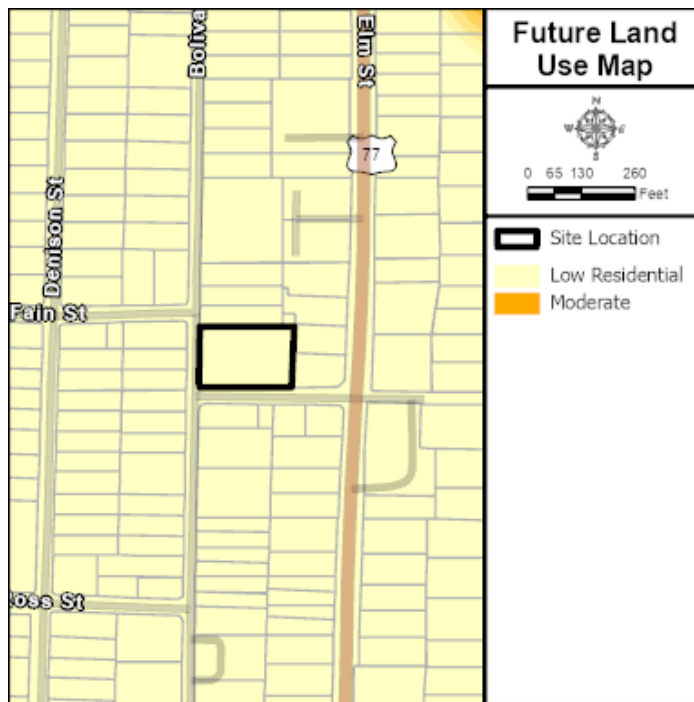
There are no competing goals, policies, or strategies associated with this proposal.

b. *May approve an application that furthers the overall goals of the Comprehensive Plan even if the development does not match the future land use designation in the Comprehensive Plan.*

Future Land Use

Per the 2040 Comprehensive Plan Future Land Use Map, the subject property is designated as a low-residential area (see inset image and provided as Exhibit 5). The description for the Future Land Use designation is provided below:

This category includes the city's predominantly single-family neighborhoods, with lot sizes ranging from one acre or more in rural fringe areas up to five units



per acre gross density throughout many of the city's suburban subdivisions. Dwellings in this land use district are generally one to two stories with private driveways and open space, consisting of privately-maintained tree canopy and front, back and side yards. Building and driveway orientation, the locations of private garages, building material, and the presence of sidewalks vary by neighborhood and the era of neighborhood development. Generally,

these types of single-family neighborhoods are developed as distinct subdivisions that are linked by internal circulation systems with limited access to local and connector roads. This category may also include land uses that support residential neighborhoods, such as appropriately scaled commercial at arterial and collector street corners, and appropriately scaled public and quasi-public uses, such as religious and educational institutions

The R7 zoning district is consistent with the goals, policies, and actions of the Comprehensive Plan and with the Future Land Use Designation of Low Residential as the district is intended to accommodate a variety of residential, public, institutional, religious, and commercial uses by right and with the approval a Specific-Use Permit. The proposed concept plan indicates the intent to develop the subject property as duplexes, which could have gross density of up to 10 units per acre. While this is denser than the proposed 1-5 units per acre as described by the Low Residential Land Use Category, the proposed use is consistent with existing uses in the area and further advances other goals within the 2040 Comprehensive Plan as described herein.

Land Use

The Land Use Element of the Comprehensive Plan supports compatible redevelopment of areas classified as infill and includes several goals related to prioritization of infill development/redevelopment. Specifically, this request is consistent with the following Land Use Goals 2040 Comprehensive Plan:

- Goal LU-1: “Grow compactly: achieve sound, sustainable growth in compact development patterns with balanced land uses planned in coordination with transportation and infrastructure systems.”

The proposed development would provide additional housing options inside Loop 288 and in close proximity to US 380, a Primary Arterial, and North Elm Street, a Secondary Arterial. The proposed zoning change would provide compact residential housing consistent with the surrounding area, which is largely comprised of single-family residential homes, duplexes, a religious facility and multifamily development.

- Goal LU-3: “Grow our Assets: Maintain and Strengthen Neighborhoods, Commercial and Employment Areas.”

The 2040 Comprehensive Plan notes that “the City should take every opportunity to ensure that as gaps in the neighborhood fabric occur, infill development, that is development of vacant or deteriorated properties will be encouraged, complimenting the scale and character of each neighborhood.” Examples of low-moderate density housing which could be compatible within single-family areas includes uses such as duplexes, townhomes and fourplexes. The proposed rezoning to R7 would facilitate redevelopment of the subject property that is compatible and complimentary to the existing neighborhood fabric.

Population Projections and Housing and Neighborhoods

Per the 2040 Comprehensive Plan, the City’s population is projected to increase from 139,869 residents in 2020 to 229,192 residents in 2040, requiring the addition of 37,094 total housing units, including 6,046 Residential Other Units (1 unit attached; 2-4 units) (Table 1.3).

The proposed development is consistent with the overall need for additional missing middle housing types to meet the projected housing needs of the growing population by adding up to 8 additional duplex units to the City.

In addition, the 2040 Comprehensive Plan recognizes that “providing diverse housing options in a variety of densities, styles, and price-points is critical to increasing the affordability of housing in Denton.” The proposed development is consistent with the housing goals in the 2040 Comprehensive Plan, including:

- Goal HN-1: Develop and maintain a housing stock that meets the needs of all residents with a diverse array of choices in type, cost, and locations.

Preferred Land Preservation Plan

The Preferred Land Preservation Plan reflects the City’s intent to preserve ESA and floodplain areas. By complying with the City’s codified standards for floodplain and ESA preservation, development can occur in a manner consistent with the goals of the Preferred Land Preservation Plan in the 2040 Comprehensive Plan.

In this case, the Official ESA Map does not identify any ESA, assessed or unassessed, on the subject property. Subsequent project submittals will be subject to review from DDC Subsection 7.4.7: *Environmentally Sensitive Areas*, which generally prohibits land-disturbing activity and/or removal of trees and understory vegetation except for limited allowances as defined in the DDC.

The City’s Wildlife Corridor Map does not indicate the presence of greenspace nor Wildlife Corridors on the subject property.

a. 4. *Compliance with this DDC*

The proposed development shall comply with all applicable standards in this DDC, unless the standard is to be lawfully modified.

The proposed rezoning would facilitate the development of the subject site in accordance with the DDC's standards. No deviations or modifications of DDC standards have been requested at this time.

- b. Future development on this site will require compliance with all applicable development standards in the DDC, including, but not limited to, minimum lot size and dimensions, building coverage, access, parking, tree preservation, landscaping, screening, and buffering.

Compliance with these standards is applied at the level of detail required for the subject submittal.

Rezoning to one of the DDC's established districts does not typically include a full review of all development standards within the DDC. If the proposed rezoning to a R7 zoning district is approved, a detailed development review will accompany all required future development applications such as a Specific Use Permit or zoning compliance plan, platting, engineering, tree preservation, and building permit submittals.

5. *Compliance with Other Applicable Regulations*

If the proposed rezoning to a R7 zoning district is approved, any future development of the site would consist of a detailed review of the proposed development to ensure compliance with all other applicable regulations.

6. *Consistent with Interlocal and Development Agreements*

There are no interlocal or development agreements for the subject property.

7. *Minimizes Adverse Environmental Impacts*

As discussed above under Section A.3.b, the Preferred Land Preservation Plan and Official ESA map do not show any assessed or unassessed ESA area on this property. Any development of the subject property would be subject to the City's standards for tree preservation, stormwater, and landscaping to ensure environmental impacts are minimized.

8. *Minimizes Adverse Impacts on surrounding Property*

The proposed rezoning is consistent with the general character and development patterns of the surrounding area. The subject property is adjacent to existing single-family residential homes as well as several duplex lots. Development in the broader region is varied and includes single-family residences, duplexes, a religious facility, and multifamily.

The proposed rezoning would allow for the development of a variety of residential, commercial, public, institutional, or religious land uses that would be complimentary to existing development in the area. Development of the site would require conformance with design standards, such as building design and parking, within the DDC to minimize adverse impacts on surrounding properties. If this zoning change is approved the applicant has indicated an intent to develop the site as duplexes, a use which is consistent with the surrounding area.

9. *Minimizes Adverse Fiscal Impacts*

Staff used the Fiscal Impact Tool to analyze the proposal. The entire 0.74-acre site was considered for this analysis. Assumptions based on the applicant's intended use were used to generate the overall projected General Fund revenues and expenses, including property tax payments, sales tax capture, roadway maintenance costs, utility usage, solid waste costs, public safety costs, and neighborhood service costs. The Fiscal Impact Summary indicates that the proposal for a duplex development would result in a net -\$73,100 cost to the General Fund over a 40-year project duration.

Compliance with Utility, Service, and Improvement Standards

This proposed rezoning will not affect utilities, services, or improvements. When the site is developed, the development will be reviewed to ensure compliance with all utility, service, and improvement standards.

10. *Provides Adequate Road Systems*

11. The subject property is situated on the northeast corner of Bolivar Street and Taliferro streets, both classified as Residential Streets and is approximately 155 feet west of North Elm, a Secondary Arterial. When the site is developed, a Trip Generation Study will be required as specified by the Transportation Criteria Manual. Additional information, such as a Traffic Impact Analysis, may be required based upon the findings of the Trip Generation Study. Any necessary roadway improvements would be required to comply with all DDC and Design Criteria Manual standards for roadways.

Provides Adequate Public Services and Facilities

12. This proposed rezoning is not anticipated to negatively impact public services and facilities. When the site is developed, the new development must comply with all applicable standards to ensure adequate public services and facilities are available.

13. *Rational Phasing Plan*

There is no phasing plan associated with the zoning change request.

B. Section 2.7.2.D of the DDC states that an application for a rezoning may be approved based on the following conditions:

a. *The proposed rezoning is consistent with the Comprehensive Plan.*

As discussed in A.3.b above, the R7 zoning district is consistent with the goals, policies, and actions of the Comprehensive Plan. In particular, this request furthers goals that support compatible infill and redevelopment as well as missing middle housing.

b. *The proposed rezoning is consistent with relevant Small Area Plan(s).*

There is no small area plan approved for this site.

c. *The proposed rezoning is consistent with the purpose statement of the proposed zoning district, as provided in Subchapter 3, Zoning Districts.*

Pursuant to Section 3.2.7 of the DDC:

The R7 district is intended to accommodate a variety of housing types on lots designed to encourage walking to neighborhood-serving retail and other amenities such as parks and school facilities. This zoning district will ensure existing neighborhood character is maintained while also contributing to a

safe environment for pedestrians and bicyclists. This district can also serve to support compatibility between single-family neighborhoods and higher-intensity mixed-use or nonresidential.

The proposed R7 zoning district in this location is consistent with the purpose statement. The subject property is situated in an area suitable for the R7 zoning district given the residential nature of the area and adjacent duplex lots.

- d. *There have been or will be significant changes in the area to warrant a zoning change.*

In the last 5 years, the area generally adjacent to the subject property has not seen development that significantly changes the anticipated development pattern; the area has developed in a manner consistent with the Future Land Use Plan (see Aerial maps below) by maintaining single-family home lots and the creation of new duplex properties. As most of this area has been previously developed, the rezoning request would facilitate the redevelopment of an infill lot with a compatible use and be consistent with the intent that this area should develop as predominantly residential uses.



(Continued on next page)

- e. *The intensity of development in the new zoning district is not expected to create significantly adverse impacts to surrounding properties or the neighborhood.*

The subject property is situated at the northeast intersection of Bolivar Street and Taliaferro Street. As detailed above, this corridor is predominately developed and has not experienced significant growth in the last five years. The R7 zoning district is consistent with the overall development pattern within the area and would not introduce new land uses which are incompatible to adjacent properties nor expected to create adverse impacts. The proposed rezoning would facilitate compatible development and be consistent with the Comprehensive Plan's intent that this area should develop with residential uses.

- f. *Public facilities and services are available to adequately serve the subject property while maintaining adequate level of service to existing development.*

Roadway Impact Fees

Roadway impact fees, paid at the time of development, are determined using a proportionality calculation based on the proposed uses and projected vehicle trips. These fees will be assessed based on plans submitted and are used to make roadway system improvements related to the Mobility Plan.

Water and Wastewater

Water and wastewater are currently available to this property. When the site is developed, it will be reviewed to ensure compliance with all utility, service, and improvement standards for extension and connection to City utilities. Additionally, water and wastewater tap, and impact fees will be based upon the intensity of the development and are required to be paid during permitting.

Schools

The proposed rezoning to R7 district allows for a variety of residential land uses by right and with a Specific-Use Permit. The proposed site plan shows 4 duplex buildings, which are anticipated to contribute 4 students to DISD according to the DISC Student Generation Calculator. That is a total of 1.84 students to elementary schools, 0.96 students to middle schools, and 1.2 students to high schools.

Nearest Fire Station

The subject property is approximately 1.95 miles from Fire Station #5 (2292 Windsor Drive), within the eight minute or less response time boundary.

- g. *There was an error in establishing the current zoning district.*

There was not an error in establishing the current zoning district. The subject property was assigned SF-7 zoning in 1969, then transitioned to NR-3 in 2002. With the adoption of the 2019 DDC, the property was granted the R3 zoning district designation.



4400 State Highway 121
Suite 800
Lewisville, TX 75056
972. 436. 9712

SPEC25414

October 7, 2025

City of Denton

601 East Hickory Street

Denton, TX 76205

E: Development@cityofdenton.com

P: 940.349.8600

RE: Denton Duplexes – Letter of Intent for Rezoning

Please accept this letter, on behalf of Delores and Saul Reyes, as an explanation of the proposed Rezoning Application for approximately 0.74 acres within parcel number 34299, located at the northeast corner of Bolivar Street and Taliaferro Street in the City of Denton, Denton County, Texas.

ZONING AND FUTURE LANDUSE

The current zoning on the Denton Duplex property is Residential-3 (R3) with a Future Land Use Designation of Low-Density Residential. The current zoning does not allow for duplexes, therefore a rezoning to Residential-7 is being requested. Based on the discussion with the City of Denton, the Future Land Use designation of Low-Density Residential will remain.

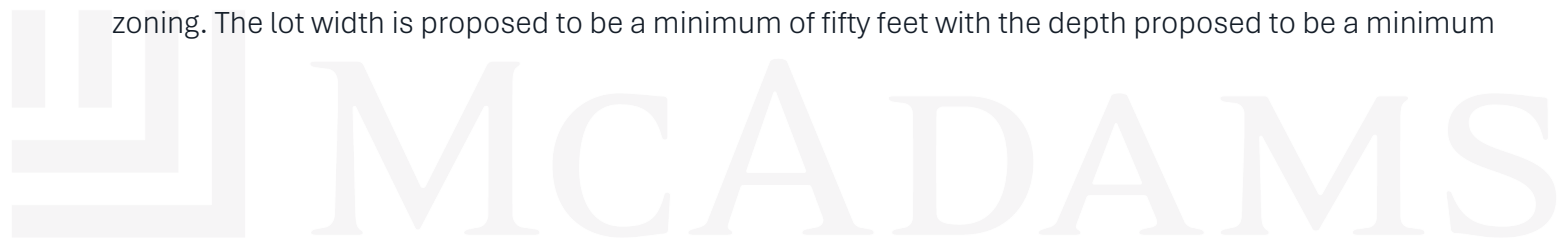
The proposed zoning change is to rezone from R-3 to Residential-7. There is a preliminary concept plan provided with the submittal for visualization purposes only and may not be the final plan. The current property owners wish to rezone to be more aligned with the uses of the surrounding properties.

EXISTING CONDITIONS

The property to the north of the subject property is zoned Residential-3, and is being used as a single-family home. The properties to the west across Bolivar Street are zoned Residential-3 and Residential-4 and are being used as single-family homes. The properties to the south are zoned Residential-3 and Residential-7 and are being used for single-family homes. The property to the east is zoned Residential-7 and is being used for duplex single-family homes.

PROJECT DESCRIPTION

Currently for the Denton Duplex project there are 4 duplexes planned to front onto Taliaferro Street, totaling 8 residential units. Each duplex is planned to be on its own lot, meeting the standards of the R7 zoning. The lot width is proposed to be a minimum of fifty feet with the depth proposed to be a minimum



of eighty feet. The concept plan shows a mutual access easement on the rear side of the property, and each lot meets the parking requirement.

CRITERIA FOR APPROVAL: GENERAL CRITERIA

1. The proposed development is consistent with the terms and conditions of any prior land use approval, plan, development agreement, or plat approval that is in effect and not proposed to be changed. This includes an approved phasing plan for development and installation of public improvements and amenities.

No prior approvals are in effect.

2. The proposed development is consistent with the Comprehensive Plan and any applicable plans. If development does not match the future land use designation in the Comprehensive Plan, an application may still be approved if it is determined by the approving body to meet the overall goals of the Comprehensive Plan.

While the property's Future Land Use designation is Low-Density Residential, the surrounding development pattern aligns more closely with Moderate-Density uses. Duplexes are currently being constructed directly east of the site, with additional duplex developments located a few properties to the south, as well as both north and south along Elm Street. Although R-7 zoning is not classified as low-density, the presence of duplexes within R-7 is compatible with the existing surrounding land uses.

3. The proposed development shall comply with all applicable standards in this DDC, unless the standard is to be lawfully modified.

After the zoning is complete, future development shall comply with the DDC.

4. The proposed development shall be consistent with any adopted interlocal and applicable development agreements and comply with the terms and conditions of any such agreements incorporated by reference into this DDC.

N/A

5. The proposed development should be designed to minimize negative environmental impacts and should not cause significant adverse impacts on the natural environment.

There is no proposed development at this time. Floodplain and ESA Regulations will be complied with at the time of development. The natural environment will be considered in the future planning of the development.

6. The proposed development should not cause significant adverse impacts on surrounding properties.

The proposed zoning change is consistent with the development pattern of surrounding properties.

7. The proposed development should not result in significant adverse fiscal impacts on the city.
- The proposed zoning change will open up the opportunity to increase property tax revenue.**

8. As applicable, the proposed development shall comply with federal, state, county, service district, city and other regulatory authority standards, and design/construction specifications for roads, access, drainage, water, sewer, schools, emergency/fire protection, and similar standards.

The property owner shall comply with all regulatory requirements to obtain permitting and operate legally going forward.

9. Adequate road capacity shall exist to serve the uses permitted under the proposed development, and the proposed uses shall be designed to ensure safe ingress and egress onto the site and safe road conditions around the site, including for emergency services.

The property is at the north east corner of Bolivar and Taliaferro, it can be adequately served by either street. Taliaferro is proposed to include additional right-of-way dedication, bringing the total to 55 feet.

10. Adequate public service and facility capacity shall exist to accommodate uses permitted under the proposed development at the time the needs or demands arise, while maintaining adequate levels of service to existing development.

The property can be adequately served by utilities.

CRITERIA FOR APPROVAL: SPECIFIC CRITERIA

1. The proposed rezoning is consistent with the Comprehensive Plan
While the property's Future Land Use designation is Low-Density Residential, the surrounding development pattern aligns more closely with Moderate-Density uses. Duplexes are currently being constructed directly east of the site, with additional duplex developments located a few properties to the south, as well as both north and south along Elm Street. Although R-7 zoning is not classified as low-density, the presence of duplexes within R-7 is compatible with the existing surrounding land uses.
2. The proposed rezoning is consistent with relevant Small Area Plan(s)
N/A
3. The proposed rezoning is consistent with the purpose statement of the proposed zoning district, as provided in Subchapter 3: Zoning Districts
The R-7 zoning will act as a transition from the R-3/R-4 zoning to the north to the denser single-family homes and retail to the south. It is also one block north away from the retail corridor along HWY 380.
4. There have been significant changes in the area to warrant a zoning change
The continual development of duplexes and quadplexes in the area warrant the zoning change.
5. The intensity of development in the new zoning district is not expected to create significantly adverse impacts to surrounding properties or the neighborhood;
The proposed zoning is consistent with the surrounding land use pattern.

6. Public facilities and services are available to adequately serve the subject property while maintaining adequate level of service to existing development; and/or:
Water and Sewer are available to the site and they both have capacity for the proposed zoning.
7. There was an error in establishing the current zoning.
There was no error in establishing the current zoning.

CONCLUSION

We are pleased to bring you this application and respectfully request your support for this rezoning application for Denton Duplexes. Thank you in advance for your consideration. Please do not hesitate to contact me with any questions or comments regarding this application.

Sincerely,

MCADAMS

A handwritten signature in black ink that reads "Patricia Fant". The signature is written in a cursive, flowing style.

Patricia Fant, AICP
Planning + Entitlements

Z25-0018 Aerial Site Location

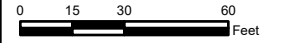
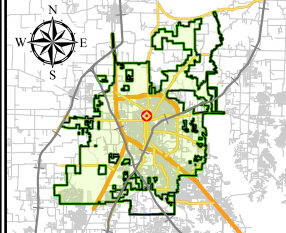


Bolivar St

Taliaferro St

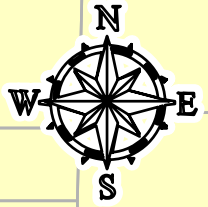
Bolivar St

- COD
- ETJ
- ETJ 2
- NAA 8/1/20
- NAA 8/1/40



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Z25-0018 Future Land Use Map



Denison St

Bolivar St

N Elm St

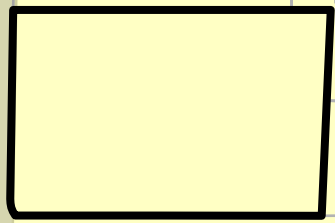
Fain St

Taliaferro St

Denison St

Bolivar St

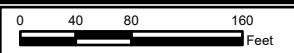
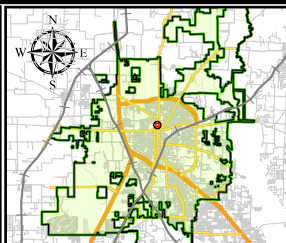
N Elm St



Future Land Use 2040

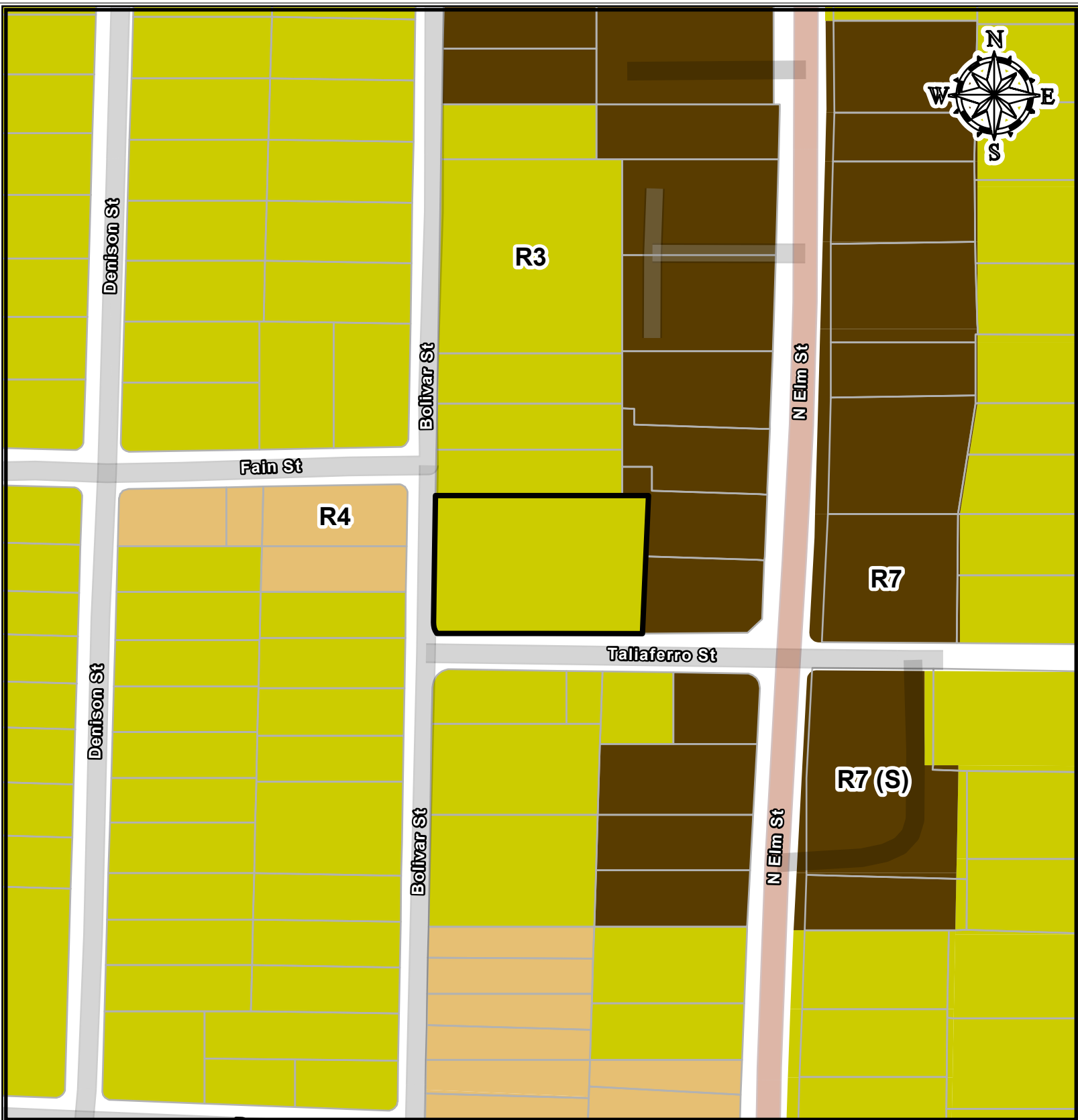
- Agriculture
- Rural Areas
- Low Residential
- Moderate Residential
- Master Planned Community
- Downtown Denton
- Regional Mixed Use
- Community Mixed Use

- Neighborhood Mixed Use
- Neighborhood / University Compatibility Area
- Business Center
- Light Industrial
- Industrial Commerce
- Government / Institutional
- Parks / Open Space
- Site Location

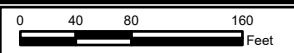
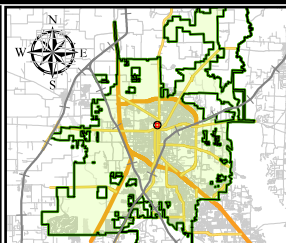


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Z25-0018 Current Zoning Map

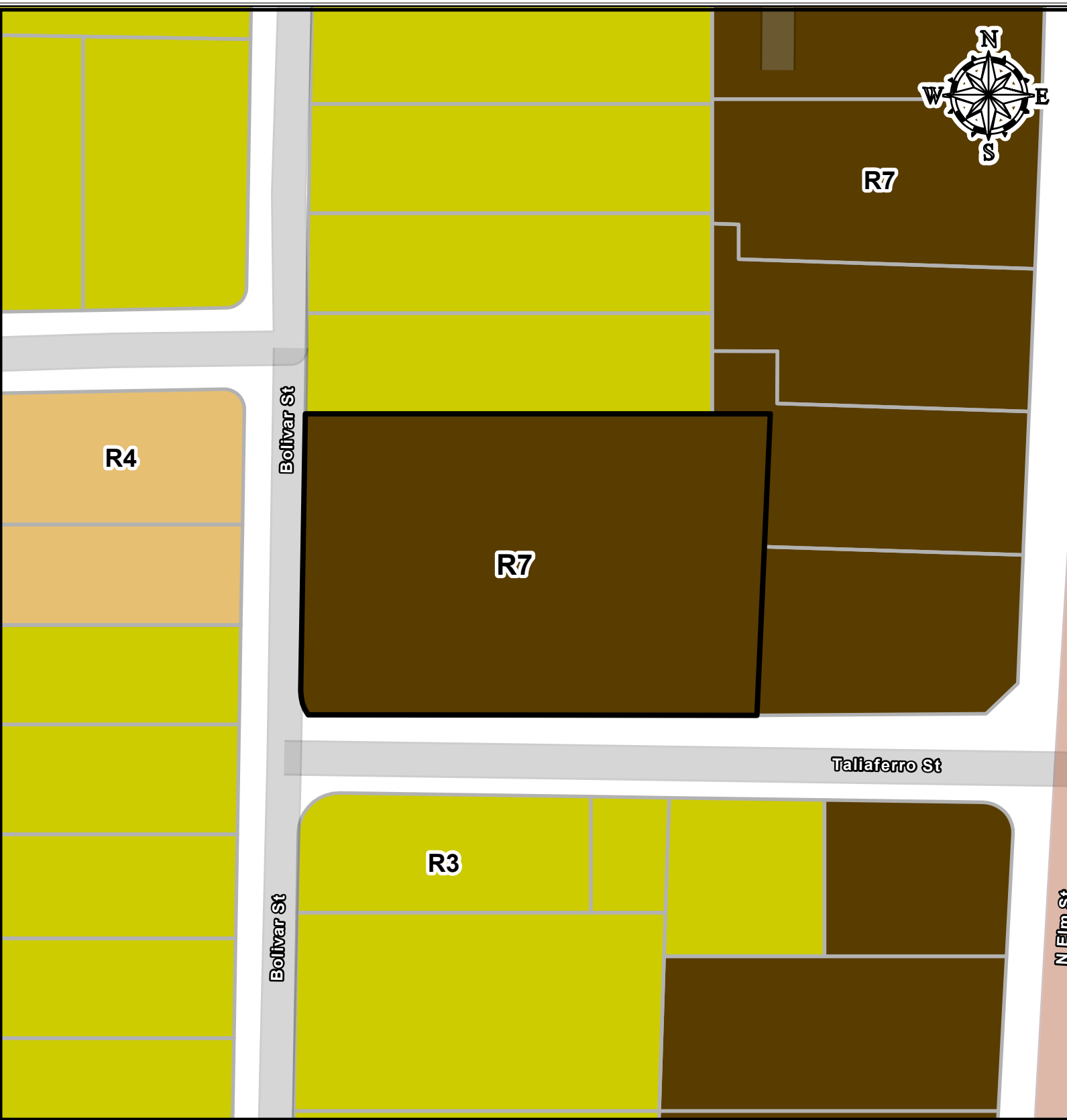
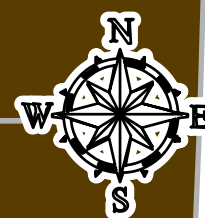


Current Zoning	
	RR - Residential Rural
	R1 - Residential
	R2 - Residential
	R3 - Residential
	R4 - Residential
	R6 - Residential
	R7 - Residential
	MN - Mixed-Use Neighborhood
	MD - Mixed-Use Downtown Core
	MR - Mixed-Use Regional
	HC - Highway Corridor
	SC - Suburban Corridor
	GO - General Office
	LI - Light Industrial
	HI - Heavy Industrial
	PF - Public Facilities
	PD - Planned Development
	MPC
	OVERLAY

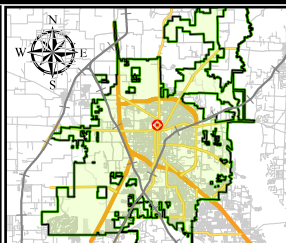


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Z25-0018 Proposed Zoning Map



Current Zoning		Proposed Zoning	
RR - Residential Rural	R7 - Residential	LI - Light Industrial	HI - Heavy Industrial
R1 - Residential	MN - Mixed-Use Neighborhood	PF - Public Facilities	PD - Planned Development
R2 - Residential	MD - Mixed-Use Downtown Core	MPC	OVERLAY
R3 - Residential	MR - Mixed-Use Regional		
R4 - Residential	HC - Highway Corridor		
R6 - Residential	SC - Suburban Corridor		
	GO - General Office		



0 15 30 60
Feet

Development Services • GIS
Date: 1/6/2026

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FISCAL SUMMARY

GENERAL FUND IMPACTS

Revenues 40 Year Total

AD VALOREM TAXES \$625,300

RETAIL SALES TAX

Direct Project Retail Sales Tax Revenue \$0
 Net New Resident + New Commuters Retail Sales Tax Revenue \$168,200

OTHER TAXES (Mixed Beverage) \$0

LICENSE & PERMITS

Zoning Fees \$16,500
 Building Permits \$14,500
 Certificate of Occupancy \$300
 Beer & Wine Permits \$0

SERVICE FEES

Restaurant Inspections \$0
 Grocery Store Inspections \$0
 Swimming Pool Inspections \$0
 Electrical Inspections \$2,600
 Plumbing Inspections \$900
 Development Fees \$11,100
 Plan Review Fees \$3,600

Expenses 40 Year Total

Neighborhood (\$184,100)
 Public Safety (\$518,200)
 Transportation (\$24,900)
 Admin & Community Services (\$189,000)

OTHER FUND REVENUES

TOURISM & CONVENTION SALES TAX \$0

ENTERPRISE UTILITY FUNDS

Electric Charge \$688,100
 Water Charge \$160,400
 Wastewater Charge \$124,900
 Drainage Charge \$19,200
 Solidwaste Charge \$134,300

WATER IMPACT FEE \$21,500

WASTEWATER IMPACT FEE \$14,100

TOTAL ROADWAY IMPACT FEE \$6,500

TOTAL PARKS LAND DEDICATION & DEV. TRUST \$2,300

TREE MITIGATION \$0

ROADWAY MAINTENANCE

ROADWAY MAINTENANCE \$0

New Residents From Residential



23

New Workers From Non-Residential *



0

* Calculations based on new commuters not total new workers in order to not double count with new residents

General Fund Impact Summary

General Fund - Total Revenue

\$843,100

General Fund - Total Expenses

-\$916,200

General Fund - Net Impact

-\$73,100

General Fund - Net Impacts



5.2.3 Table of Allowed Uses.

Table 5.2-A: Table of Allowed Uses																	
P = permitted S = specific use permit required Blank cell = use prohibited + = use-specific standards apply																	
	Residential							Mixed-Use			Corridor		Other Nonresidential				Use-Specific Standards
	RR	R1	R2	R3	R4	R6	R7	MN	MD	MR	SC	HC	GO	LI	HI	PF	
Residential Uses																	
Household Living																	
Single-Family Detached Dwelling	P+	P+	P+	P+	P+	P+	P+	P+									5.3.3A
Townhome					S+	P+	P+	P+	P+	P+							5.3.3B
Duplex					S+	P+	P+	P+	P+	P+							5.3.3C
Triplex						P+	P+	P+	P+	P+							5.3.3C
Fourplex						P+	P+	P+	P+	P+							5.3.3C
Multifamily Dwelling							S+	P+	P+	P+	S+	S+	S+				5.3.3D
Tiny Home Development	Subject to approval of a planned development (PD); see 5.3.3E																
Work/Live Dwelling	P+						P+	P+	P+	P+	P+	S+	S+				5.3.3F
Manufactured Home Development (HUD Code)						S+	S+										5.3.3G
Group Living																	
Chapter House							S	S								P	
Community Home	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+							5.3.3I
Dormitory							S	S	P								
Elderly Housing						S+	S+	P+	P+	P+	S+	S+					5.3.3H
Group Home	S+	S+	S+	S+	S+	S+	S+	S+	S+	S+							5.3.3J
Public, Institutional, Religious, and Civic Uses																	
Community and Cultural Facilities																	
Airport, City-Owned																	P
Cemetery, City-Owned																	P
Club or Lodge	P	S	S	S	S	S	S+	P+	P	P+	P	P	P	P+	P+		5.3.4A
Community Service	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	
Day Care, Adult or Child	P	S	S	S	S	S	P	P	P	P	P	P	P	P+			5.3.4B
Funeral and Internment Facility									S	S	P	P	P	P			
Homeless Shelter	S+						S+	S+	S+	S+						P+	5.3.4C
Landfill, City-Owned																	P
Park, Playground, Open Space	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	
Religious Assembly	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	5.3.4D
Educational Facilities																	
Business or Trade School								P+	P+	P+	P+	P	P	P	P		5.3.4E
College or University									P	P			P				
School, Private	P	S	S	S	S	S	S	P	P	P	P	P	P			P	

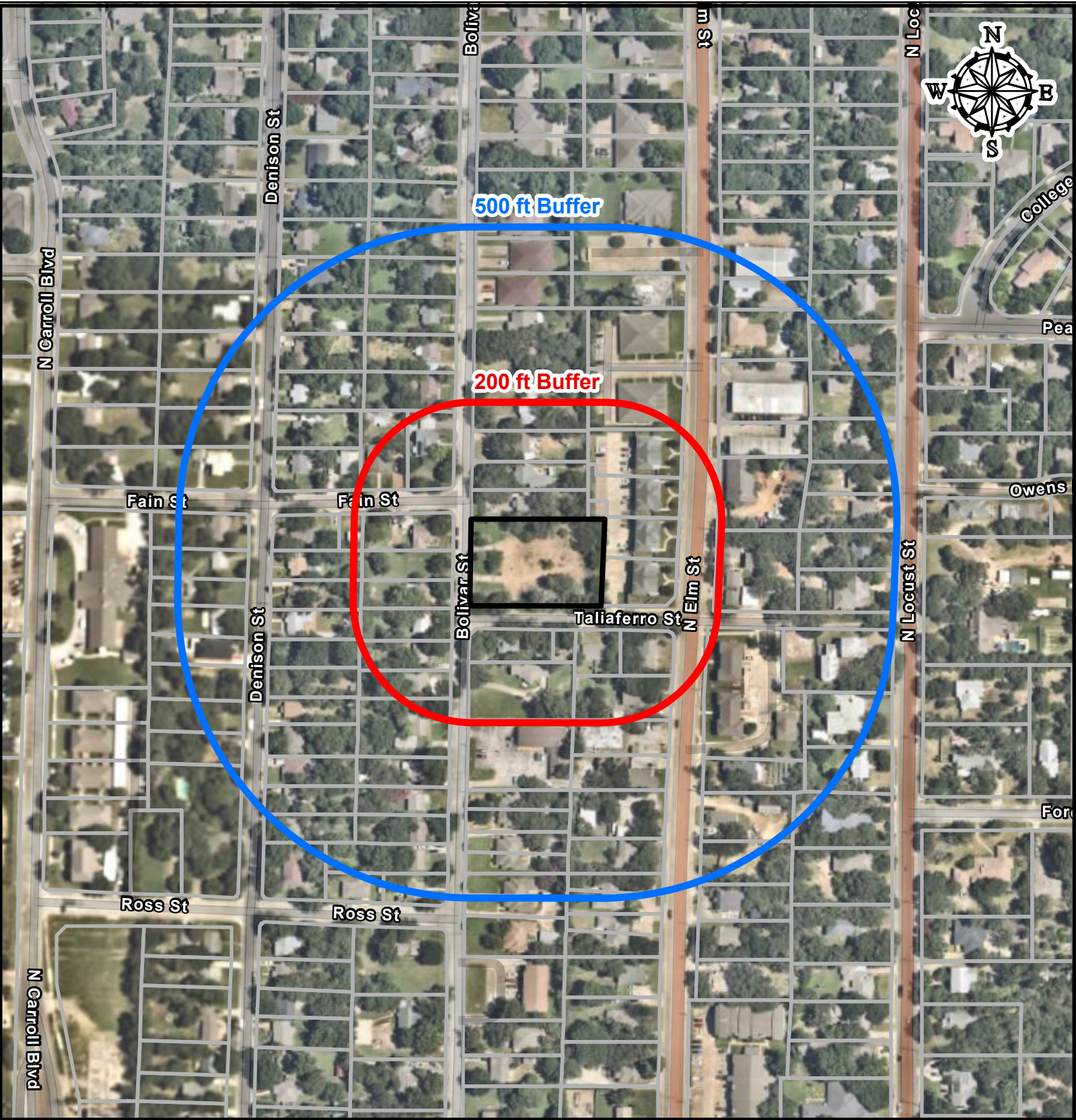
School, Public	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	
Healthcare Facilities																		
Hospital Services											P+	P+	P	P				5.3.4F
Medical Clinic								S+	S+	P+	P+	P	P	P				5.3.4G
Medical Office							P+	P+	P+	P+	P+	P	P	P				5.3.4H
Commercial Uses																		
Agricultural and Animal Uses																		
General Agriculture	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	5.3.5A
Commercial Stable	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	5.3.5B
Community Garden	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	
Kennel	P+	S+	S+									P+	P+	S+	P+	P+		5.3.5C
Urban Farm	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	
Veterinary Clinic	P	S	S					P	P+	P	P	P	P	P	P			5.3.5D
Recreation and Entertainment																		
Amenity Center	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P			
Indoor Recreation Facility	P							P	P	P	P	P	P	P				
Outdoor Recreation Facility	P	P	P	P	P	P	P	S	S	S	P	P	P	P				
RV Park	S+		S+	S+	S+	S+	S+								S+	P+		5.3.5E
Food and Beverage Services																		
Bar, Tavern, or Lounge								S+	P	P	P	P	P	P				5.3.5F
Mobile Food Court								S+	S+	S+	S+	S+	S+	S+	S+	S+		5.3.5G
Private Club	P+							P+	P+	P+	P+			P+	P+			5.3.5H
Restaurant								P+	P	P	P	P	P	P				5.3.5I
Restaurant, with Drive-Through								S+	S+	P+	P+	P+	P+	P+				5.3.5J
Office, Business, and Professional Services																		
Administrative, Professional, and Government Office				S+	S+	S+	P+	P+	P+	P	P	P	P	P	P	P	P	5.3.5K
Bank or Financial Institution							S+	P+	P+	P	P	P	P	P				5.3.5L
Musician Studio								P+	P+	P+	P+	P+	P+	P+	P+			5.3.5M
Credit Access Business								S+	P+	P	P	P	P	P				5.3.5N
Printing, Copying, and Publishing Establishment								S	P	P	P	P	P	P				
Personal Services																		
Laundry Facility, Industrial												S	S	P	P			
Laundry Facility, Self-Service							S+	P+	P+	P+	P	P	P	P	P			5.3.5O
Personal Service, General								P	P	P	P	P	P	P				
Tattoo and Body Piercing Parlor								P+	P+	P+	P+	P+						5.3.5P
Retail Sales																		

Building Materials and Supply Store											S	P		P	P		
General Retail Unless Otherwise Specified, Less than 5,000 Square Feet							S+	P	P	P	P	P	P	P	P	P	5.3.5Q
General Retail Unless Otherwise Specified, Between 5,000 Square Feet and 15,000 Square Feet								P	P	P	P	P	P	P	P		
General Retail Unless Otherwise Specified, More than 15,000 Square Feet								S	S	P	P	P	P	P+	P+		5.3.5R
Smoke Shop									P	P	P	P					
Lodging Facilities																	
Bed and Breakfast	P+				S+	S+	S+	P+	P+	P+	P+						5.3.5S
Boarding or Rooming House								S	P	P	P						
Hotel								P	P	P	P	P	P	P			
Motel										P	P	P	P	P			
Short-Term Rental	P+	P+	P+	P+	P+	P+	P+	P+									5.3.5T
Vehicles and Equipment																	
Auto Wash										P	P	P	P	P	P		
Automotive Fuel Sales								S+	S+	P+	P+	P+	P+	P+	P+		5.3.5U
Automotive Repair Shop, Major										P+	P+	P+	S+	P+	P+		5.3.5V
Automotive Repair Shop, Minor								S+		P+	P+	P+	P+	P+	P+		5.3.5W
Automotive Sales or Leasing												P					
Automotive Wrecking Service, Impound Lot, Junkyard, and Salvage Yard														S+	P+		5.3.5X
Equipment Sales and Rental												S+		S+	P+		5.3.5Y
Parking Lot as a Principal Use									P	P	P	P	P	P	P		
Travel Plaza												P		P	P		
Adult Entertainment Establishments																	
Sexually Oriented Business															S+		5.3.5Z
Industrial Uses																	
Data Center																	
Data Center, Modular														S+	S+	S+	5.3.6I

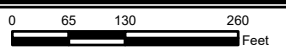
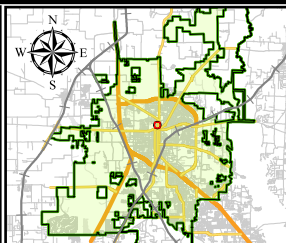
Data Center, Warehouse												S+	S+	S+	P+	P+	P+	P+	5.3.6J
Manufacturing and Processing																			
Craft Alcohol Production								S	P+	P+	P+	P	P	P	P				5.3.6A
Feedlot, Slaughterhouse, or Packaging Plant	S																S		
Food Processing, Less than 2,500 Square Feet								P+	P+	P+	P+	P+	P+	P+	P+				5.3.6B
Food Processing, More than 2,500 Square Feet								S+	S+	P+	P+	P+	P+	P+	P+				5.3.6C
Gas Well	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	Subchapter 6: Gas Wells
Manufacturing, Artisan								P+	P+	P	P	P	P	P	P				5.3.6D
Manufacturing, Low-Impact									S+	P+	P+	P+	P+	P	P				5.3.6E
Manufacturing, Medium-Impact													S	S	P				
Manufacturing, High-Impact																	S		
Commercial Incinerator, Transfer Station																	S		
Storage and Warehousing																			
Outdoor Storage																S+	S+	S+	5.3.6F
Self-Service Storage								S+	S+	S+	P+	S+	P+	P+	P+				5.3.6G
Storage of Hazardous Materials																	S		
Warehouse and Wholesale Facility										S+	S+	P	P	P	P				5.3.6H
Public and Semi-Public Utility Uses																			
Basic Utilities	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	
Power Stations, Electric Substations, Interchanges, and Switch Stations	P+							P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	5.3.7A
Solar Collector as Principal Use	S+													S+	S+	S+	P+		5.3.7B
Wind Energy Conversion System (WECS)																	S+	S+	5.3.7C
Wireless Telecommunications	See Section 5.6: Wireless Telecommunications Facilities																		
Accessory Uses																			
Accessory Dwelling Unit	P+	P+	P+	P+	P+	P+	P+	P+											5.4.4A
Donation Box																			5.4.4B
Home Occupation	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+								5.4.4C

Outdoor Storage, Accessory													P+	P+	P+	P+	P+	5.4.4D
Sale of Produce and Plants Raised on Premises	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	5.4.4E
Solar Collector, (Ground- or Building-Mounted)	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	5.4.4F
Wind Energy Conversion System (WECS), Small (Ground-Mounted)	P+	S+	S+	S+	S+	S+	S+	S+	S+	S+	S+	S+	S+	S+	P+	P+	P+	5.4.4G
Wind Energy Conversion System (WECS), Small (Building-Mounted)	P+	S+	S+	S+	S+	S+	S+	S+	S+	S+	S+	S+	S+	S+	P+	P+	P+	0
Temporary Uses																		
Temporary Storage Containers and Other Portable Storage Units	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	5.5.6A
Concrete or Asphalt Batching Plant, Temporary	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	5.5.6B
Farmer's Market or Open Air Market								P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	5.5.4
Field or Construction Office	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	5.5.6C
Seasonal Sales								P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	5.5.4
Special Event								P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	5.5.4
Portable Wireless Telecommunications Facility	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	P+	5.5.4

Z25-0018 Notification Map

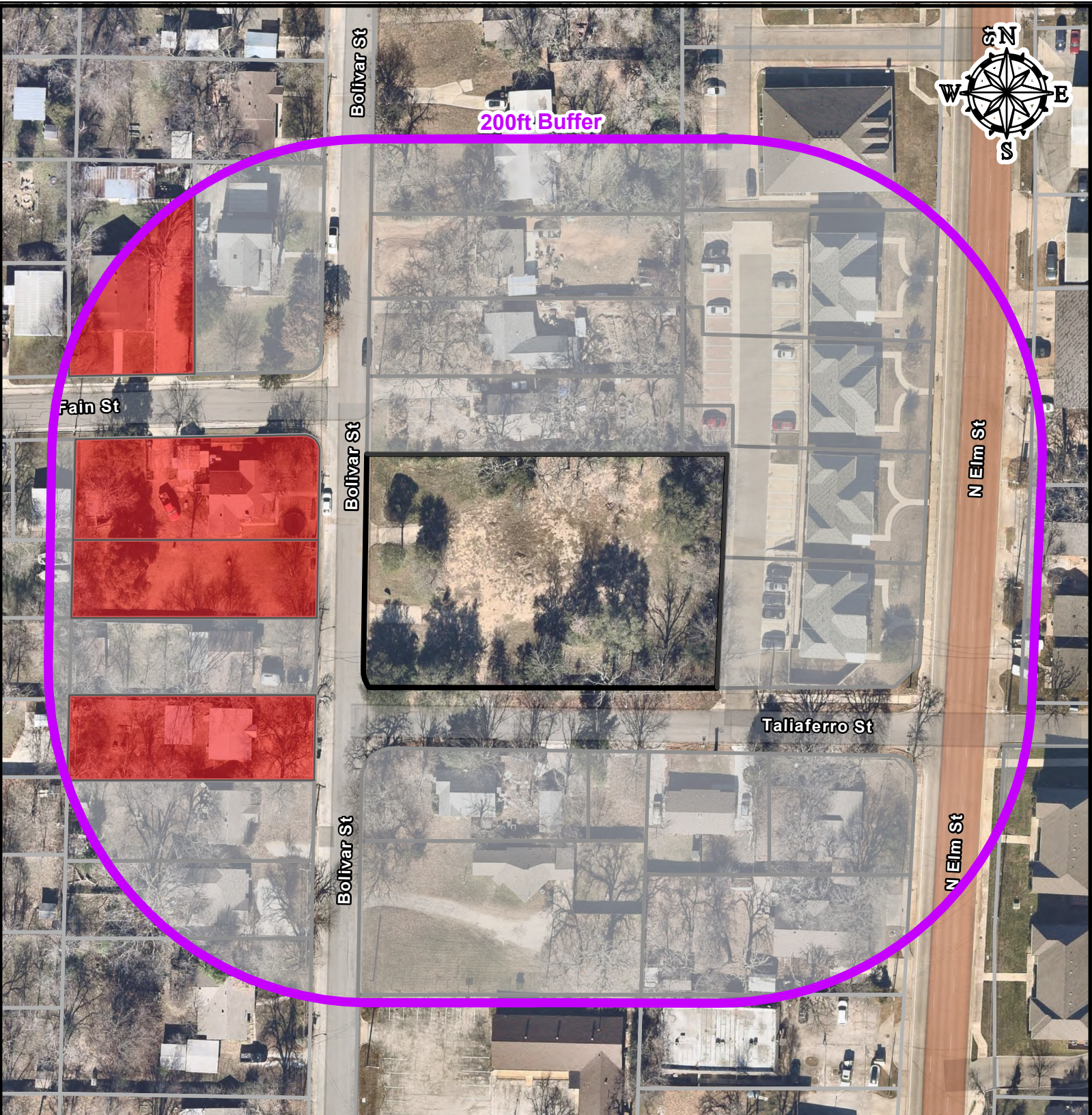


 Parcels Standalone

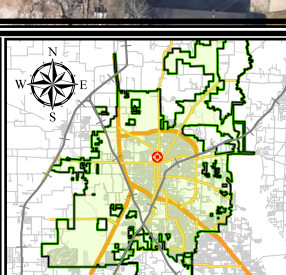


*This product is for informational purposes and may not have been prepared for or be suitable for legal, engineering, or surveying purposes. It does not represent an on-the-ground survey and represents only the approximate relative location of property boundaries. Although every effort was made to ensure the accuracy of this data, no such guarantee is given or implied. Utilization of this map indicates the understanding that there is no guarantee to the accuracy of this data.

Z25-0018 Notification Response Map



- No Response
- Opposed
- In Favor



"This product is for informational purposes and may not have been prepared for or be suitable for legal, engineering, or surveying purposes. It does not represent an on-the-ground survey and represents only the approximate relative location of property boundaries. Although every effort was made to ensure the accuracy of this data, no such guarantee is given or implied. Utilization of this map indicates the understanding that there is no guarantee to the accuracy of this data."



Development Services
401 N. Elm St., Denton, TX 76201 • (940) 349-8600

Response Form

Project Number Z25-0018
Denton Duplexes

In order for your opinion to be counted, please complete and mail this form to:

City of Denton Development Services
Attn: Bryce Van Arsdale, Project Manager
401 N. Elm St.
Denton, TX 76201

You may also email to Bryce.VanArsdale@cityofdenton.com or call (940) 349-8368. Please note any responses are subject to public information requests including the information provided below.

Project Number: Z25-0018

Meeting Date: January 14, 2026

Please circle one:

- In favor of request
- Opposed to request

Comments:

DONT THINK BOLIVAN IS WIDE ENOUGH FOR THE EXTRA
CARS - ONLY 16 PARK SPOTS PROPOSED - ALSO JUST
ADDITIONAL TRAFFIC WOULD BE ALOT.

Signature: [Handwritten Signature]

Printed Name: JAMES MARS

Street Address: 1207 EFW

City, State and Zip Code: DENTON TX 76201

Phone Number: 940 368-6642

Email Address: MARS.MARC@GMAIL.COM

Physical Address of Property within 200 Feet: 2301 BOLIVAN



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401 N. Elm St.
Denton, TX 76201

You may also email to Bryce.VanArsdale@cityofdenton.com or call (940) 349-8368. Please note any responses are subject to public information requests including the information provided below.

Project Number: Z25-0018

Meeting Date: January 14, 2026

Please circle one:

In favor of request Opposed to request

Comments:

*Negative impact on Neighborhood
Too much for small lots. All visitors
parked on a street with not enough spaces*

Signature: *Joe Lanham*

Printed Name: JOE LANHAM

Street Address: 4090 SAWN'S RD

City, State and Zip Code: Aubrey Texas 76727

Phone Number: 940-286-0534

Email Address: JOE LANHAM 243 @ YAHOO.COM

Physical Address of Property within 200 Feet: LOT next to 2307

Bolivar directly across from site



Response Form

Project Number Z25-0018
Denton Duplexes

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City of Denton Development Services
Attn: Bryce Van Arsdale, Project Manager
401 N. Elm St.
Denton, TX 76201

You may also email to Bryce.VanArsdale@cityofdenton.com or call (940) 349-8368. Please note any responses are subject to public information requests including the information provided below.

Project Number: Z25-0018

Meeting Date: January 14, 2026

Please circle one:

In favor of request Opposed to request

Comments:

This will bring to many people + cars with NOT enough parking for visitors for 8 households. Unfair to neighborhood.

Signature: Joe Lanham

Printed Name: JOE LANHAM

Street Address: 4090 SANS RD.

City, State and Zip Code: Aubrey Texas 76227

Phone Number: 940-206-0536

Email Address: JOE.LANHAM243@YAHOO.COM

Physical Address of Property within 200 Feet: 2307 Bot. Van directly across street



Development Services
401 N. Elm St., Denton, TX 76201 • (940) 349-8600

Response Form

Project Number Z25-0018
Denton Duplexes

In order for your opinion to be counted, please complete and mail this form to:

City of Denton Development Services
Attn: Bryce Van Arsdale, Project Manager
401 N. Elm St.
Denton, TX 76201

You may also email to Bryce.VanArsdale@cityofdenton.com or call (940) 349-8368. Please note any responses are subject to public information requests including the information provided below.

Project Number: Z25-0018

Meeting Date: January 14, 2026

Please circle one:

In favor of request Opposed to request

Comments: This is NOT WANTED for the
neighborhood. To many people.

Signature: Joe Lanham

Printed Name: JOE LANHAM

Street Address: 4090 SAULS RD.

City, State and Zip Code: Aubrey TEXAS 76207

Phone Number: 940-206-0594

Email Address: JOELANHAM2436@ATTN.COM

Physical Address of Property within 200 Feet: 306 FAIR



4400 State Highway 121
Suite 800
Lewisville, TX 75056
972. 436. 9712

SPEC25414

April 27, 2026

City of Denton

401 N. Elm Street

Denton, TX 76201

E: Development@cityofdenton.com

P: 940.349.8600

RE: Denton Duplexes – Neighborhood Engagement Summary

Please accept this letter, on behalf of the Denton Duplex project, describing our neighborhood engagement efforts for rezoning approximately 0.74 acres within parcel number 34299, located at the northeast corner of Bolivar Street and Taliaferro Street in the City of Denton, Denton County, Texas.

The Denton Duplex project held two official neighborhood meetings on December 8 and December 9, each of which was attended by one neighboring resident. Several items were discussed during the meeting, including concerns about the amount of traffic along both Bolivar and Taliferro Streets and the potential impacts of additional development on existing traffic conditions. The neighbors also expressed concerns regarding on-street parking, specifically the possibility of an increase in vehicles parking along the street and how that could affect access and the overall character of the area. In addition, the preservation of existing trees on the property was an important topic of discussion, with emphasis placed on maintaining as many mature trees as possible to help preserve the neighborhood's established landscape.

At the January 14 Planning and Zoning Commission meeting, comments were received from the two individuals who attended the neighborhood meetings, as well as from additional adjacent property owners to the north, Samuel Bunn and Candace Downing, who had not previously participated in the neighborhood meeting process.

Following the Planning and Zoning meeting, Aimee Bissett reached out to Mr. Bunn and Ms. Downing to introduce herself, address any immediate questions, and explore the opportunity for a follow-up discussion regarding the proposed development. On April 8, Aimee Bissett and Patricia Fant of McAdams met with Mr. Bunn and Ms. Downing at their property to discuss the Denton Duplex project in more detail. During this meeting, the site was walked and Mr. Bunn and Ms. Downing shared several conditions they are requesting of the property owner in order to support the proposed development.

MCADAMS

CONDITIONS REQUESTED BY THE NEIGHBORS

1. **Lot Reduction:** The neighboring property owners requested a reduction in the number of lots from four to three. Their concern is that the four-lot configuration would allow for up to eight residential units, which they believe would introduce a level of density and population that is inconsistent with the surrounding neighborhood.
2. **Landscape Buffer:** The neighboring property owners requested a 10' wide landscape buffer across the full length of the north property line as shown in the Concept Plan attached to this letter. They also requested all existing quality trees within the buffer area are to be preserved unless removal is desired by the adjacent property owner or the City requirements dictate removal.
3. **Fence Replacement:** The neighboring property owners requested the existing wood fence along the northern boundary line to be replaced, with a new 8' wood fence. They request to use the existing fence infrastructure where possible in order to minimize impacts and avoid damage to existing trees.
4. **Parking Location:** The neighboring property owners requested the parking along the mutual access easement on the Denton Duplex property is oriented to face south toward the duplexes, rather than toward the northern property line, as illustrated on the attached Concept Plan.

CONDITIONS AGREED UPON

5. **Landscape Buffer:** A 10' wide landscape buffer will be provided across the full length of the north property line as shown in the Concept Plan attached to this letter. All existing quality trees within the buffer area will be preserved unless removal is desired by the adjacent property owner or the City requirements dictate removal.
6. **Fence Replacement:** The Reyes Family agrees to replace the existing wood fence along the northern boundary line, with a 8' new wood fence. They plan to use the existing fence infrastructure where possible in order to minimize impacts and avoid damage to existing trees.
7. **Parking Location:** The parking along the mutual access easement on the Denton Duplex property is oriented to face south toward the duplexes, rather than toward the northern property line, as illustrated on the attached Concept Plan.

The Denton Duplex property owners have agreed to three of the four requests made by the neighboring property owners. The only request not agreed to is the reduction in the number of lots from four to three. Under the property's current zoning, three lots are already permitted, with an accessory dwelling unit allowed on each lot. This would result in up to six residential units on the site by right, rendering the proposed rezoning unnecessary.

In order for the duplex development to be economically and functionally viable, the property owners are keeping the four duplex buildings on the concept plan.

Sincerely,
MCADAMS

Patricia Fant, AICP
Planning + Entitlements

Filing Number: 805072375
Original Date of Filing: May 23, 2023
Formation Date: N/A
Tax ID: 32090007884
Duration: Perpetual
Name: ELSI, LLC
Address: PO BOX 52093
DENTON, TX 76206-2093 USA

Entity Type: Domestic Limited Liability Company (LLC)
Entity Status: In existence
FEIN:

REGISTERED AGENT	FILING HISTORY	NAMES	MANAGEMENT	ASSUMED NAMES	ASSOCIATED ENTITIES	INITIAL ADDRESS
Name			Address			Inactive Date
LAW OFFICES OF KENNETH S. HARTER			6160 Warren Pkwy, Suite 100 Frisco, TX 75034 USA			

[Order](#) [Return to Search](#)

ORDINANCE NO. _____

AN ORDINANCE OF THE CITY OF DENTON, TEXAS, REGARDING A CHANGE IN THE ZONING DISTRICT AND USE CLASSIFICATION FROM RESIDENTIAL 3 (R3) DISTRICT TO RESIDENTIAL 7 (R7) DISTRICT ON APPROXIMATELY 0.74 ACRES OF LAND GENERALLY LOCATED ON THE NORTHEAST CORNER OF BOLIVAR STREET AND TALIAFERRO STREET, APPROXIMATELY 155 FEET WEST OF NORTH ELM STREET IN THE CITY OF DENTON, DENTON COUNTY, TEXAS; ADOPTING AN AMENDMENT TO THE CITY'S OFFICIAL ZONING MAP; PROVIDING FOR A PENALTY IN THE MAXIMUM AMOUNT OF \$2,000.00 FOR VIOLATIONS THEREOF; PROVIDING A SEVERABILITY CLAUSE AND AN EFFECTIVE DATE. (Z25-0018b)

WHEREAS, Candy Whitaker of McAdams, on behalf of the property owner, requested to rezone approximately 0.74 acres of land from Residential 3 (R3) District to Residential 7 (R7) District, legally described in Exhibit "A", attached hereto and incorporated herein by reference (hereinafter, the "Property"); and

WHEREAS, on January 14, 2026, the Planning and Zoning Commission, in compliance with the laws of the State of Texas, have given the requisite notices by publication and otherwise, and have held due hearings and afforded full and fair hearings to all property owners interested in this regard, and have recommended approval [5-1] of the request; and

WHEREAS, on May 5, 2026, the City Council conducted a public hearing as required by law and voted [7-0] to continue the item until such time the applicant could bring forward requested information relating to affordability of the project; and

WHEREAS, on July 14, 2026, the City Council conducted a public hearing as required by law, and finds that the request meets and complies with all substantive and procedural standards set forth in Section 2.7.2 of the Denton Development Code, and is consistent with the Denton 2040 Comprehensive Plan and the Denton Development Code; and

WHEREAS, the Planning and Zoning Commission and the City Council of the City of Denton, in considering the application for establishing a zoning district change for the Property, have determined that the proposed use is in the best interest of the health, safety, morals, and general welfare of the City of Denton, and accordingly, the City Council of the City of Denton is of the opinion and finds that said zoning change is in the public interest and should be granted as set forth herein; NOW THEREFORE,

THE COUNCIL OF THE CITY OF DENTON HEREBY ORDAINS:

SECTION 1. The findings and recitations contained in the preamble of this ordinance are incorporated herein by reference and found to be true.

SECTION 2. The zoning district and use classification for the Property is hereby changed to Residential 7 (R7) District.

SECTION 3. The City’s official zoning map is hereby amended to show the established zoning district and use classification.

SECTION 4. If any provision of this ordinance or the application thereof to any person or circumstance is held invalid by any court, such invalidity shall not affect the validity of the provisions or applications, and to this end the provisions of this ordinance are severable.

SECTION 5. Any person, firm, partnership or corporation violating any provision of this ordinance shall, upon conviction, be deemed guilty of a misdemeanor and shall be punished by fine in a sum not exceeding \$2,000.00 for each offense. Each day that a provision of this ordinance is violated shall constitute a separate and distinct offense.

SECTION 6. In compliance with Section 2.09(c) of the Denton Charter, this ordinance shall become effective fourteen (14) days from the date of its passage, and the City Secretary is hereby directed to cause the caption of this ordinance to be published twice in the Denton Record-Chronicle, a daily newspaper published in the City of Denton, Texas, within ten (10) days of the date of its passage.

The motion to approve this ordinance was made by _____ and seconded by _____, the ordinance was passed and approved by the following vote [___ - ___]:

	Aye	Nay	Abstain	Absent
Chris Watts, Mayor:	_____	_____	_____	_____
Jordan Villarreal, District 1:	_____	_____	_____	_____
Nick Stevens, District 2:	_____	_____	_____	_____
Suzi Rumohr, District 3:	_____	_____	_____	_____
Joe Holland, District 4:	_____	_____	_____	_____
George Ferrie, At Large Place 5:	_____	_____	_____	_____
Jill Jester, At Large Place 6:	_____	_____	_____	_____

PASSED AND APPROVED this the _____ day of _____, 2026.

CHRIS WATTS, MAYOR

ATTEST:
KRISTI FOGLE, INTERIM CITY SECRETARY

BY: _____

APPROVED AS TO LEGAL FORM:
MACK REINWAND, CITY ATTORNEY

BY:  _____

Exhibit A
Legal Description

BEING all that certain lot, tract or parcel of land lying and being situated in the Count of Denton, State of Texas, out of the N.H. Meisenheimer Survey, Abst. No. 811, in the City of Denton, Texas, being a part of a certain three acre tract out of said survey conveyed by C. M. Williams and wife, Fay Williams, to W. P. Bell, by deed recorded in Volume 240, page 187, Deed Records of Denton County, Texas, and more particularly described by metes and bounds as follows:

BEGINNING at the southwest corner of said lot, same being in the north line of Taliaferro Street, same being in the east line of Bolivar Street;

THENCE North along the east line of Bolivar Street, same being the west line of said lot, 150 feet to a stake for the the northwest corner of said lot;

THENCE East along the north line of said lot, 215 feet, a stake for the northeast corner;

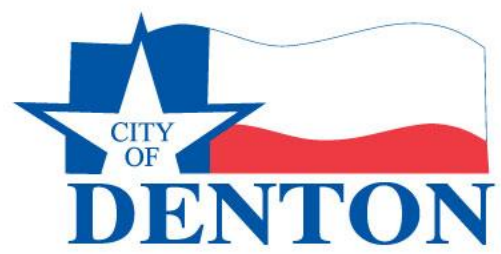
THENCE South 2 deg. 17' west 150 feet, a stake for the SE corner, same being in the north line of Taliaferro Street;

THENCE West along the north line of Taliaferro Street, 209 feet to the point of beginning;

and being the same tract conveyed by Jack Stephens et ux to S. Clyde Carpenter, by deed dated July 2, 1954, recorded in Volume 396, page 423, Deed Records of Denton County, Texa

Z25-0018b Denton Duplexes

Angie Manglaris
Assistant Planning Director
July 14, 2026



Request

Request: Rezone 0.74 acres from R3 to R7

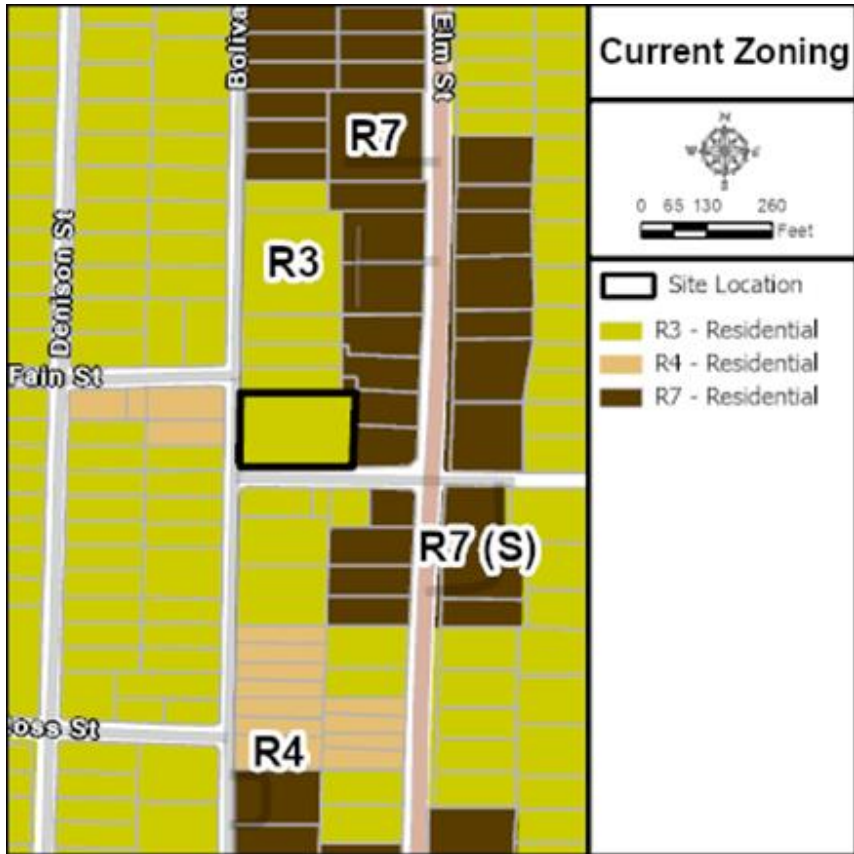
Location: Northeast corner of Bolivar Street and Taliaferro Street

Purpose: Allow for the development of duplexes

Surrounding area: Variety of housing types, religious institution, supporting commercial uses

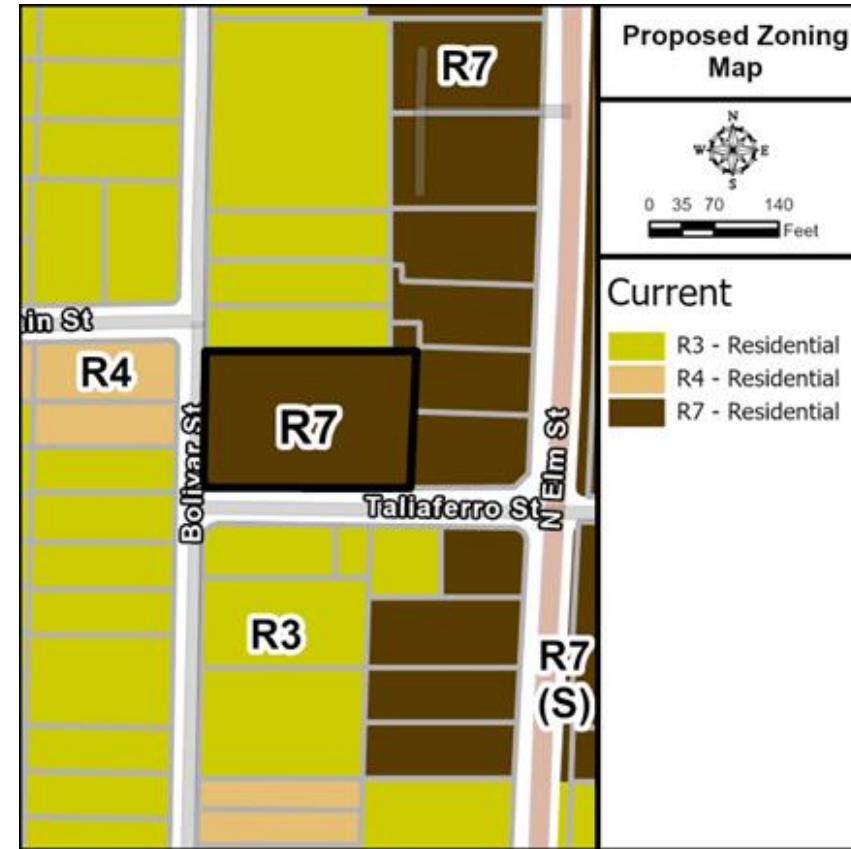


Current Zoning (R3)



- Single family residential
- R3
 - Min. 10,000 sq. ft.
 - 20' front
 - 5' side
 - 10' rear
 - 40' height

Requested Zoning (R7)



- Single family residential
- R7
 - Min. 4,000 sq. ft.
 - 10' front
 - 5' side
 - 10' rear
 - 40' height

Denton 2040 Comprehensive Plan

FLUM: Low Residential

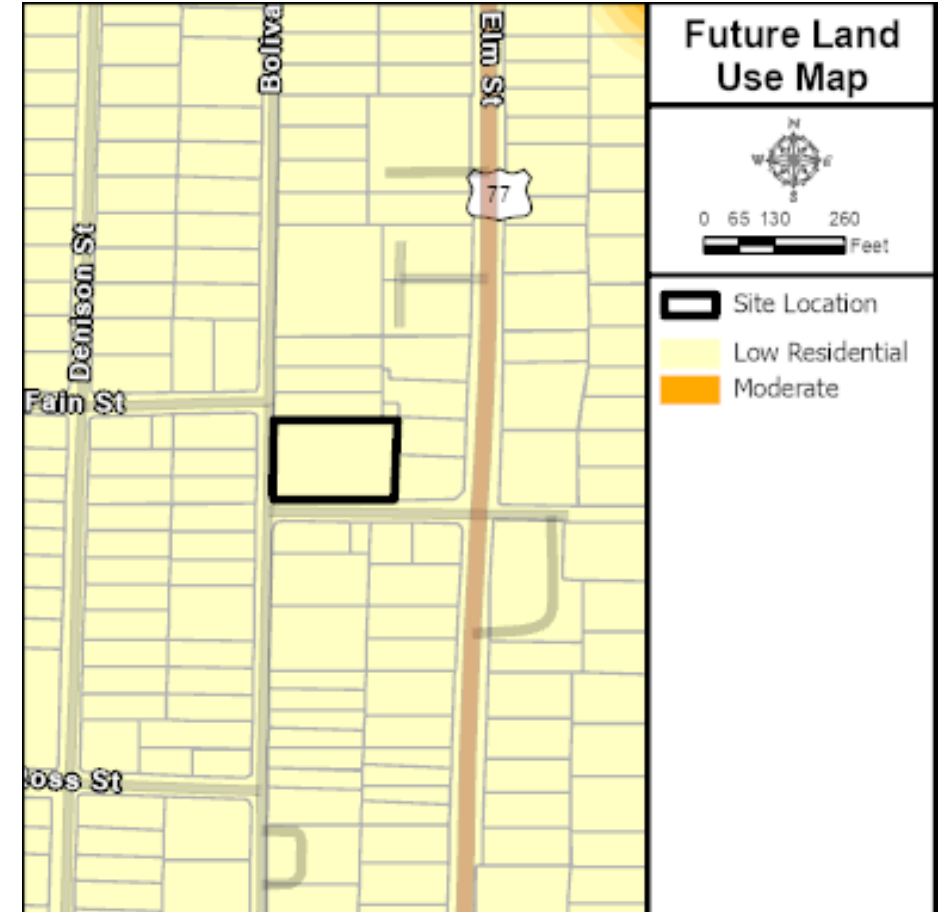
- Denotes areas that are predominantly single-family residential. Supporting uses include appropriately scaled commercial as well as public or quasi-public uses.
- Maximum density of 5 units per acre
 - Request allows for greater density, but maintains consistency with development patterns in the area

Goal LU-1: Grow Compactly: Achieve sound, sustainable growth in compact development patterns with balanced land uses planned in coordination with transportation and infrastructure systems

Goal LU-3: Grow our Assets: Maintain and Strengthen Neighborhoods, Commercial and Employment Areas

Goal HN-1: Develop and maintain a housing stock that meets the needs of all residents with a diverse array of choice in type, cost and location

- ✓ **R7 District conforms** to goals of the Denton 2040 Comprehensive Plan

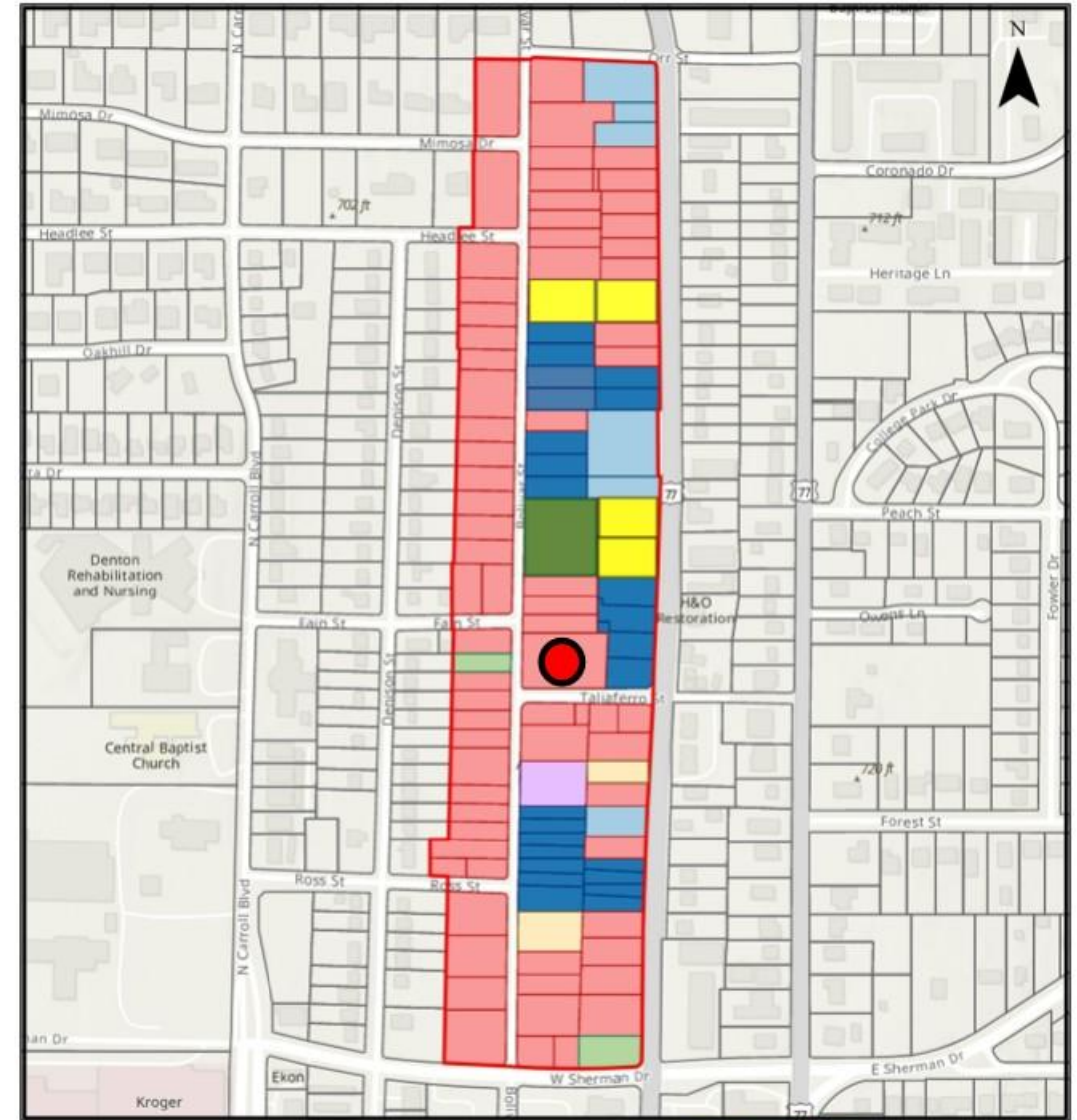


Consistency with R7 Purpose Statement

Per Subsection 3.2.7A, R7 shall:

- Accommodate a variety of housing types
 - Maintain character of the neighborhood
 - Compatibility with existing land uses, patterns, and design standards
- ✓ **Maintains the existing character of the neighborhood**
 - ✓ **Addresses the need for missing middle housing**
 - ✓ **Compatible with the surrounding area**

Z25-0018
Housing Density Map



	Housing Density Boundary		Religious Assembly (1)
	Commercial (6)		Single Family Detached (71)
	Duplex (24)		Vacant (2)
	MultiFamily (2)		Triplex (1)
			Quadplex (4)

Housing Per Acre 4.53 Per Acre | Housing Per Acre (Without ROW): 4.96 per Acre



7/14/2026

Z25-0018b

Criteria for Approval – DDC 2.4.5E and 2.7.2D

Summary:

- ✓ Proposed zoning is consistent with the R7 purpose statement.
- ✓ Proposal is generally consistent with the goals and policies and the Future Land Use Map of the Denton 2040 Comprehensive Plan.
- ✓ Proposed zoning and development would be compatible with surrounding context in City.
- ✓ Zoning is not expected to generate significant adverse environmental, infrastructure, or fiscal impacts.

General Approval Criteria for All Applications (Sec. 2.4.5E)

1. General Criteria
2. Prior Approvals
3. **Consistent with the Comprehensive Plan and Other Applicable Plans**
4. Compliance with this DDC
5. Compliance with other regulations
6. Consistent with Interlocal and Development Agreements
7. Minimizes Adverse Environmental Impacts
8. Minimizes Adverse Impacts on surrounding Property
9. Minimizes Adverse Fiscal Impacts
10. Compliance with Utility, Service, and Improvement Standards
11. Provides Adequate Road Systems
12. Provides Adequate Public Services and Facilities
13. Rational Phasing Plan

Zoning Criteria for Approval (Sec 2.7.2.D)

- a. **The proposed rezoning is consistent with the Future Land Use Map designation.**
- b. The proposed rezoning is consistent with relevant Small Area Plan(s).
- c. **The proposed rezoning is consistent with the purpose statement of the proposed zoning district, as provided in Subchapter 3, Zoning Districts.**
- d. **There have been or will be significant changes in the area to warrant a zoning change.**
- e. **The intensity of development in the new zoning district is not expected to create significantly adverse impacts to surrounding properties or the neighborhood.**
- f. Public facilities and services are available to adequately serve the subject property while maintaining adequate level of service to existing development.
- g. There was an error in establishing the current zoning district.

Notification

Newspaper posted: December 26, 2025, April 19, 2026, June 27, 2026

City website posted: December 23, 2025 and April 14, 2026, June 25, 2026

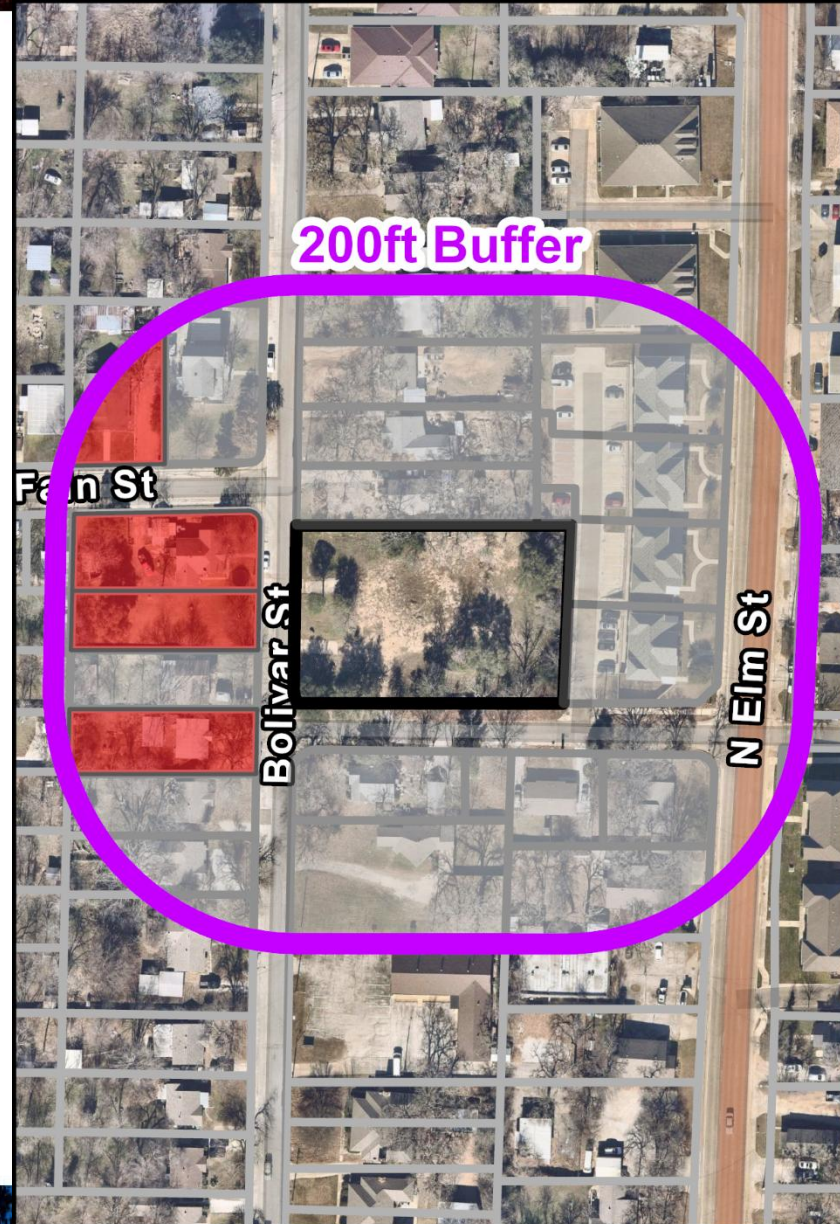
Property posted: December 29, 2025 and June 25, 2026

Mailed notices

- 200 ft. Public Hearing Notices mailed: 38
- 500 ft. Courtesy Notices mailed: 167

Responses:

- In Opposition: 4- 11.8%
- In Favor: 0
- Neutral: 0



Notification Response Map



0 37.5 75 150
Feet

- No Response
- Opposed
- In Favor
- Z25-0018

Recommendation

Staff recommends **approval** of the zoning change requests to the Residential 7 (R7) District as it complies with the criteria in Section 2.4.5E of the Denton Development Code for approval of all applications, and Section 2.7.3.E of the DDC for approval of a Zoning Map Amendment.

On January 14, 2026, the Planning and Zoning Commission **recommend approval (5-1)**.

QUESTIONS?

Angie Manglaris
Assistant Planning Director
Development Services



City of Denton

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

AGENDA INFORMATION SHEET

DEPARTMENT: Department of Development Services

ACM: Kenneth Hedges

DATE: July 14, 2026

SUBJECT

Conduct the second of two readings and consider adoption of an ordinance of the City of Denton, Texas annexing approximately 2.940 acres of land, generally located 1,671 feet east of Mayhill Road, north of Mills Road, into the City of Denton, Denton County, Texas; providing for a correction to the City map to include the annexed land; and providing for a savings clause and an effective date. (A26-0001d, Rollins Annexation, Angie Manglaris)

BACKGROUND

The owner, Coy Mark and Carolyn Rollins, (hereafter referred to as “Owner”), had a non-annexation agreement (ordinance 2012-363), which expired on August 1, 2020. Pursuant to Council direction, the City corresponded with the Owner on multiple occasions, including April 23, 2024, June 13, 2024, and April 13, 2026 to offer a new non-annexation agreement, but the Owner has not responded. By operation of the expired non-annexation agreement, the Owner has filed a written petition with the City for voluntary annexation of approximately 2.940 acres of land, generally located 1,671 feet east of Mayhill Road and north of Mills Road (hereafter referred to as “Subject Property”).

In accordance with State Law, Non-Annexation Agreements (NAAs) were initially offered to property owners between 2010 and 2016 when the City was in the process of annexing land area within the Extra-Territorial Jurisdiction (ETJ). Texas Local Government Code Section 43.016 requires municipalities to offer NAAs to property owners of land area the City is interested in annexing if that land area is appraised for tax purposes as having agricultural, wildlife management, or timber use. In addition, the City also offered NAAs to properties used as single-family residences. NAAs entered into during this initial time period had an original expiration date of August 2020. In 2020, City Council directed staff to offer extensions of the NAAs to August 2040. In accordance with State Law, the total duration of the NAA shall not exceed 45 years.

The general requirements of the NAAS are as follows:

- The property may only be used for single-family residential, agricultural, wildlife, timber, or related uses.
- City of Denton regulations apply to proposed development.
- Development applications and building permits must be submitted and approved through the City of Denton.
- Land may be subdivided into smaller parcels via plating, provided the minimum lot size is at least 5 acres.
- Notification must be provided to the City if the property is sold.

- Properties with agriculture, wildlife management, or timberland exemptions are required to provide notice to the City if there is a change in exemption status.
- If the property owner does not abide by these requirements, or if the NAA expires, the City may proceed with annexation of the property.

Following Council direction in 2020, staff began engaging with property owners with expired NAAs in an effort to enter into new agreements with 2040 expiration dates. Between 2020 and 2021 a majority of property owners with expired NAAs entered into new agreements; however, 18 NAAs remained expired.

In 2024, staff revisited the topic of expired NAAs with City Council. Direction was given to contact the property owners of the 18 expired agreements to extend the NAAs and pursue annexation for any remaining expired NAAs. Initial letters offering NAA extensions were mailed in May 2024 with follow-up letters in June prior to the initial response deadline of June 21, 2024. Additional letters were mailed in September 2024, and a final letter was sent to the property owner on April 13, 2026 via certified mail.

The second reading of the annexation ordinance is the final step required for a voluntary annexation based upon the requirements of TXLGC Sec. 43.0672 and the City's Charter as outlined below:

1. Approval of a Municipal Services Agreement
2. Adoption of a Service Plan
3. Annexation Public Hearing
4. First Reading of Annexation Ordinance
5. Publication of Annexation Ordinance
6. **Second Reading and Adoption of Annexation Ordinance**

The subject property is situated on the north side of Mills Road, approximately 1,671 feet east of Mayhill Road. The property to the north of the Subject Property is situated within the City of Denton's Extraterritorial Jurisdiction (ETJ) and subject to a non-annexation agreement. The properties to the east, and west of the Subject Property are situated within the City limits and zoned Rural Residential (RR). Mills Road, abutting the Subject Property to the south, is a two-lane roadway, classified as a Secondary Arterial per the 2022 Mobility Plan and Thoroughfare Map.

The Subject Property is located in a transitional area of the City. The Future Land Use map reflects a Moderate Residential designation along the western portion of the Subject Property which transitions to a Low Residential designation along the eastern portion of the site. The descriptions for the Future Land Use categories are provided below:

Low Residential:

This category includes the city's predominantly single-family neighborhoods, with lot sizes ranging from one acre or more in rural fringe areas up to five units per acre gross density throughout many of the city's suburban subdivisions. Dwellings in this land use district are generally one to two stories with private driveways and open space, consisting of privately maintained tree canopy and front, back and side yards. Building and driveway orientation, the locations of private garages, building material, and the presence of sidewalks vary by neighborhood and the era of neighborhood development. Generally, these types of single-family neighborhoods are developed as distinct subdivisions that are linked by internal circulation systems with limited access to local and connector roads. This category may also include land uses that support residential neighborhoods, such as appropriately scaled commercial at arterial and collector street corners, and appropriately scaled public and quasi-public uses, such as religious and educational institutions.

Moderate Residential:

This category accommodates single-family detached housing on small lots, typical of Denton’s more compact, established single-family neighborhoods and low-rise multi-family dwellings and townhomes. This land use applies to areas within the central areas of Denton and transition areas between established single-family neighborhoods and mixed-use or commercial areas that can accommodate greater density, or adjacent to key corridors. Dwellings in this future land use category vary in scale and style and may contain a great deal of diversity by each street and block. Most areas are characterized by rectilinear lots with modest front yards. Most streets are lined by sidewalks, but this is not prevailing throughout. Development is linked by local streets and is most commonly accessed by multiple intersections and points of access. While the land use primarily includes single-family dwellings, multi-family dwellings, and townhomes may be located in this land use as well. While the quality of multi-family dwellings and townhomes currently varies, in the case of future infill development, they should maintain a scale, style, and building orientation in order to complement the prevailing character of its surroundings. This category may also include land uses that support residential neighborhoods, such as neighborhood scaled commercial at arterial and collector street corners, and appropriately scaled public and quasi-public uses, such as religious and educational institutions.

PRIOR ACTION/REVIEW (Council, Boards, Commissions)

December 18, 2012	City Council	Non-Annexation Agreement	Approved through 2020
May 19, 2026	City Council	Municipal Services Agreement Ordinance	Approved
May 19, 2026	City Council	Service Plan Ordinance	Approved
May 19, 2026	City Council	Public Hearing	Public hearing held; no further action occurred
May 19, 2026	City Council	First Reading of the Annexation Ordinance	First Reading held; no further action occurred

OPTIONS

No action is required for the first reading of the annexation ordinance.

EXHIBITS

- Exhibit 1 - Agenda Information Sheet
- Exhibit 2 - Site Location Map
- Exhibit 3 - Future Land Use Map
- Exhibit 4 - Current Zoning Map
- Exhibit 5 - Draft Annexation Ordinance
- Exhibit 6 - Presentation

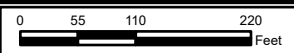
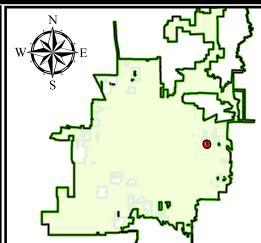
Respectfully submitted:
 Hayley Zagurski, AICP
 Planning Director

Prepared by:
 Angie Manglaris, AICP
 Assistant Planning Director

A26-0001 Aerial Site Location

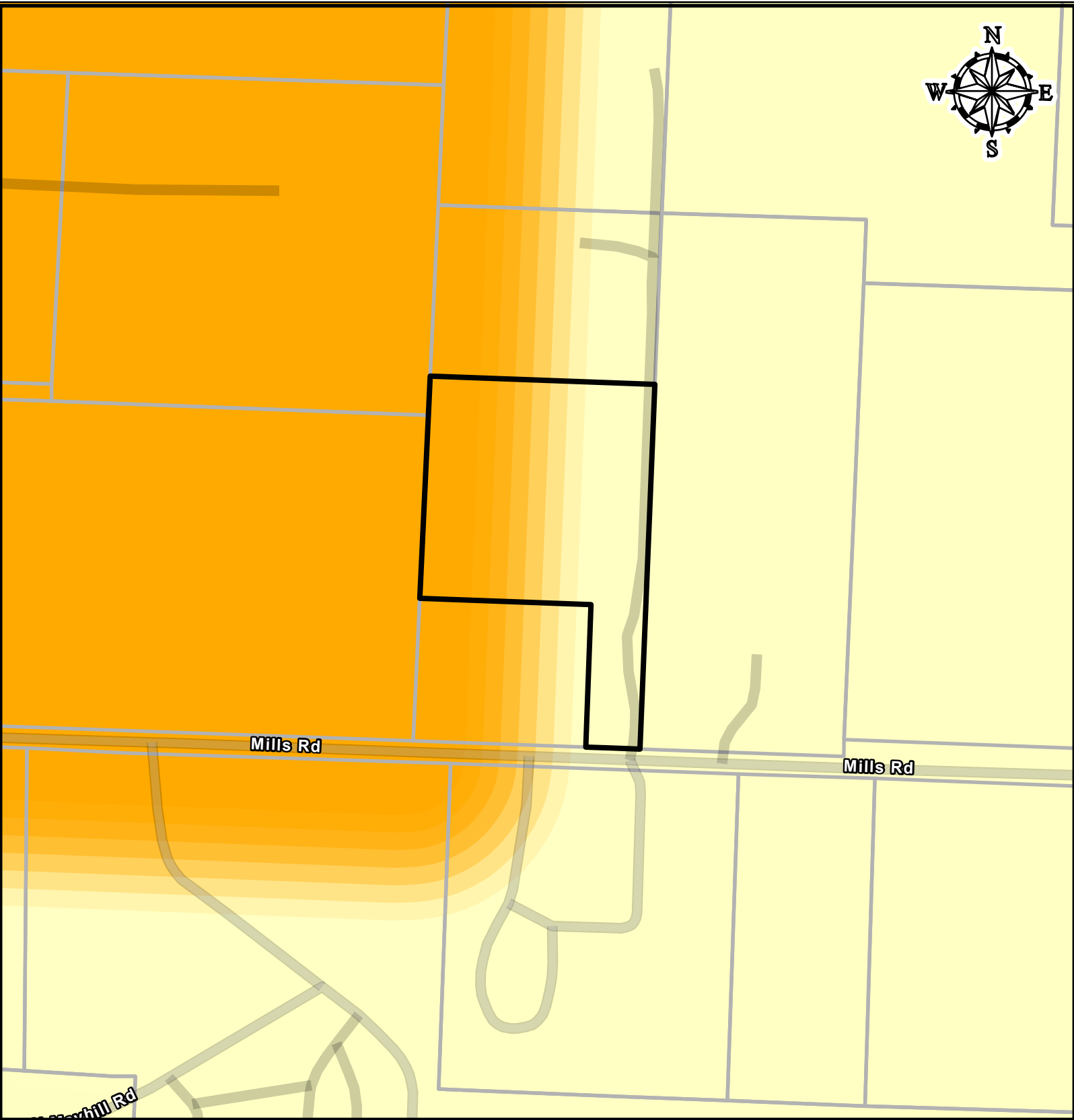
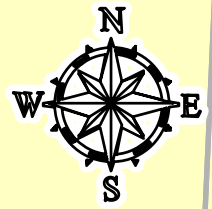


- COD
- ETJ
- ETJ 2
- NAA 8/1/20
- NAA 8/1/40

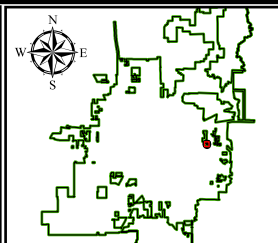


*This product is for informational purposes and may not have been prepared for or be suitable for legal, engineering, or surveying purposes. It does not represent an on-the-ground survey and represents only the approximate relative location of property boundaries. Although every effort was made to ensure the accuracy of this data, no such guarantee is given or implied. Utilization of this map indicates the understanding that there is no guarantee to the accuracy of this data.

A26-0001 Future Land Use Map



Future Land Use 2040	
	Agriculture
	Rural Areas
	Low Residential
	Moderate Residential
	Master Planned Community
	Downtown Denton
	Regional Mixed Use
	Community Mixed Use
	Neighborhood Mixed Use
	Neighborhood / University Compatibility Area
	Business Center
	Light Industrial
	Industrial Commerce
	Government / Institutional
	Parks / Open Space
	Site Location



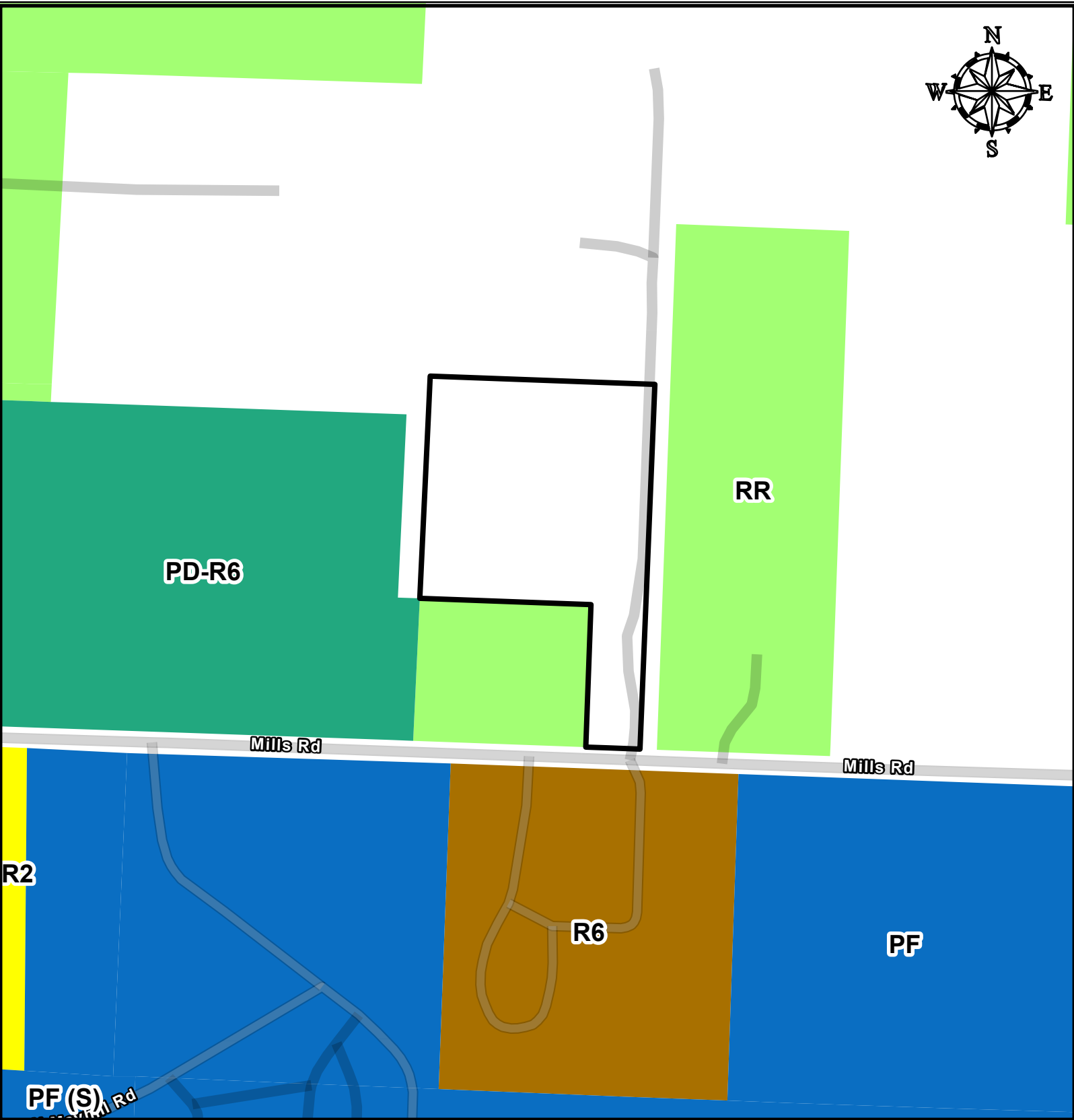
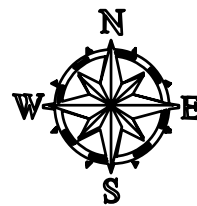
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Development Services • GIS

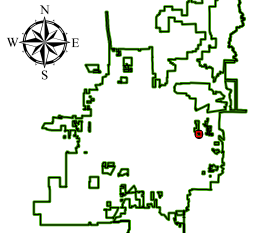
Date: 4/28/2026

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A26-0001 Current Zoning Map



Current Zoning		
	RR - Residential Rural	
	R1 - Residential	
	R2 - Residential	
	R3 - Residential	
	R4 - Residential	
	R6 - Residential	
	RR - Residential Rural	
	R1 - Residential	
	R2 - Residential	
	R3 - Residential	
	R4 - Residential	
	R6 - Residential	
	MN - Mixed-Use Neighborhood	
	MD - Mixed-Use Downtown Core	
	MR - Mixed-Use Regional	
	HC - Highway Corridor	
	SC - Suburban Corridor	
	GO - General Office	
		LI - Light Industrial
		HI - Heavy Industrial
		PF - Public Facilities
		PD - Planned Development
		MPC
		OVERLAY



0 55 110 220 Feet

DENTON
Development Services • GIS
Date: 4/28/2026

*This product is for informational purposes and may not have been prepared for or be suitable for legal, engineering, or surveying purposes. It does not represent an on-the-ground survey and represents only the approximate relative location of property boundaries. Although every effort was made to ensure the accuracy of this data, no such guarantee is given or implied. Utilization of this map indicates the understanding that there is no guarantee to the accuracy of this data.

ORDINANCE NO. _____

AN ORDINANCE OF THE CITY OF DENTON, TEXAS ANNEXING APPROXIMATELY 2.940 ACRES OF LAND, GENERALLY LOCATED 1,671 FEET EAST OF MAYHILL ROAD, NORTH OF MILLS ROAD, INTO THE CITY OF DENTON, DENTON COUNTY, TEXAS; PROVIDING FOR A CORRECTION TO THE CITY MAP TO INCLUDE THE ANNEXED LAND; AND PROVIDING FOR A SAVINGS CLAUSE AND AN EFFECTIVE DATE. (A26-0001d)

WHEREAS, pursuant to Subchapter C-3, Chapter 43, Texas Local Government Code, a municipality may annex an area if the property owner requests the annexation; and

WHEREAS, the Owner had a non-annexation agreement, ordinance 2012-363, which expired on August 1, 2020, and said non-annexation agreement provides that upon expiration of the agreement, the Property will be annexed; and

WHEREAS, pursuant to Council direction, City corresponded with the Owner on multiple occasions, including April 23, 2024, June 13, 2024, and April 13, 2026, to offer a new annexation agreement, but the Owner has not responded; and

WHEREAS, Owner has not responded to Staff's contact attempts; and as a result, Staff are proceeding with the Annexation Case no. A26-0001d ("Annexation Case") under consent annexation processes authorized by Texas Local Government Code ("TLGC") Sec. 43.0671 et seq; and

WHEREAS, the City of Denton and Owner have entered into a written Municipal Services Agreement for the provision of full municipal services to the Property to be annexed, in accordance with Tex. Loc. Gov't. Code Sec. 43.0672, and said agreement was approved by the City Council on May 19, 2026; and

WHEREAS, on May 19, 2026, the City Council held a public hearing to provide persons interested in the annexation the opportunity to be heard and to adopt an ordinance annexing the area, pursuant to Sec. 43.0673 of the Tex. Loc. Gov't. Code; and

WHEREAS, annexation proceedings were instituted for the Property upon the **first reading** of the ordinance at the City Council meeting on May 19, 2026; and

WHEREAS, this ordinance has been published in full one time in the official newspaper of the City of Denton after annexation proceedings were instituted, and 30 days prior to City Council taking final action, as required by Sec. 1.03 of the City Charter; and

WHEREAS, a **second reading** of the ordinance was conducted and final action on the annexation was taken at the City Council meeting on July 14, 2026; and

WHEREAS, Denton City Council hereby deems it to be in the best interests of the citizens of the City of Denton to approve the annexation of the Property; NOW THEREFORE,

THE COUNCIL OF THE CITY OF DENTON HEREBY ORDAINS:

SECTION 1. The findings and recitations in the preamble of this ordinance are incorporated herein by reference.

SECTION 2. The real property described in Exhibit A and depicted on Exhibit B, attached hereto and incorporated herein by reference, is annexed into the City of Denton, Texas.

SECTION 3. A service agreement approved by Ordinance No. A26-0001d, is attached as Exhibit C and made a part hereof for all intents and purposes.

SECTION 4. The newly annexed property shall be included within the corporate limits of the City of Denton, Texas, thereby extending the City’s corporate limits and granting to all inhabitants of the newly annexed property all of the rights and privileges of other citizens and bringing the inhabitants to all of the ordinances, resolutions, acts, and regulations of the City. A copy of this Ordinance shall be filed in the real property records of the Denton County Clerk and within the Denton County Appraisal District.

SECTION 5. The City Manager is hereby authorized and directed to immediately correct the map of the City of Denton by adding thereto the additional territory annexed by this Ordinance, indicating on the map the date of annexation and the number of this Ordinance, and the ETJ resulting from such boundary extensions.

SECTION 6. Should any paragraph, section, sentence, phrase, clause or word of this Ordinance be declared unconstitutional or invalid for any reason, the remainder of this Ordinance shall be affected thereby.

SECTION 7. This ordinance shall be effective immediately upon its passage.

AND IT IS SO ORDERED

The motion to approve this ordinance was made by _____ and seconded by _____, the ordinance was passed and approved by the following vote [__- __]:

	Aye	Nay	Abstain	Absent
Mayor Chris Watts:	_____	_____	_____	_____
Jordan Villarreal, District 1:	_____	_____	_____	_____
Nick Stevens, District 2:	_____	_____	_____	_____

Suzi Rumohr, District 3: _____
Joe Holland, District 4: _____
George Ferrie, At Large Place 5: _____
Jill Jester, At Large Place 6: _____

PASSED AND APPROVED this, the _____ day of _____, 2026.

CHRIS WATTS, MAYOR

ATTEST:
KRISTI FOGLE, INTERIM CITY SECRETARY

BY: _____

APPROVED AS TO LEGAL FORM:
MACK REINWAND, CITY ATTORNEY

BY:  _____

EXHIBIT A
LEGAL DESCRIPTION

Being a 3.940 acre tract of land, more or less, situated in the Moreau Forrest Survey, Abstract No. 417, Denton County, Texas, and being more fully described in that Warranty Deed dated August 17, 1998 from Coy Rollins and wife, Charlie May Rollins, to Coy Mark Rollins and Carolyn J. Morrissey, filed for record on September 3, 1998, and recorded in Volume 4168, Page 1828, of the Real Property Records of Denton County, Texas, SAVE and EXCEPT:

A 1.000 acre tract of land, more or less, situated in the Moreau Forrest Survey, Abstract No. 417, Denton County, Texas, and being more fully described in that Warranty Deed dated April 29, 1996 from Coy Lee Rollins and wife, Charlie Mae Rollins, to Coy Mark Rollins and Carolyn J. Morrissey, filed for record on May 7, 1996, and recorded in Clerk's File Number 96-R0031263, of the Real Property Records of Denton County, Texas.

Leaving 2.940 acres of land, more or less, that is commonly known as DCAD Property ID 206236.

**EXHIBIT B
LOCATION MAP**

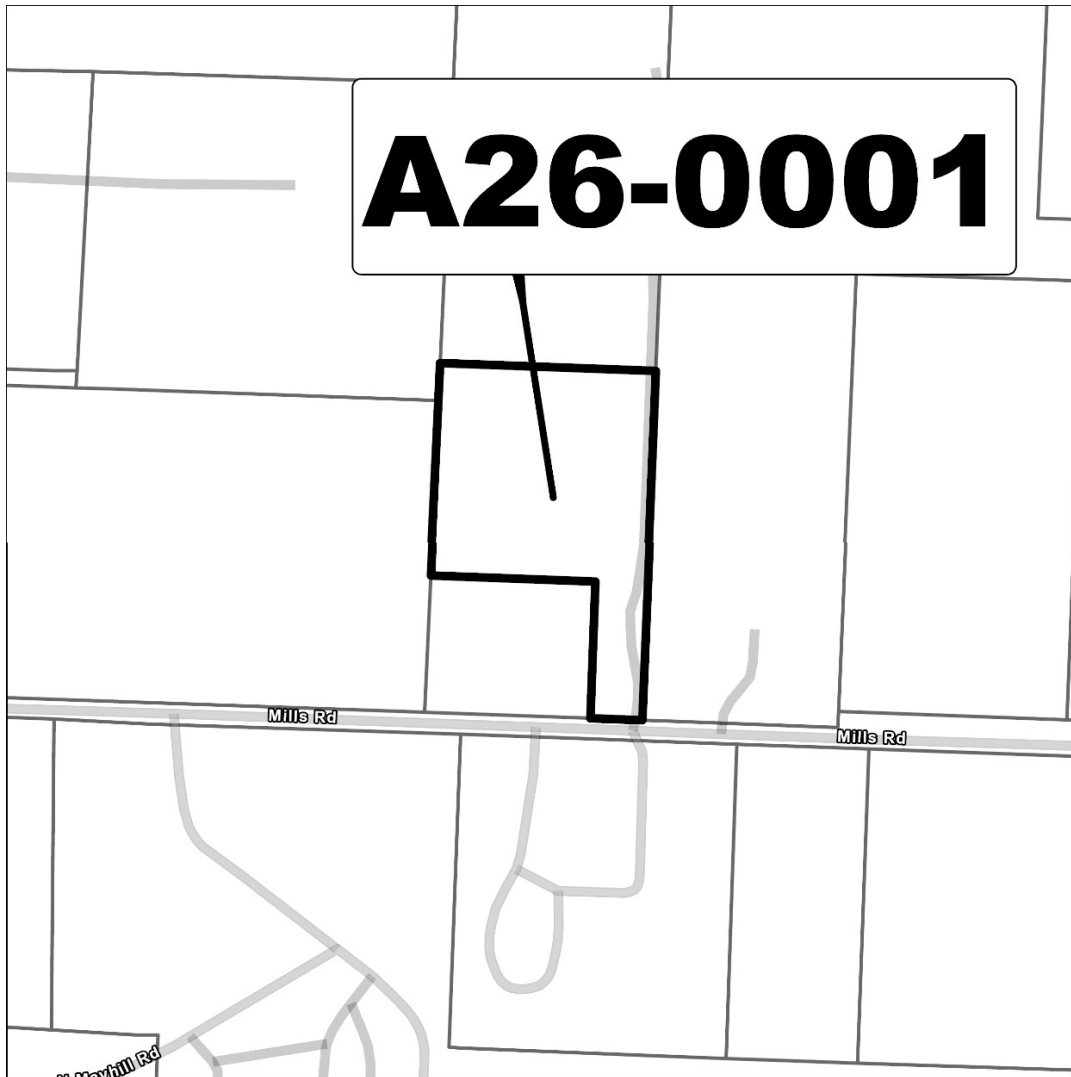


EXHIBIT C
MUNICIPAL SERVICES AGREEMENT

ORDINANCE NO. A26-0001

AN ORDINANCE OF THE CITY OF DENTON, TEXAS REGARDING A MUNICIPAL SERVICES AGREEMENT, PURSUANT TO TEX. LOC. GOV'T. CODE SEC. 43.0672, BETWEEN THE CITY OF DENTON AND COY MARK AND CAROLYN ROLLINS FOR THE PROVISION OF CITY SERVICES TO APPROXIMATELY 2.94 ACRES OF LAND, GENERALLY LOCATED 1,671 FEET EAST OF MAYHILL ROAD, NORTH OF MILLS ROAD; APPROVING A SCHEDULE OF ANNEXATION; AUTHORIZING THE CITY MANAGER TO EXECUTE THE AGREEMENT; AND PROVIDING AN EFFECTIVE DATE. (A26-0001)

WHEREAS, Coy Mark & Carolyn J. Rollins (hereafter referred to as "Owner"), owns approximately 2.94 acres of land in Denton County, Texas as described in **Exhibit A** attached hereto and incorporated herein ("Property"); and

WHEREAS, the Owner had a non-annexation agreement, ordinance 2012-363, which expired on August 1, 2020; and

WHEREAS, pursuant to Council direction, City corresponded with the Owner on multiple occasions, including April 23, 2024, June 13, 2024, and April 13, 2026, to offer a new annexation agreement, but the Owner has not responded; and

WHEREAS, by operation of the expired non-annexation agreement, the city is proceeding with the annexation under the "Three Year Plan" issued on April 6, 2010; and

WHEREAS, the City of Denton has offered to enter into a written Municipal Services Agreement with the Owner of the real property subject to a petition for voluntary annexation, pursuant to Tex. Loc. Gov't. Code Sec. 43.0672, that contains (1) the services that the City of Denton will provide on the effective date of the annexation and (2) a schedule that includes the period within which the City of Denton will provide each service that is not provided on the effective date of the annexation; and

WHEREAS, the City Council of the City of Denton finds it to be in the best interest of the citizens of Denton to enter into a Municipal Services Agreement with the Owner; NOW, THEREFORE,

THE COUNCIL OF THE CITY OF DENTON HEREBY ORDAINS:

SECTION 1. The findings and recitations contained in the preamble of this ordinance are incorporated herein by reference.

SECTION 2. The Municipal Services Agreement ("Agreement"), made in accordance with applicable provisions of state law pertaining to annexation, is approved and attached hereto as **Exhibit B** and is made a part hereof for all intents and purposes.

SECTION 3. The City Manager, or designee, is hereby authorized to execute the Agreement and to carry out the duties and responsibilities of the City of Denton under the Agreement.

SECTION 4. The schedule of annexation attached hereto as Exhibit C is approved and adopted for this annexation.

SECTION 5. Should any paragraph, section, sentence, phrase, clause or word of this Ordinance be declared unconstitutional or invalid for any reason, the remainder of this Ordinance shall not be affected thereby.

SECTION 6. This Ordinance shall be effective immediately upon its passage and approval.

The motion to approve this ordinance was made by Brandon Chase McGee and seconded by Jordan Villarreal, the ordinance was passed and approved by the following vote 7 - 0 :

	<u>Aye</u>	<u>Nay</u>	<u>Abstain</u>	<u>Absent</u>
Gerard Hudspeth, Mayor:	<u>✓</u>	_____	_____	_____
Jordan Villarreal, District 1:	<u>✓</u>	_____	_____	_____
Nick Stevens, District 2:	<u>✓</u>	_____	_____	_____
Suzi Rumohr, District 3:	<u>✓</u>	_____	_____	_____
Joe Holland, District 4:	<u>✓</u>	_____	_____	_____
Brandon Chase McGee, At Large Place 5:	<u>✓</u>	_____	_____	_____
Jill Jester, At Large Place 6:	<u>✓</u>	_____	_____	_____

PASSED AND APPROVED this, the 19th day of May, 2026.



GERARD HUDSPETH, MAYOR

ATTEST:
KRISTI FOGLE, INTERIM CITY SECRETARY

BY: *Kristi Fogle*

APPROVED AS TO LEGAL FORM:
MACK REINWAND, CITY ATTORNEY

BY: *Healy McMahon*

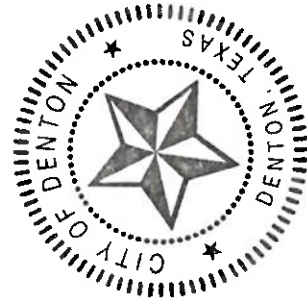


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A 1.000 acre tract of land, more or less, situated in the Moreau Forrest Survey, Abstract No. 417, Denton County, Texas, and being more fully described in that Warranty Deed dated April 29, 1996 from Coy Lee Rollins and wife, Charlie Mae Rollins, to Coy Mark Rollins and Carolyn **J.** Morrissey, filed for record on May 7, 1996, and recorded in Clerk's File Number 96-R0031263, of the Real Property Records of Denton County, Texas.

Leaving 2.940 acres of land, more or less, that is commonly known as DCAD Property ID 206236.

EXHIBIT B
MUNICIPAL SERVICES AGREEMENT

MUNICIPAL SERVICES AGREEMENT

This Municipal Service Agreement ("Agreement") is entered into this 19th day of May 2026, by and between the City of Denton, a Texas home-rule municipality ("City"), and the property owner, Coy Mark & Carolyn J. Rollins (hereafter referred to as "Owner").

RECITALS:

WHEREAS, Section 43.0671 of the TLGC permits the City to annex an area if each owner of land in an area requests the annexation;

WHEREAS, where the City elects to annex such an area, the City is required to enter into a written agreement with the property owner(s) that sets forth the City services to be provided for the Property on or after the effective date of annexation;

WHEREAS, the Owner owns the tract of land, totaling approximately 2.94 acres of land located in the City's extraterritorial jurisdiction, as described in Exhibit A and depicted in Exhibit B, incorporated herein by reference ("the Property"); and

WHEREAS, the Owner's non-annexation agreement expired on August 1, 2020, and the Owner has not renewed it; thus, City is proceeding with annexation under the "Three Year Plan" issued on April 6, 2010, via Annexation Case No. A26-0001 ("Annexation Case"); and

WHEREAS, the City and Owner desire to set out the City services to be provided for the Property on or after the effective date of annexation; and

WHEREAS, the Annexation Case and execution of this Agreement are subject to approval by the Denton City Council.

NOW THEREFORE, in consideration of the mutual covenants, conditions, and promises contained herein, City and Owner agree as follows:

- 1. PROPERTY.** This Agreement is only applicable to the Property, which is the subject of the Annexation Case.
- 2. INTENT.** It is the intent of the City that this Agreement provide for the delivery of full, available municipal services to the Property in accordance with state law, which may be accomplished through any means permitted by law.
- 3. MUNICIPAL SERVICES.** Commencing on the effective date of annexation, City will provide the municipal services set forth below. As used in this Agreement, "providing services" includes having services available by any method or means by which the City makes such municipal services available to any other area of the City, including per the

City's infrastructure extension policies, ordinances, and developer or property owner participation in accordance with applicable city ordinances, rules, regulations, and policies.

A. Police

Police protection from City's Police Department shall be provided to the Property at a level consistent with current methods and procedures presently provided to areas with similar topography, land use, and population density, on the effective date of the ordinance. Some of these services include:

1. Normal patrols and responses;
2. Handling of complaints and incident reports;
3. Special units, such as traffic enforcement, investigations and special weapons; and
4. Coordination with other public safety support agencies.

As development commences on the Property, sufficient police protection, including personnel and equipment will be provided to furnish these areas with the level of police services consistent with other areas in the City having similar characteristics of topography, land use, and population density.

Upon ultimate development, police protection will be provided at a level consistent with other areas within the city limits having similar characteristics of topography, land use, and population density.

B. Fire Protection

The Denton Fire Department (DFD) will provide emergency and fire prevention services to the Property. These services include:

1. Fire suppression and rescue;
2. Pre-hospital medical services including triage, treatment and transport by Advanced Life Support (ALS) fire engines, trucks and ambulances;
3. Hazardous materials response and mitigation;
4. Emergency prevention and public education efforts;
5. Technical rescue response; and
6. Construction Plan Review and required inspections.

Fire protection from the City of Denton shall be provided to the Property at a level consistent with current methods and procedures presently provided to areas of the City of Denton having similar characteristics of topography, land use, and population density, on the effective date of the ordinance.

As development commences in the Property, sufficient fire protection, including personnel and equipment will be provided to furnish these areas with the level of services consistent with other areas having similar characteristics of topography, land use, and population

density. It is anticipated that fire stations planned to serve areas currently within the City of Denton will be sufficient to serve the Property.

Upon ultimate development, fire protection will be provided at a level consistent with other areas within the city limits having similar characteristics of topography, land use, and population density.

C. Emergency Medical Service

The Denton Fire Department (DFD) will provide the following emergency and safety services to the Property. These services include:

1. Emergency medical dispatch and pre-arrival First Aid instructions;
2. Pre-hospital emergency Advanced Life Support (ALS) response; and transport;
3. Medical rescue services.

Emergency Medical Services (EMS) from the City of Denton shall be provided to the Property at a level consistent with current methods and procedures presently provided to areas of the City of Denton having similar characteristics of topography, land use, and population density, on the effective date of the ordinance.

As development commences on the Property, sufficient EMS, including personnel and equipment will be provided to furnish these areas with the level of services consistent with other areas of the City having similar characteristics of topography, land use, and population density.

Upon ultimate development, EMS will be provided at a level consistent with other within the city limits having similar characteristics of topography, land use, and population density.

D. Solid Waste

The City of Denton is the sole provider and hauler for solid waste collection and disposal services within the city limits, including but not limited to, preconstruction activities, construction activities, and ultimately residential, multi-family, or commercial activities, and recycling services. Solid waste and recycling collection services will be provided to the Property immediately upon the effective date of the annexation at a level consistent with current methods and procedures presently provided to areas within the city having similar characteristics of topography, land use, and population density. Customers receiving their existing services from private solid waste collection service providers operating on the Property immediately prior to annexation may continue to utilize their existing service for up to 2 years in accordance with Texas Local Government Code. Should that private service end prior to the expiration of the two (2) year term, the customer must initiate solid waste and recycling services with the City of Denton, pursuant to Chapter 24 of the Code of Ordinances.

E. Wastewater Facilities

The Property is located within the City of Denton Sewer Service Area as defined by Certificate of Convenience and Necessity (CCN) Number 20072, as issued by the Public Utility Commission (PUC).

Connections to existing City of Denton wastewater distribution mains for wastewater service will be provided in accordance with the Denton Development Code, associated Water/Wastewater Criteria Manual, and existing City ordinances and policies. Upon connection to existing distribution mains, wastewater service will be provided at rates established by city ordinance. Owner will provide all on-site public utility easements that are necessary to protect, install, safely operate and maintain the wastewater infrastructure, on a form acceptable to the City, and at no cost to the City.

As development commences on the Property, sanitary sewer mains will be extended in accordance with the provisions of the Denton Development Code, Design Criteria Manual, ordinances and regulations. If required, City participation in the costs of these extensions shall be in accordance with applicable City ordinances and regulations. Capacity shall be provided consistent with other areas having similar characteristics of topography, land use, and population density. The sanitary sewer infrastructure shall be compatible and consistent with the City's wastewater master plan.

Upon annexation, sanitary sewer mains and lift stations which are located within dedicated utility easements, public rights-of-way, or any other acceptable locations approved by the Director of Water Utilities, shall be maintained by the City on the effective date of this ordinance, if installed or improved to City standards within the annexed areas.

Operation and maintenance of wastewater facilities and infrastructure lying within the service area of another water utility will be the responsibility of that utility. Similarly, operation and maintenance of private wastewater facilities will be maintained to City standards at the expense of the private property owner.

F. Water Facilities

The Property is located within the City of Denton Water Service Area as defined by Certificate of Convenience and Necessity (CCN) Number 10195 as issued by the Public Utility Commission (PUC).

Connections to existing City of Denton water distribution mains for water service will be provided in accordance with the Denton Development Code, associated Design Criteria Manual, and existing City ordinances and policies. Upon connection to existing distribution mains, water service will be provided at rates established by city ordinance.

As new development occurs within the Property, cost participation for extensions of water distribution mains - if required - shall be in accordance with the Denton Development Code, Design Criteria Manual, and with existing City ordinances and policies. Water service capacity shall be provided consistent with service to areas of the City having similar characteristics of topography, land use and population density. The water infrastructure shall be compatible and consistent with the City's water master plan.

Operation and maintenance of water facilities and infrastructure that lie within the service area of another water utility will be the responsibility of that utility.

Existing developments, businesses or homes that are on individual water wells or private water systems will be allowed to remain on those systems until a request for water service is made to the City. These requests for service will be handled in accordance with the applicable utility service line extension and connection policies currently in place at the time the request for service is received. Owner will provide all on-site public utility easements that are necessary to protect, install, safely operate and maintain the water infrastructure, on a form acceptable to the City, and at no cost to the City.

G. Roads and Streets

Emergency street maintenance, defined as repairs necessary to prevent imminent damage or injury to the health or safety of the public or any person, as determined by the Director of Public Works, shall be provided within the Property upon the effective date of the annexation ordinance. Routine maintenance will be provided within the Property and will be scheduled as part of the City's annual program, in accordance with the current policies and procedures defined by ordinance, or otherwise established by the City Council.

Any construction or reconstruction will be considered within the Property on a Citywide basis and within the context of the City's Capital Improvement Plan and/or yearly fiscal budgetary allotments by the City Council.

Roadway signage and associated posts will be replaced in priority of importance starting with regulatory signs, then warning signs, then informational signs, in conformance with fiscal allotments by the City Council. If an existing sign remains, it will be reviewed and placed on the City's inventory listing for routine replacement, based upon an engineering study. New signs will be installed when necessary, based upon an engineering study.

Routine maintenance of road/street markings will be evaluated and scheduled within the yearly budgetary allotments by the City Council.

H. Drainage

Connections to existing City of Denton drainage facilities will be provided in accordance with the Denton Development Code, associated Design Criteria Manual, and with existing City ordinances and policies, but only to the extent existing on-site drainage facilities are not compliant with the Denton Development Code. Drainage fees will be assessed at the rates established by city ordinance and will be charged on the utility bill after annexation. All runoff, whether directly tied into the system or not, impacts the system and will be charged.

As new development occurs within the Property, drainage facilities will be extended or improved by the developer as required to remain compliant with the Denton Development Code. Any cost participation shall be in accordance with the Denton Development Code,

Design Criteria Manual, and with existing City ordinances and policies. Drainage facilities extended by the City will have to be a Capital Improvement Project (CIP) project and bonds will need to be sold. Drainage capacity shall be provided consistent with other areas of the City having similar characteristics of topography, land use and population density.

Existing developments, businesses or homes that are on existing drainage systems will be allowed to continue to remain on these systems until a request for drainage facilities is made to the City. Any requests for City improvements to existing drainage facilities will be handled in accordance with the applicable extension and connection policies currently in place at the time the request for improved drainage facilities is received by the City. Owner will provide all on-site public utility easements that are necessary to protect, install, safely operate and maintain the drainage infrastructure, on a form acceptable to the City, and at no cost to the City. These will be ranked in the CIP project matrix, in accordance with the City Drainage Plan.

I. Electric

The Property will be served with electricity distribution service in the most cost-effective manner; provided, however, that before Owner may enter into a contract with an electricity distribution service provider, (i) Owner shall provide the City with any and all bona fide offers that Owner has received from electricity distribution service providers that can legally serve the Property and (ii) the City shall have 30 business days to provide to Owner Denton Municipal Electric's ("DME") offer to provide distribution electricity service to the Property; and provided further, that if DME's offer is substantially similar to the most cost-effective offer from another distribution electricity service provider that can legally serve the Property, then Owner will obtain electricity distribution service from DME. The term "substantially similar" means that the terms of the offers provide the approximately the same level of service at approximately the same start-up cost to Owner. Electric rates applicable to customers within the Property will be pursuant to the then applicable DME rates as approved by the Denton City Council.

Such electricity service offers will be based upon the following terms:

1. The electricity distribution service provider will extend electric distribution facilities as necessary to serve full development of the Property. The electricity distribution service provider will evaluate the cost associated with service extension through the undeveloped area to determine if Aid-in-Construction is required. The electricity distribution service provider is responsible for installation of all primary-voltage electrical cables, transformers, switchgear, streetlight poles and LED streetlight fixtures, streetlight cables, single-family residential services, and other necessary electric distribution and transmission system equipment in compliance with Electric Service Standards and Line Extension Policies currently in place at the time of development, whether onsite or offsite as necessary to provide adequate and reliable electric service to the Property.

2. Owner will provide all on-site public utility easements to the electricity distribution provider that are necessary to protect, install, safely operate and maintain the electric infrastructure, at no cost to the City. PUEs will be 8 feet in width adjacent to street rights-of-way in single family residential areas, and 15 feet in width adjacent to Primary and Secondary Arterial rights-of-way (20 feet where duct banks are required). Easements will be conveyed through the platting process unless the electricity distribution service provider requests an easement be transferred by separate instrument. The provider agrees to joint trench installation of other franchised utilities such as telephone, cable tv, fiber optic cables, or other non-gas utilities within the designated public utility easements as long as those utilities are on an edge shelf of the trench and not placed directly above the electric facilities.
3. Existing overhead electric distribution lines, which are located in the public rights-of-way, will be relocated by the electricity distribution service provider at no cost to the Owner when development adjacent to the existing electric line requires the line to be relocated in order to accommodate the adjacent development as long as the relocation is also to an overhead position. If Owner requests the relocation be placed underground, then Owner shall be responsible for the difference in cost between the overhead relocation and the underground relocation as reasonably determined and demonstrated by the electricity distribution service provider. Existing overhead electric distribution lines not owned by the electricity distribution service provider will be relocated underground by the owner of the lines if so required to comply with the Denton Development Code.
4. Owner will comply with those City approved policies within the DME Electric Service Standards (ESS), as amended, that are available on the City website and uniformly applied within the City, including the specifications for street lighting.
5. All new distribution electric service within the Property shall be placed underground except for necessary above ground appurtenances such as streetlights, switchgear and transformers. The City shall have the right to inspect the electric facilities prior to placing such facilities into use.

J. Parks, Playgrounds, Swimming Pools

Residents of the Property may utilize all existing park and recreation facilities as a resident of the effective date of this ordinance. The park dedication and development ordinance shall apply to the Property for residential development.

In addition, park and recreation facilities shall be constructed based on park policies defined in the Parks, Recreation and Trails System Master Plan and other existing City ordinances and policies.

- K. Publicly Owned Facilities.** Any publicly owned facility, , or service located within the Property, and not otherwise owned or maintained by another governmental entity, shall be maintained by the City of Denton on the effective date of the annexation ordinance.
- L. Permitting and Inspections.** Permitting and Inspections shall be obtained through the City of Denton, as outlined in the Code of Ordinances.
- M. Other Services.** Other services that may be provided by the City of Denton, such as municipal and general administration, will be made available as of the effective date of the annexation. The City of Denton shall provide a level of services, infrastructure, and infrastructure maintenance that is comparable to the level of services, infrastructure, and infrastructure maintenance available in other parts of the City of Denton having similar topography, land use, and population density similar to those reasonably contemplated or projected in the area.
- 4. UNIFORM LEVEL OF SERVICES IS NOT REQUIRED**
Nothing in this Agreement shall require City to provide a uniform level of full municipal services to each area of the City, including the Property, if different characteristics of topography, land use, and population density justify different levels of service.
- 5. AUTHORITY**
City and Owner represent that they have full power, authority and legal right to execute, deliver and perform their obligations pursuant to this Agreement. Owner acknowledges that approval of the Annexation Case is within the sole jurisdiction of the City Council. Nothing in this Agreement guarantees favorable decisions by the City Council.
- 6. EFFECTIVE DATE; TERM**
The effective date of this Agreement is the date of the annexation of the Property. This Agreement shall be valid for a term of ten (10) years from the Effective Date.
- 7. VENUE AND GOVERNING LAW**
Venue shall be in the state courts located in Denton County, Texas or the United States District Court for the Eastern District of Texas. This Agreement shall be governed and construed in accordance with the laws and court decisions of the State of Texas.
- 8. GOVERNMENTAL POWERS.** It is understood that by execution of this Agreement, City does not waive or surrender any of its governmental powers or immunities.
- 9. SEVERABILITY**
In case any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision thereof and this Agreement shall be considered as if such invalid, illegal, or unenforceable provision had never been contained in this Agreement.

10. COUNTERPARTS

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and constitute one and the same instrument.

11. CAPTIONS

The captions to the various clauses of this Agreement are for informational purposes only and shall not alter the substance of the terms and conditions of this Agreement.

12. SUCCESSORS AND ASSIGNS

The terms and conditions of this Agreement are binding upon the successors and assigns of the Parties to this Agreement and stand as obligations running with the land until satisfied in full, regardless of how the Property is developed.

13. ENTIRE AGREEMENT; AMENDMENT.

This Agreement constitutes the complete agreement of the parties to this Agreement and supersedes all prior written agreements between the parties. This Agreement shall not be amended unless executed in writing by both parties. The Parties stipulate that this Agreement does not constitute a permit for development under Chapter 245 of the Texas Local Government Code.

The parties have executed this Agreement on the date first above written.

OWNER

CITY OF DENTON

By: Coy Mark & Carolyn J. Rollins

By: _____
City Manager, Deputy City Manager, or
Assistant City Manager

THIS AGREEMENT HAS BEEN
BOTH REVIEWED AND APPROVED

as to financial and operational
obligations and business terms.

Chale Rowlett

Signature

Director

Title

Development Services

Department

Date Signed: 05/11/2026

APPROVED AS TO LEGAL FORM:

Mack Reinwand, City Attorney

By: *Healy McMahon*

EXHIBIT A
LEGAL DESCRIPTION

Being a 3.940 acre tract of land, more or less, situated in the Moreau Forrest Survey, Abstract No. 417, Denton County, Texas, and being more fully described in that Warranty Deed dated August 17, 1998 from Coy Rollins and wife, Charlie May Rollins, to Coy Mark Rollins and Carolyn J. Morrissey, filed for record on September 3, 1998, and recorded in Volume 4168, Page 1828, of the Real Property Records of Denton County, Texas, SAVE and EXCEPT:

A 1.000 acre tract of land, more or less, situated in the Moreau Forrest Survey, Abstract No. 417, Denton County, Texas, and being more fully described in that Warranty Deed dated April 29, 1996 from Coy Lee Rollins and wife, Charlie Mae Rollins, to Coy Mark Rollins and Carolyn J. Morrissey, filed for record on May 7, 1996, and recorded in Clerk's File Number 96-R0031263, of the Real Property Records of Denton County, Texas.

Leaving 2.94 acres of land, more or less, that is commonly known as DCAD Property ID 206236.

**EXHIBIT B
LOCATION MAP**

**EXHIBIT C
ANNEXATION SCHEDULE**

Annexation

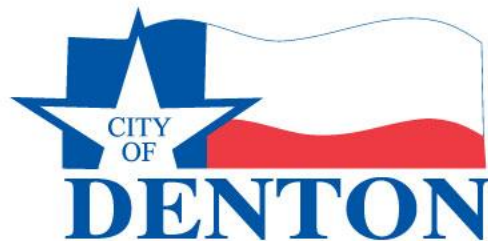
- 04/13/2026** **Petition for Annexation submitted**
- 04/28/2026** Deadline to submit notice to Denton Record Chronicle and City Website for publication before the 16th day before the public hearing on May 19, 2026 (*published on Sunday, May 3, 2026*)
- 05/11/2026** Deadline to submit backup for posting of City Council Agenda for Meeting on February 17, 2026
- 05/19/2026** Annexation **Municipal Service Agreement** – IC (*Required prior to annexation per 43.0672*),
Annexation **Service Plan** – IC (*Required prior to annexation per 43.0672*),
Annexation **Public Hearing** – PH (*Only one public hearing is required per 43.0673*),
AND
First Reading of annexation ordinance – IC (*per City Charter*)
- 05/24/2026** Publish Ordinance in the newspaper (*Charter Sec. 1.03; cannot be acted on for 30 days*)
- 07/14/2026** CC by 4/5ths vote takes final action – IC (*Regular meeting*)
Second Reading of annexation ordinance.
Adoption of annexation ordinance (*30 days+ post publication per Charter Sec. 1.03*)

Post-Annexation Adoption Procedures:

1. Notification to Comptroller
2. Notification to DOJ
3. File certified copy of ordinances with the Denton County Clerk
4. File certified copy of ordinances with the Denton CAD
5. Revise City Map
6. Notify Utilities (Customer Service) utilitybilling@cityofdenton.com

A26-0001d Rollins Annexation Second Reading

Angie Manglaris, AICP
Assistant Planning Director
July 14, 2026



Request

- Conduct the **second** of two readings **and act on** an ordinance of the City of Denton to annex approximately 2.94 acres of land
- Located on the north side of Mills Road, approximately 1,671 feet east of Mayhill Road.



Background

- Property owner had a non-annexation agreement that expired in August of 2020
- A new non-annexation agreement has not been signed
- Development includes an existing structure on site.



Annexation Schedule

- **May 19, 2026**
 - Municipal Services Agreement – **Action Required**
 - Adoption of a Service Plan – **Action Required**
 - Public Hearing – **No Action**
 - First Reading of the Annexation Ordinance – **No Action**
- **May 23, 2026**
 - Publication of Annexation Ordinance
- **July 14, 2026**
 - Second Reading and Adoption of the Annexation Ordinance – **Action Required**

Ordinance Caption

AN ORDINANCE OF THE CITY OF DENTON, TEXAS ANNEXING APPROXIMATELY 2.940 ACRES OF LAND, GENERALLY LOCATED 1,671 FEET EAST OF MAYHILL ROAD, NORTH OF MILLS ROAD, INTO THE CITY OF DENTON, DENTON COUNTY, TEXAS; PROVIDING FOR A CORRECTION TO THE CITY MAP TO INCLUDE THE ANNEXED LAND; AND PROVIDING FOR A SAVINGS CLAUSE AND AN EFFECTIVE DATE.



QUESTIONS?

Angie Manglaris, AICP
Assistant Planning Director
Development Services



City of Denton

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

AGENDA INFORMATION SHEET

DEPARTMENT: Finance

ACM: Christine Taylor

DATE: July 14, 2026

SUBJECT

Consider adoption of an ordinance considering all matters incident and related to the issuance, sale and delivery of up to \$316,338,000 in principal amount of "City of Denton General Obligation refunding and improvement bonds, Series 2026"; 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. The Public Utilities Board recommends approval (6-0).

BACKGROUND

The General Obligation (GO) Bonds will be the third issuance for the 2023 Bond Election. In addition to this voter approved bond program, the City’s Financial Advisors, Hilltop Securities identified potential refunding opportunities this year. This year’s refunding intends to include Certificates of Obligation (CO) Series 2016 as well as the Utility System Revenue Bonds (USysRev) Series 2017. In addition, this ordinance includes the option to also include GO 2014-2016 Series and CO 2014-2015 Series in the refunding if market conditions change to produce positive savings and the net result meets the 1% parameter in the ordinance. The total outstanding amount for the intended refunding series is \$164,280,000 and the refunding includes General Fund, Solid Waste, Water, Wastewater and Electric debt. The projected savings is approximately \$14.281 million based on current market conditions.

The table below summarizes the 2026 GO issuance.

General Fund	\$ 44,223,000
Refunding (Including Utilities)	272,115,000
Estimated Issuance Costs*	-
	\$ 316,338,000

*Covered by CO estimate.

Since bond market conditions can change rapidly, staff is recommending the City Council approve a delegated parameters sale for the GOs. The parameters ordinance sets the following requirements in order to complete the sale of the GOs. By doing so, City staff will be authorized to execute the sale without additional approval.

- Maximum amount of sale is \$ 316,338,000
- Final stated maturity of February 15, 2046
- Maximum net effective interest rate of 5.000%

- Delegation authority ends January 14, 2027

Below is a listing of the GO funded projects:

2023 Bond Election Prop A Streets	\$18,125,000
2023 Bond Election Prop B Oakland & Detention	15,595,000
2023 Bond Election Prop B PEC 3 & 4 Drainage	10,000,000
2023 Bond Election Prop D Public Safety Public Art	503,000
2023 Bond Program Total	\$44,223,000

RECOMMENDATION

Staff recommends adoption of the ordinance.

PRIOR ACTION/REVIEW (Council, Boards, Commissions)

On October 21, 2025, the City Council adopted reimbursement ordinance (Ord. 25-1624) authorizing General Obligation Bonds and Certificates of Obligation funded projects in preparation of the 2026 Bond Sale.

On June 22, 2026, the Public Utilities Board recommended this item which includes Utilities refundings to the City Council for consideration.

EXHIBITS

1. Agenda Information Sheet
2. Draft Preliminary Official Statement 2026 Series
3. Draft Preliminary Official Statement 2026A Series
4. GO Ordinance
5. Presentation

Respectfully submitted:
Matt Hamilton
Chief Financial Officer

Prepared by:
Ranee Klingele
Treasury Manager

(See "Continuing Disclosure of Information" herein)

Dated July 15, 2026

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, interest on the Certificates will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "Tax Matters" herein, including the alternative minimum tax on certain corporations.

THE CERTIFICATES WILL NOT BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.



\$281,260,000*
CITY OF DENTON, TEXAS
(Denton County)
CERTIFICATES OF OBLIGATION, SERIES 2026

Dated Date: July 15, 2026
Interest Accrues from Delivery Date

Due: February 15, as shown on page 2

PAYMENT TERMS . . . Interest on the \$281,260,000* City of Denton, Texas Certificates of Obligation, Series 2026 (the "Certificates") will accrue from the delivery date (the "Delivery Date"), will be payable February 15 and August 15 of each year, commencing February 15, 2027, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. **No physical delivery of the Certificates will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "The Obligations - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas (see "The Obligations - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas, (the "State") particularly Subchapter C of Chapter 271, Texas Local Government Code (the Certificate of Obligation Act of 1971), as amended, and Texas Government Code, Chapter 1371, as amended, and constitute direct obligations of the City of Denton, Texas (the "City"), payable from a combination of (i) the levy and collection of a direct annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge of surplus net revenues of the City's Utility System not in excess of \$1,000, as provided in the Certificate Ordinance (defined herein) authorizing the Certificates (see "The Obligations - Authority for Issuance").

PURPOSE . . . Proceeds from the sale of the Certificates will be used for the purchase, construction and acquisition of certain real and personal property, to wit: (a) acquisition of vehicles and equipment for the fire, police, building inspections, community improvement services, animal services, streets and traffic control, facilities management, airport, technology services, fleet management, warehouse management, and parks and recreation departments; (b) renovations to, and equipping of, existing municipal buildings, including the acquisition and installation of replacement heating, venting and air conditioning equipment, roofing, flooring and parking facilities; (c) acquiring, constructing and installing building security systems, including security system technology equipment and software, for municipal buildings; (d) constructing, reconstructing, renovating, installing and equipping municipal parks; (e) acquisition and installation of technology equipment, including radio equipment, computer equipment and software, and fiber replacement, for various municipal departments; (f) constructing and improving streets, including traffic signalization, landscaping, drainage, sidewalks, utility line relocations and the acquisition of land and rights-of-way therefor; (g) acquisition of equipment for, and acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to, the City's drainage and storm sewer systems; (h) acquisition of vehicles and equipment for, and acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to, the City's solid waste disposal system; (i) acquisition of equipment for, and acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to, public safety facilities for the fire department, (j) acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to the Linda McNatt Animal Care & Adoption Center; (k) acquisition of equipment for, and acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to, the City's waterworks and wastewater system; and (l) acquisition of equipment for, and acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to, the City's electric light and power system; and also for the purpose of paying all or a portion of the City's contractual obligations for professional services, including engineers, architects, attorneys, map makers, auditors, and financial advisors, in connection with said projects and for paying the costs associated with the issuance of the Certificates (see "Plan of Financing").

MATURITY SCHEDULE

See page 2

SEPARATE ISSUES . . . The Certificates are being offered by the City concurrently with the "City of Denton, Texas General Obligation Refunding and Improvement Bonds, Series 2026" (the "Bonds") under a common official statement, and the Certificates and Bonds are hereinafter sometimes referred to collectively as the "Obligations." The Certificates and Bonds are separate and distinct securities offerings being issued and sold independently except for the common Official Statement, and, while the Obligations share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, the federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations and other features.

LEGALITY . . . The Certificates are offered for delivery when, as and if issued and received by the Initial Purchaser of the Certificates subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, Dallas, Texas (see Appendix C, "Forms of Bond Counsel's Opinions").

DELIVERY . . . It is expected that the Certificates will be available for delivery through The Depository Trust Company on August 20, 2026.

SEALED BIDS DUE JULY 21, 2026, AT 9:45 AM, CDT**

* Preliminary, subject to change. See "Adjustment of Principal Amount and/or Types of Bids" in the Notice of Sale for the Certificates.
** Place and Time of Bid Opening . . . The City will accept bids for the sale of the Certificates on a day during the period beginning July 21, 2026 and initially ending August 4, 2026. At least 12 hours prior to the sale of the Certificates, Hilltop Securities Inc., as Municipal Advisor to the City, will communicate, through Parity and Bloomberg, the date and time for submission of bids. The Municipal Advisor, acting on behalf of the City, shall accept bids up to the time specified in the notice as hereinbefore described.

MATURITY SCHEDULE*

CUSIP Prefix: 248867⁽¹⁾

Principal Amount	15-Feb Maturity	Interest Rate	Yield	CUSIP Suffix ⁽¹⁾	Principal Amount	15-Feb Maturity	Interest Rate	Yield	CUSIP Suffix ⁽¹⁾
\$ 6,970,000	2027				\$ 13,290,000	2042			
7,190,000	2028				13,990,000	2043			
7,565,000	2029				14,660,000	2044			
7,940,000	2030				15,315,000	2045			
8,355,000	2031				16,005,000	2046			
8,245,000	2032				5,340,000	2047			
8,675,000	2033				5,605,000	2048			
9,110,000	2034				5,875,000	2049			
9,590,000	2035				6,160,000	2050			
10,080,000	2036				6,460,000	2051			
10,360,000	2037				6,780,000	2052			
10,880,000	2038				7,125,000	2053			
11,445,000	2039				7,480,000	2054			
12,030,000	2040				7,855,000	2055			
12,645,000	2041				8,240,000	2056			

(1) CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services ("CGS") managed on behalf of the American Bankers Association by FactSet Research Systems Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the City, the Municipal Advisor, or the Initial Purchaser of the Certificates take any responsibility for the accuracy of such numbers.

REDEMPTION . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2036, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "The Obligations – Optional Redemption").

DRAFT

* Preliminary, subject to change. See "Adjustment of Principal Amount and/or Types of Bids" in the Notice of Sale for the Certificates.

Dated July 15, 2026

Ratings:
Fitch: "AA+"
S&P: "AA+"
(See "Other Information -
Ratings" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "Tax Matters" herein, including the alternative minimum tax on certain corporations.

THE BONDS WILL NOT BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.



\$62,715,000*
CITY OF DENTON, TEXAS
(Denton County)
GENERAL OBLIGATION REFUNDING AND IMPROVEMENT BONDS,
SERIES 2026

Dated Date: July 15, 2026
Interest Accrues from Delivery Date

Due: February 15, as shown on page 4

PAYMENT TERMS . . . Interest on the \$62,715,000* City of Denton, Texas General Obligation Refunding and Improvement Bonds, Series 2026 (the "Bonds") will accrue from the delivery date (the "Delivery Date"), will be payable February 15 and August 15 of each year, commencing February 15, 2027, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "The Obligations - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas (see "The Obligations - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas, (the "State") including particularly Texas Government Code, Chapters 1207, 1371 and 1331, as amended, and are direct obligations of the City of Denton, Texas (the "City"), payable from an annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, as provided in the Bond Ordinance (defined herein) authorizing the Bonds (see "The Obligations - Authority for Issuance" and "The Obligations - Security and Source of Payment").

PURPOSE . . . Proceeds of the Bonds are expected to be used for (i) various street improvements, (ii) drainage and flood control improvements; (iii) fire public safety facilities; (iv) refunding the obligations described in Schedule I - Schedule of Refunded Obligations (the "Refunded Obligations") for debt service savings, and (v) paying the costs associated with the issuance of the Bonds. (see "Plan of Financing").

MATURITY SCHEDULE

See page 4

SEPARATE ISSUES . . . The Bonds are being offered by the City concurrently with the "City of Denton, Texas Certificates of Obligation, Series 2026" (the "Certificates"), under a common Official Statement, and the Bonds and Certificates are hereinafter sometimes referred to collectively as the "Obligations." The Bonds and Certificates are separate and distinct securities offerings being issued and sold independently except for the common Official Statement, and, while the Obligations share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, the federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations and other features.

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the Initial Purchaser of the Bonds subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, Dallas, Texas (see Appendix C, "Forms of Bond Counsel's Opinions").

DELIVERY . . . It is expected that the Bonds will be available for delivery through The Depository Trust Company on August 20, 2026.

SEALED BIDS DUE JULY 21, 2026, AT 10:15 AM, CDT**

* Preliminary, subject to change. See "Adjustment of Principal Amount and/or Types of Bids" in the Notice of Sale for the Bonds.

** Place and Time of Bid Opening . . . The City will accept bids for the sale of the Bonds on a day during the period beginning July 21, 2026 and initially ending August 4, 2026. At least 12 hours prior to the sale of the Bonds, Hilltop Securities Inc., as Municipal Advisor to the City, will communicate, through Parity and Bloomberg, the date and time for submission of bids. The Municipal Advisor, acting on behalf of the City, shall accept bids up to the time specified in the notice as hereinbefore described.

MATURITY SCHEDULE*

CUSIP Prefix: 248867⁽¹⁾

<u>Principal Amount</u>	<u>15-Feb Maturity</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Suffix⁽¹⁾</u>	<u>Principal Amount</u>	<u>15-Feb Maturity</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Suffix⁽¹⁾</u>
\$ 1,280,000	2027				\$ 2,075,000	2037			
3,640,000	2028				2,175,000	2038			
3,830,000	2029				2,290,000	2039			
4,015,000	2030				2,400,000	2040			
4,225,000	2031				2,530,000	2041			
4,440,000	2032				5,040,000	2042			
4,670,000	2033				5,295,000	2043			
1,780,000	2034				2,930,000	2044			
1,875,000	2035				3,060,000	2045			
1,970,000	2036				3,195,000	2046			

(1) CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services ("CGS") managed on behalf of the American Bankers Association by FactSet Research Systems Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the City, the Municipal Advisor, or the Initial Purchaser of the Certificates take any responsibility for the accuracy of such numbers.

REDEMPTION . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2036, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "The Obligations – Optional Redemption").

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* Preliminary, subject to change. See "Adjustment of Principal Amount and/or Types of Bids" in the Notice of Sale for the Bonds.

This Official Statement, which includes the cover pages, the Schedule and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation, or sale.

No dealer, broker, salesperson, or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon.

For purposes of compliance with Rule 15c 2-12 of the Securities and Exchange Commission (the "Rule"), this document constitutes an Official Statement of the City with respect to the Obligations that has been "deemed final" by the City as of its date except for the omission of no more than the information permitted by the Rule.

The information set forth herein has been obtained from the City and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the representation, promise, or guarantee of the Municipal Advisor. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein since the date hereof. See "Other Information - Continuing Disclosure of Information" for a description of the City's undertaking to provide certain information on a continuing basis.

Neither the City nor its Municipal Advisor make any representation as to the accuracy, completeness, or adequacy of the information supplied by The Depository Trust Company for use in this Official Statement.

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES, AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE, AND ACHIEVEMENTS TO BE DIFFERENT FROM FUTURE RESULTS, PERFORMANCE, AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS.

THE OBLIGATIONS ARE EXEMPT FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE OBLIGATIONS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTION IN WHICH THE OBLIGATIONS HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

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The cover pages hereof, this page and the appendices included herein and any addenda, supplement or amendment hereto, are part of the Preliminary Official Statement.

PRELIMINARY OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Preliminary Official Statement. The offering of the Bonds and Certificates to potential investors is made only by means of this entire Preliminary Official Statement. No person is authorized to detach this summary from this Preliminary Official Statement or to otherwise use it without the entire Preliminary Official Statement.

- THE CITY** The City of Denton (the "City") is a political subdivision and municipal corporation of the State of Texas (the "State"), located in Denton County, Texas. The City covers approximately 97.411 square miles (see "Introduction - Description of the City").

- THE BONDS** The City's \$62,715,000* General Obligation Refunding and Improvement Bonds, Series 2026 are to mature on February 15 in the years 2027 through 2046 (see "The Obligations - Description of the Obligations").

- THE CERTIFICATES** The City's \$281,260,000* Certificates of Obligation, Series 2026 are to mature on February 15 in the years 2027 through 2056 (see "The Obligations - Description of the Obligations").

- PAYMENT OF INTEREST** Interest on the Obligations accrues from the Delivery Date (defined herein) and is payable February 15, 2027 and each August 15 and February 15 thereafter until maturity or prior redemption (see "The Obligations - Description of the Obligations" and "The Obligations - Optional Redemption").

- AUTHORITY FOR ISSUANCE**..... The Certificates are issued pursuant to the Constitution and general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and Texas Government Code, Chapter 1371, as amended, and an ordinance (the "Authorizing Certificate Ordinance") of the City in which the City Council delegated to the City Manager or the Chief Financial Officer (each, a "Pricing Officer" authority to complete the sale of the Certificates. The terms of the sale will be included in a "Pricing Certificate," which will complete the sale of the Certificates (the Authorizing Certificate Ordinance and the Pricing Certificate for the Certificates are jointly referred to as the "Certificate Ordinance") (see "The Obligations - Authority for Issuance").

The Bonds are issued pursuant to the Constitution and general laws of the State, including particularly Texas Government Code, Chapters 1207, 1371 and 1331, as amended, and an ordinance (the "Authorizing Bond Ordinance") of the City in which the City Council delegated to a Pricing Officer authority to complete the sale of the Bonds. The terms of the sale will be included in a "Pricing Certificate," which will complete the sale of the Bonds (the Authorizing Bond Ordinance and the Pricing Certificate for the Bonds are jointly referred to as the "Bond Ordinance") (see "The Obligations - Authority for Issuance").

- SECURITY FOR THE CERTIFICATES** The Certificates constitute direct obligations of the City, payable from a combination of (i) a direct annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge (not to exceed \$1,000) of surplus net revenues of the City's Utility System (see "The Obligations - Security and Source of Payment").

- SECURITY FOR THE BONDS** The Bonds constitute direct obligations of the City, payable from a direct annual ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the City (see "The Obligations - Security and Source of Payment").

- REDEMPTION** The City reserves the right, at its option, to redeem Bonds and Certificates, as the case may be, having stated maturities on and after February 15, 2036, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "The Obligations - Optional Redemption").

- TAX EXEMPTION**..... In the opinion of Bond Counsel, the interest on the Obligations will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "Tax Matters" herein.

* Preliminary, subject to change.

USE OF PROCEEDS Proceeds from the sale of the Certificates will be used for the purchase, construction and acquisition of certain real and personal property, to wit: (a) acquisition of vehicles and equipment for the fire, police, building inspections, community improvement services, animal services, streets and traffic control, facilities management, airport, technology services, fleet management, warehouse management, and parks and recreation departments; (b) renovations to, and equipping of, existing municipal buildings, including the acquisition and installation of replacement heating, venting and air conditioning equipment, roofing, flooring and parking facilities; (c) acquiring, constructing and installing building security systems, including security system technology equipment and software, for municipal buildings; (d) constructing, reconstructing, renovating, installing and equipping municipal parks; (e) acquisition and installation of technology equipment, including radio equipment, computer equipment and software, and fiber replacement, for various municipal departments; (f) constructing and improving streets, including traffic signalization, landscaping, drainage, sidewalks, utility line relocations and the acquisition of land and rights-of-way therefor; (g) acquisition of equipment for, and acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to, the City's drainage and storm sewer systems; (h) acquisition of vehicles and equipment for, and acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to, the City's solid waste disposal system; (i) acquisition of equipment for, and acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to, public safety facilities for the fire department, (j) acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to the Linda McNatt Animal Care & Adoption Center; (k) acquisition of equipment for, and acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to, the City's waterworks and wastewater system; and (l) acquisition of equipment for, and acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to, the City's electric light and power system; and also for the purpose of paying all or a portion of the City's contractual obligations for professional services, including engineers, architects, attorneys, map makers, auditors, and financial advisors, in connection with said projects and for paying the costs associated with the issuance of the Certificates (see "Plan of Financing").

Proceeds of the Bonds are expected to be used for (i) various street improvements, (ii) drainage and flood control improvements; (ii) fire public safety facilities; (iv) refunding the obligations described in Schedule I – Schedule of Refunded Obligations (the “Refunded Obligations”) for debt service savings, and (v) paying the costs associated with the issuance of the Bonds. (see "Plan of Financing").

RATINGS..... The Obligations and the presently outstanding general obligation debt of the City are rated "AA+" by Fitch Ratings ("Fitch") and "AA+" by S&P Global Ratings ("S&P"), a division of S&P Global Inc. See "Other Information – Ratings" herein.

BOOK-ENTRY-ONLY SYSTEM..... The definitive Obligations will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Obligations may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. No physical delivery of the Obligations will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Obligations will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Obligations (see "The Obligations - Book-Entry-Only System").

PAYMENT RECORD..... The City has never defaulted on the payment of its tax-supported indebtedness.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated Population ⁽¹⁾	Net Taxable Assessed Valuation ⁽²⁾	Net Taxable Assessed Valuation Per Capita	Net Tax Debt Outstanding at End of Fiscal Year ⁽⁸⁾	Per Capita Net Funded Tax Debt	Ratio Net Tax Debt to Net Taxable Assessed Valuation	% of Total Tax Collections
2022	146,950	\$ 14,403,105,063 ⁽³⁾	98,014	\$ 354,343,240	2,411	2.46%	99.75%
2023	150,624	16,721,123,624 ⁽⁴⁾	111,012	392,635,000	2,607	2.35%	99.55%
2024	150,842	19,219,843,947 ⁽⁵⁾	127,417	522,720,000	3,465	2.72%	99.38%
2025	155,375	21,110,331,781 ⁽⁶⁾	135,867	524,460,000	3,375	2.48%	99.30%
2026	158,933	22,409,601,039 ⁽⁷⁾	141,000	632,080,000 ⁽⁹⁾	3,977	2.82%	In Process ⁽¹⁰⁾

- (1) Source: City Officials.
- (2) Valuations shown are certified taxable assessed values reported by the Denton Central Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records. Source: Denton Central Appraisal District as of July 25, 2025.
- (3) Excludes tax incremental value of approximately \$236,666,283 that is not available for the City's general obligations and debt of City.
- (4) Excludes tax incremental value of approximately \$263,821,022 that is not available for the City's general obligations and debt of City.
- (5) Excludes tax incremental value of approximately \$321,617,493 that is not available for the City's general obligations and debt of City.
- (6) Excludes tax incremental value of approximately \$644,341,698 that is not available for the City's general obligations and debt of City.
- (7) Excludes tax incremental value of approximately \$720,242,092 that is not available for the City's general obligations and debt of City.
- (8) Excludes self-supported general obligation debt.
- (9) Projected. Includes a portion of the Obligations and excludes the Refunded Obligations. Preliminary, subject to change.
- (10) In process of collection.

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CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

<u>City Council</u>	<u>Term Expires</u>
Chris Watts Mayor	May, 2028
Jordan E. Villarreal Councilmember, District 1	May, 2027
Nick Stevens Mayor Pro Tem, District 2	May, 2027
Suzi Rumohr Councilmember, District 3	May, 2027
Joe Holland Councilmember, District 4	May, 2027
George Ferrie Councilmember, At Large Place 5	May, 2028
Jill Jester Councilmember, At Large Place 6	May, 2028

SELECTED ADMINISTRATIVE STAFF

<u>Name</u>	<u>Position</u>
Cassandra Ogden	Interim City Manager
Frank Dixon	Assistant City Manager
Christine Taylor	Assistant City Manager
Kenneth Hedges	Interim Assistant City Manager
Matt Hamilton	Chief Financial Officer
Randee Klingele	Treasury Manager
Kristi Fogle	Interim City Secretary
Mack Reinwand	City Attorney

CONSULTANTS AND ADVISORS

Auditors Weaver and Tidwell, L.L.P.
Dallas, Texas

Bond Counsel McCall, Parkhurst & Horton L.L.P.
Dallas, Texas

Municipal Advisor Hilltop Securities Inc.
Fort Worth, Texas

For additional information regarding the City, please contact:

Matt Hamilton, Chief Financial Officer	Laura Alexander
Mack Reinwand-City Attorney	Steven Murray
City of Denton	Hilltop Securities Inc.
215 E. McKinney Street	777 Main Street, Suite 1525
Denton, Texas 76201	or Fort Worth, Texas 76102
(940) 349-8244	(817) 332-9710

PRELIMINARY OFFICIAL STATEMENT

RELATING TO

CITY OF DENTON, TEXAS

\$281,260,000*

CERTIFICATES OF OBLIGATION, SERIES 2026

\$62,715,000*

**GENERAL OBLIGATION REFUNDING AND
IMPROVEMENT BONDS, SERIES 2026**

INTRODUCTION

This Preliminary Official Statement, which includes the Schedule and Appendices hereto, provides certain information regarding the issuance of \$281,260,000* City of Denton, Texas Certificates of Obligation, Series 2026 (the "Certificates") and \$62,715,000* City of Denton, Texas General Obligation Refunding and Improvement Bonds, Series 2026 (the "Bonds"). The Bonds and the Certificates (collectively the "Obligations") are separate and distinct securities offerings being authorized for issuance under separate ordinances (the "Bond Ordinance" and the "Certificate Ordinance", respectively, each as defined below, and collectively the "Ordinances") adopted by the City Council of the City, but are being offered and sold pursuant to a common Official Statement, and while the Bonds and Certificates share certain common attributes, each issue is separate and apart from the other and should be reviewed and analyzed independently, including the kind and type of obligation being issued, its terms of payment, the security for its payment, the rights of the holders, the federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations and the covenants and agreements made with respect thereto. The City Council will adopt an ordinance on July 14, 2026 authorizing the issuance of the Bonds (the "Authorizing Bond Ordinance"). In the Authorizing Bond Ordinance, as permitted by the provisions of Chapter 1371, Texas Government Code, as amended, the City Council delegated the authority to the City Manager or the Chief Financial Officer (each, a "Pricing Officer") to establish the terms and details of the Bonds and to effect the sale of the Bonds pursuant to a "Pricing Certificate" (the Authorizing Bond Ordinance and the Pricing Certificate for the Bonds are jointly referred to as the "Bond Ordinance"). The City Council will adopt an ordinance on July 14, 2026 authorizing the issuance of the Certificates (the "Authorizing Certificate Ordinance"). In the Authorizing Certificate Ordinance, as permitted by the provisions of Chapters 1371, Texas Government Code, as amended, the City Council delegated the authority to a Pricing Officer to establish the terms and details of the Certificates and to effect the sale of the Certificates pursuant to a "Pricing Certificate" (the Authorizing Certificate Ordinance and the Pricing Certificate for the Certificates are jointly referred to as the "Certificate Ordinance"). Capitalized terms used in this Preliminary Official Statement have the same meanings assigned to such terms in each respective Ordinance, except as otherwise indicated herein.

There follows in this Preliminary Official Statement descriptions of the Obligations and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Municipal Advisor, Hilltop Securities Inc., Fort Worth, Texas.

DESCRIPTION OF THE CITY . . . The City of Denton, Texas (the "City") is a political subdivision located in Denton County operating as a home-rule city under the laws of the State of Texas (the "State") and a charter approved by the voters in 1959. The City operates under the Council/Manager form of government where the Mayor and six Councilmembers are elected for staggered two-year terms. The City Council formulates operating policy for the City while the City Manager is the chief administrative officer. The City is approximately 97.411 square miles in area.

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* Preliminary, subject to change.

PLAN OF FINANCING

PURPOSE . . . Proceeds from the sale of the Certificates will be used for the purchase, construction and acquisition of certain real and personal property, to wit (a) acquisition of vehicles and equipment for the fire, police, building inspections, community improvement services, animal services, streets and traffic control, facilities management, airport, technology services, fleet management, warehouse management, and parks and recreation departments; (b) renovations to, and equipping of, existing municipal buildings, including the acquisition and installation of replacement heating, venting and air conditioning equipment, roofing, flooring and parking facilities; (c) acquiring, constructing and installing building security systems, including security system technology equipment and software, for municipal buildings; (d) constructing, reconstructing, renovating, installing and equipping municipal parks; (e) acquisition and installation of technology equipment, including radio equipment, computer equipment and software, and fiber replacement, for various municipal departments; (f) constructing and improving streets, including traffic signalization, landscaping, drainage, sidewalks, utility line relocations and the acquisition of land and rights-of-way therefor; (g) acquisition of equipment for, and acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to, the City's drainage and storm sewer systems; (h) acquisition of vehicles and equipment for, and acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to, the City's solid waste disposal system; (i) acquisition of equipment for, and acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to, public safety facilities for the fire department, (j) acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to the Linda McNatt Animal Care & Adoption Center; (k) acquisition of equipment for, and acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to, the City's waterworks and wastewater system; and (l) acquisition of equipment for, and acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to, the City's electric light and power system; and also for the purpose of paying all or a portion of the City's contractual obligations for professional services, including engineers, architects, attorneys, map makers, auditors, and financial advisors, in connection with said projects and for paying the costs associated with the issuance of the Certificates.

Proceeds of the Bonds are expected to be used for (i) various street improvements, (ii) drainage and flood control improvements; (iii) fire public safety facilities; (iv) refunding the obligations described in Schedule I – Schedule of Refunded Obligations (the “Refunded Obligations”) for debt service savings, and (v) paying the costs associated with the issuance of the Bonds.

REFUNDED OBLIGATIONS . . . A description and identification of the Refunded Obligations appears on Schedule I attached hereto. The Refunded Obligations are being called for redemption on August 21, 2026* (the "Redemption Date"). The principal and interest due on the Refunded Obligations are to be paid on the Redemption Date from funds to be deposited with the paying/agent registrar for the Refunded Obligations (the “Refunded Bonds Paying Agent”). The Bond Ordinance will provide that, with respect to the Refunded Obligations, a portion of the proceeds from the sale of the Bonds, will be irrevocably deposited with the Refunded Obligations Paying Agent on the Redemption Date. By deposit of such proceeds with the Refunded Obligations Paying Agent, the City will have effected the defeasance of all the Refunded Obligations in accordance with the applicable law.

* Preliminary, subject to change.

THE OBLIGATIONS

DESCRIPTION OF THE OBLIGATIONS . . . The Obligations are dated July 15, 2026, and mature on February 15 in each of the years and in the amounts shown on page 2 and page 4 hereof. Interest will accrue from the date of initial delivery thereof (the "Delivery Date"), will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15 and August 15 of each year, commencing February 15, 2027 until maturity or prior redemption. The definitive Obligations will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Obligations will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Obligations will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Obligations. See "The Obligations - Book-Entry-Only System" herein.

AUTHORITY FOR ISSUANCE . . . The Certificates are being issued pursuant to the Constitution and general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and Texas Government Code, Chapter 1371, as amended, and the Certificate Ordinance.

The Bonds are being issued pursuant to the Constitution and general laws of the State, particularly Chapters 1207, 1371 and 1331, Texas Government Code, as amended, and the Bond Ordinance.

SECURITY AND SOURCE OF PAYMENT . . .

The Certificates . . . The Certificates constitute direct obligations of the City, payable from a combination of (i) a direct annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge (not to exceed \$1,000) of surplus net revenues of the City's Utility System (consisting of the electric system and the waterworks and sewer system).

The Bonds . . . The Bonds constitute direct obligations of the City and the principal thereof and interest thereon are payable from an annual ad valorem tax levied by the City, within the limits prescribed by law, upon all taxable property in the City, as provided in the Bond Ordinance.

TAX RATE LIMITATION . . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt, including the Obligations, within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$2.50 per \$100 Taxable Assessed Valuation for all City purposes. The Home Rule Charter of the City adopts the constitutionally authorized maximum tax rate of \$2.50 per \$100 Taxable Assessed Valuation. Administratively, the Attorney General of the State will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all general obligation debt, as calculated at the time of issuance and based on 90% tax collection factor.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem the Obligations having stated maturities on and after February 15, 2036 in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2035 or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds or Certificates are to be redeemed, the City may select the maturities of Bonds or Certificates, as the case may be, to be redeemed. If less than all the Bonds or Certificates of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds or Certificates, as the case may be, are in Book-Entry-Only form) shall determine by lot the Bonds or Certificates, or portions thereof, within such maturity to be redeemed. If a Bond or Certificate (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond or Certificate (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

With respect to any optional redemption of the Bonds or Certificates, as the case may be, unless certain prerequisites to such redemption required by the respective Ordinance have been met and money sufficient to pay the principal of and premium, if any, and interest on the Bonds or Certificates, as the case may be, to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption will, at the option of the City, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the City will not redeem such Bonds or Certificates, as the case may be, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that the Bonds or Certificates, as the case may be, have not been redeemed.

NOTICE OF REDEMPTION . . . Not less than 30 days prior to a redemption date for the Obligations, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Obligations to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. IF AN OBLIGATION (OR ANY PORTION OF ITS PRINCIPAL SUM) SHALL HAVE BEEN DULY CALLED FOR REDEMPTION AND NOTICE OF SUCH REDEMPTION DULY GIVEN, THEN UPON THE REDEMPTION DATE SUCH OBLIGATION (OR THE PORTION OF ITS PRINCIPAL SUM TO BE REDEEMED) SHALL BECOME DUE AND PAYABLE, AND, IF MONIES FOR THE PAYMENT OF THE REDEMPTION PRICE ARE HELD FOR THE PURPOSE OF SUCH PAYMENT BY THE PAYING AGENT/REGISTRAR AND ALL OTHER CONDITIONS TO REDEMPTION ARE SATISFIED, INTEREST SHALL CEASE TO ACCRUE AND BE PAYABLE FROM AND AFTER THE REDEMPTION DATE ON THE PRINCIPAL AMOUNT REDEEMED.

DEFEASANCE . . . The Ordinances provide that any Obligation and the interest thereon shall be deemed to be paid, retired, and no longer outstanding (a "Defeased Obligation") within the meaning of such Ordinance when payment of the principal of such Obligation, plus interest thereon to the due date either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar in accordance with an escrow agreement or other instrument (a "Future Escrow Agreement") for such payment (1) lawful money of the United States of America sufficient to make such payment or (2) Government Obligations which mature as to principal and interest in such amounts and at such times as will ensure the availability, without reinvestment, of sufficient money to provide for such payment, and when proper arrangements have been made by the City with the Paying Agent/Registrar for the payment of its services until all Defeased Obligations shall have become due and payable, and thereafter the City will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased bonds, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Government Obligations. At such time as an Obligation shall be deemed to be a Defeased Obligation hereunder, as aforesaid, such Obligation and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes herein levied and pledged as provided in the Ordinance, and such principal and interest shall be payable solely from such money or Government Obligations.

Any moneys so deposited with or made available to the Paying Agent/Registrar may at the written direction of the City also be invested in Government Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from such Government Obligations received by the Paying Agent/Registrar which is not required for the payment of the Obligations and interest thereon, with respect to which such money has been so deposited, shall be turned over to the City, or deposited as directed in writing to the City. Any Future Escrow Agreement pursuant to which the money and/or Government Obligations are held for the payment of Defeased Obligations may contain provisions permitting the investment or reinvestment of such moneys in Government Obligations or the substitution of other Government Obligations upon the satisfaction of the requirements specified in (1) or (2) above.

The Ordinances provide that "Government Obligations" means any securities and obligations now or hereafter authorized by state law that are eligible to discharge obligations such as the Obligations. The Pricing Officer may restrict such eligible securities and obligations as deemed appropriate. In the event the Pricing Officer restricts such eligible securities and obligations, the final Official Statement will reflect the new authorized Government Obligations. Current State law permits defeasance with the following types of securities: (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the Issuer adopts or approves the proceedings authorizing the financial arrangements, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the Issuer adopts or approves the proceedings authorizing the financial arrangements, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. There is no assurance that current State law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Obligations. Because the Ordinances do not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Government Obligations or those for any other Government Obligations will be maintained at any particular rating category.

Upon such deposit as described above, such Defeased Obligations shall no longer be regarded to be outstanding obligations payable from ad valorem taxes levied by the City or from the other revenues pledged to their payment in the Ordinances, but will be payable only from the funds and Government Obligations deposited in escrow and will not be considered debt of the City for any purpose. After firm banking and financial arrangements for the discharge and final payment or redemption of the Obligations have been made as described above, all rights of the City to initiate proceedings to call the Obligations for redemption or take any other action amending the terms of the Obligations are extinguished; provided, however, that the right to call the Obligations for redemption is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Obligations for redemption; and (ii) gives notice of the reservation of that right to the owners of the Obligations immediately following the making of the firm banking and financial arrangements; (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

BOOK-ENTRY-ONLY SYSTEM . . . *This section describes how ownership of the Obligations is to be transferred and how the principal of, premium, if any, and interest on the Obligations are to be paid to and accredited by DTC while the Obligations are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Obligations, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Obligations), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Obligations. The Obligations will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each maturity of the Obligations in the aggregate principal amount thereof and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Obligations on DTC's records. The ownership interest of each actual purchaser of each Obligation ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owners entered into the transaction. Transfers of ownership interest in the Obligations are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Obligations, except in the event that use of the book-entry system for the Obligations is discontinued.

To facilitate subsequent transfers, all Obligations deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Obligations with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Obligations; DTC's records reflect only the identity of the Direct Participant to whose account such Obligations are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Obligations may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Obligations, such as redemptions, tenders, defaults, and proposed amendments to the Obligation documents. For example, Beneficial Owners of Obligations may wish to ascertain that the nominee holding the Obligations for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Obligations within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the Obligations unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Obligations will be made to DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as in the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to DTC is the responsibility of the City, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Obligations at any time by giving reasonable notice to the City and the Paying Agent/Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Obligation certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Obligations will be printed and delivered.

Use of Certain Terms in Other Sections of this Official Statement. In reading this Official Statement it should be understood that while the Obligations are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Obligations, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinances will be given only to DTC.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the City, the Municipal Advisor or the Initial Purchasers.

EFFECT OF TERMINATION OF BOOK-ENTRY-ONLY SYSTEM . . . In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the City, printed Obligations will be issued to the holders and the Obligations will be subject to transfer, exchange and registration provisions as set forth in the Ordinances and summarized under "The Obligations - Transfer, Exchange and Registration" below.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar for the Bonds and the Certificates is BOKF, NA, Dallas, Texas. In the Ordinances, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds and Certificates are duly paid and any successor Paying Agent/Registrar shall be a commercial bank, trust company, financial institution or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds and Certificates. Upon any change in the Paying Agent/Registrar for the Bonds and Certificates, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds and Certificates, as applicable, by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

In the event the use of the Book-Entry-Only system is discontinued, principal of the Bonds and Certificates is payable to the registered holder appearing on the registration books of the Paying Agent/Registrar (the "Registered Owner") at the designated corporate trust office of the Paying Agent/Registrar upon surrender of the Bonds and Certificates for payment; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Obligations, all payments will be made as described under "The Obligations - Book-Entry-Only System" herein. Interest on the Bonds and Certificates is payable to the Register Owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (identified below) and such interest shall be paid by the Paying Agent/Registrar by check mailed, first class postage prepaid, to the Register Owner or by such other arrangement, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of the Registered Owner. If the date for the payment of the principal of or interest on the Bonds and Certificates shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the designated corporate office of the Paying Agent/Registrar is located is authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, printed Obligations will be delivered to the Registered Owners and thereafter the Obligations may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender of such printed Obligations to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the Registered Owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Obligations may be assigned by the execution of an assignment form on the Obligations or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Obligations will be delivered by the Paying Agent/Registrar, in lieu of the Obligations being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new Registered Owner or his designee. To the extent possible, new Obligations issued in an

exchange or transfer of Obligations will be delivered to the Registered Owner or assignee of the Registered Owner in not more than three business days after the receipt of the Obligations to be canceled, and the written instrument of transfer or request for exchange duly executed by the Registered Owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Obligations registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Obligations surrendered for exchange or transfer. See "The Obligations—Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Obligations. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Obligation called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the Registered Owner of the uncalled balance of an Obligation.

RECORD DATE FOR INTEREST PAYMENT . . . The record date ("Record Date") for the interest payable on the Bonds and Certificates on any interest payment date means the close of business on the last business day of the month next preceding such interest payment date.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Registered Owner of a Bond and Certificate appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

AMENDMENTS . . . In each Ordinance, the City has reserved the right to amend the Ordinance without the consent of any holder of the respective Obligation for the purpose of amending or supplementing the Ordinance to (i) cure any ambiguity, defect or omission therein that does not materially adversely affect the interests of the holders, (ii) grant additional rights or security for the benefit of the holders, (iii) add events of default as shall not be inconsistent with the provisions of the Ordinance that do not materially adversely affect the interests of the holders, (iv) qualify the Ordinance under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect or (v) make such other provisions in regard to matters or questions arising under the Ordinance that are not inconsistent with the provisions thereof and which, in the opinion of Bond Counsel for the City, do not materially adversely affect the interests of the holders.

Each Ordinance further provides that the holders of the Bonds or Certificates, as applicable, aggregating in principal amount a majority of the outstanding Bonds or Certificates, as the case may be, shall have the right from time to time to approve any amendment not described above to the applicable Ordinance if it is deemed necessary or desirable by the City; provided, however, that without the consent of 100% of the holders in original principal amount of the then outstanding Bonds or Certificates so affected, no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Bonds or Certificates; (ii) reducing the rate of interest borne by any of the outstanding Bonds or Certificates; (iii) reducing the amount of the principal of, or redemption premium, if any, payable on any outstanding Bonds or Certificates; (iv) modifying the terms of payment of principal or of interest or redemption premium on outstanding Bonds or Certificates, or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Bonds or Certificates necessary for consent to such amendment. Reference is made to the Ordinances for further provisions relating to the amendment thereof.

REMEDIES . . . Each Ordinance establishes specific events of default with respect to the respective series of Obligations. If the City defaults in the payment of the principal of or interest on the Bonds or Certificates when due or the City defaults in the observance or performance of any of the covenants, conditions, or obligations of the City, the failure to perform which materially, adversely affects the rights of the owners thereof, including but not limited to, their prospect or ability to be repaid in accordance with the respective Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the City, each Ordinance provides that any registered owner of a respective Obligation is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the respective Obligations or Ordinance and the City's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Obligations in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinances do not provide for the appointment of a trustee to represent the interest of the owners of the respective Obligations upon any failure of the City to perform in accordance with the terms of the Ordinances, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. The Texas Supreme Court has ruled in *Tooke v. City of Mexia* 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Furthermore, *Tooke*, and subsequent jurisprudence, held that a municipality is not immune from suit for torts committed in the performance of its proprietary functions, as it is for torts committed in the performance of its governmental functions (the "Proprietary-Governmental Dichotomy"). Governmental functions are those that are enjoined on a municipality by law and are given by the State as a part of the State's sovereignty, to be exercised by the municipality in the interest of the general public, while proprietary functions are those that a municipality may, in its discretion, perform in the interest of the inhabitants of municipality. In *Wasson Interests, Ltd., V. City of Jacksonville*, No. 489 S.W.3d 427 (Tex. 2016), ("Wasson") the Texas Supreme Court (the "Court") addressed whether the distinction between governmental and

proprietary acts (as found in tort-based causes of action) applies to the breach of contract claims against municipalities. The Court analyzed the rationale behind the Proprietary-Governmental Dichotomy to determine that "a city's proprietary functions are not done pursuant to the "will of the people" and protecting such municipalities "via the State's immunity is not an efficient way to ensure efficient allocation of State resources". While the Court recognized that the distinction between government and proprietary functions is not clear, the Wasson opinion held the Proprietary-Governmental Dichotomy applies in contract-claims context. Therefore, in regard to municipal contract cases (as in tort claims), it is incumbent on the courts to determine whether a function is proprietary or governmental based upon the statutory guidance and definitions found in the Texas Civil Practice and Remedies Code. Notwithstanding the foregoing new case law issued by the Court, such sovereign immunity issues have not been adjudicated in relation to bond matters (specifically, in regard to the issuance of municipal debt). Each situation will be prospectively evaluated based on the facts and circumstances surrounding the contract in question to determine if a suit, and subsequently, a judgment, is justiciable against a municipality. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, owners of Obligations may not be able to bring such a suit against the City for breach of the Obligations or Ordinance covenants in the absence of City action. Chapter 1371, Texas Government Code ("Chapter 1371"), which pertains to the issuance of public securities by issuers such as the City, permits the City to waive sovereign immunity in the proceedings authorizing its debt, but in connection with the issuance of the Obligations, the City has not waived sovereign immunity. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the Registered Owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds or the Certificates. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Obligationholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinions of Bond Counsel will note that all opinions relative to the enforceability of the Obligations are qualified with respect to the customary rights of debtors relative to their creditors, by principles of governmental immunity, and by general principles of equity which permit the exercise of judicial discretion.

Initially, the only Registered Owner of the Bonds and Certificates will be Cede & Co., as DTC's nominee. See "The Obligations - Book-Entry-Only System" herein for a description of the duties of DTC with regard to ownership of the Bonds and Certificates.

TAX INFORMATION

AD VALOREM TAX LAW . . . The appraisal of property within the City is the responsibility of the Denton Central Appraisal District (the "Appraisal District"). Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, the Appraisal District is required under V.T.C.A., Title I, Tax Code, as amended (the "Property Tax Code") to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining the market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. State law requires the appraised value of a residence homestead to be based solely on the property's value as a residence homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a residence homestead for a tax year to an amount that would not exceed the lesser of (1) the market value of the property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of (a) 10% of the property's appraised value in the preceding tax year, plus (b) the property's appraised value in the preceding tax year, plus (c) the market value of all new improvements to the property. The value placed upon property within the Appraisal District is subject to review by an Appraisal Review Board, consisting of members appointed by the Board of Directors of the Appraisal District. The Appraisal District is required to review the value of property within the Appraisal District at least every three years. The City may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the City by petition filed with the Appraisal Review Board.

Reference is made to the Property Tax Code, for identification of property subject to taxation; property exempt or which may be exempted from taxation, if claimed; the appraisal of property for ad valorem taxation purposes; and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Article VIII of the State Constitution ("Article VIII") and State law provide for certain exemptions from property taxes, the valuation of agricultural and open-space lands at productivity value, and the exemption of certain personal property from ad valorem taxation.

Under Section 1-b, Article VIII, and State law, the governing body of a political subdivision, at its option, may grant an exemption of not less than \$3,000 of the market value of the residence homestead of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision. Once authorized, such exemption may be repealed or decreased or increased in amount (i) by the governing body of the political subdivision or (ii) by a favorable vote of a majority of the qualified voters at an election called by the governing body of the political subdivision, which election must be called upon receipt of a petition signed by at least 20% of the number of qualified voters who voted in the preceding election of the political subdivision. In the case of a decrease, the amount of the exemption may not be reduced to less than \$3,000 of the market value.

The surviving spouse of an individual who qualifies for the foregoing exemption for the residence homestead of a person 65 or older (but not the disabled) is entitled to an exemption for the same property in an amount equal to that of the exemption for which the deceased spouse qualified if (i) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (ii) the surviving spouse was at least 55 years of age at the time of the death of the individual's spouse and (iii) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse.

In addition to any other exemptions provided by the Property Tax Code, the governing body of a political subdivision, at its option, may grant an exemption of up to 20% of the market value of residence homesteads, with a minimum exemption of \$5,000.

In the case of residence homestead exemptions granted under Section 1-b, Article VIII, ad valorem taxes may continue to be levied against the value of homesteads exempted where ad valorem taxes have previously been pledged for the payment of debt if cessation of the levy would impair the obligation of the contract by which the debt was created.

Under Article VIII and State law, the governing body of a county, municipality or junior college district may provide for a freeze on total amount of ad valorem taxes levied on the residence homestead of a disabled person or persons 65 years of age or older above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon receipt of a petition signed by five percent of the registered voters of the county, municipality or junior college district, an election must be held to determine by majority vote whether to establish such a limitation on taxes paid on residence homesteads of persons 65 years of age or who are disabled. Upon providing for such exemption, the total amount of taxes imposed on such homestead cannot be increased except for improvements (other than maintenance, repairs or improvements required to comply with governmental requirements) and such freeze is transferable to a different residence homestead. Also, a surviving spouse of a taxpayer who qualifies for the freeze on ad valorem taxes is entitled to the same exemption so long as the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse and the spouse was at least 55 years of age at the time of the death of the individual's spouse. Once established such freeze cannot be repealed or rescinded.

State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from \$5,000 to a maximum of \$12,000, dependent upon the degree of disability or whether the exemption is applicable to a surviving spouse or children; provided, however, that beginning in the 2009 tax year, a disabled veteran who receives from the United States Department of Veterans Affairs or its successor 100 percent disability compensation due to a service-connected disability and a rating of 100 percent disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead. In addition, effective January 1, 2012, and subject to certain conditions, surviving spouses of a deceased veteran who had received a disability rating of 100% will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries.

Article VIII provides that eligible owners of both agricultural land (Section 1-d) and open-space land (Section 1-d-1), including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified under both Section 1-d and 1-d-1.

Nonbusiness personal property, such as automobiles or light trucks, are exempt from ad valorem taxation unless the governing body of a political subdivision elects to tax this property. Boats owned as nonbusiness property are exempt from ad valorem taxation.

Article VIII, Section 1-j, provides for "freeport property" to be exempted from ad valorem taxation. Freeport property is defined as goods detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Notwithstanding such exemption, counties, school districts, junior college districts and cities may tax such tangible personal property provided official action to tax the same was taken before April 1, 1990. Decisions to continue to tax may be reversed in the future; decisions to exempt freeport property are not subject to reversal.

Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of "goods-in-transit." "Goods-in-transit" is defined by Section 11.253 of the Property Tax Code, as personal property acquired or imported into Texas and transported to another location in the State or outside of the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory. Section 11.253 permits local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax "goods-in-transit" during the following tax year. After taking such official action, the goods-in-transit remain subject to taxation by the local governmental entity until the governing body of the governmental entity rescinds or repeals its previous actions to tax goods-in-transit. A taxpayer may only receive either the freeport exemption or the "goods-in-transit" exemption for items of personal property.

The City or Denton County may create one or more tax increment financing districts ("TIF") within the City or Denton County, as applicable, and freeze the taxable values of property in the TIF at the value at the time of its creation. Other overlapping taxing units levying taxes in the TIF may agree to contribute all or part of future ad valorem taxes levied and collected against the value of property in the TIF in excess of the "frozen values" to pay or finance the costs of certain public improvements in the TIF. Taxes levied by the City against the values of real property in the TIF in excess of the "frozen" value are not available for general city use but are restricted to paying or financing "project costs" within the TIF. The City also may enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The City in turn agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. The City has active reinvestment zones for tax abatements and tax increment financing zones for tax increment financing purposes. See "Tax Information - Tax Incentive Policy, – Property Tax Abatement" and "- Tax Increment Financing and Public Improvement District" and "Table 1 - Valuation, Exemptions and General Obligation Debt".

The City is also authorized, pursuant to Chapter 380, Texas Local Government Code, as amended ("Chapter 380"), to establish programs to promote state or local economic development and to stimulate business and commercial activity in the City. In accordance with a program established pursuant to Chapter 380, the City may make loans or grants of public funds such as ad valorem taxes or sales taxes for economic development purposes, however no obligations secured by ad valorem taxes may be issued for such purposes unless approved by voters of the City. The City has entered into several Chapter 380 Agreements. See "Tax Information - Chapter 380 Agreements".

NO-NEW-REVENUE TAX RATE AND VOTER-APPROVAL TAX RATE . . . The Following terms as used in this section have the meanings provided below:

"adjusted" means lost values are not included in the calculation of the prior year's taxes and new values are not included in the current year's taxable values.

"de minimis rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted), plus the rate that produces an additional \$500,000 in tax revenue when applied to the current year's taxable value, plus the debt service tax rate.

"foregone revenue amount" means the greater of zero or the amount expressed in dollars calculated according to the following formula: the voter-approval tax rate less the actual tax rate, then multiplied by the taxing unit's current total value in the applicable preceding tax year.

"no-new-revenue tax rate" means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year's total tax levy (adjusted) from the current year's total taxable values (adjusted).

"special taxing unit" means a city for which the maintenance and operations tax rate proposed for the current tax year is 2.5 cents or less per \$100 of taxable value.

"unused increment rate" means the greater of (i) zero; or (ii) the sum of the foregone revenue amount for each of the tax years 2022 foregone revenue amount, the 2023 foregone revenue amount, and 2025 foregone revenue amount divided by the current total value..

"voter-approval tax rate" mean the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted) multiplied by 1.035, plus the debt service tax rate, plus the "unused increment rate".

The City's tax rate consists of two components: (1) a rate for funding of maintenance and operations expenditures in the current year (the "maintenance and operations tax rate"), and (2) a rate for funding debt service in the current year (the "debt service tax rate"). Under State law, the assessor for the City must submit an appraisal roll showing the total appraised, assessed, and taxable values for all property in the City to the City Council by August 1 of each year, or as soon as practicable thereafter.

A city must annually calculate its "voter-approval tax rate" and "no-new-revenue tax rate" (as such terms are defined above) in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the city and the county tax assessor-collector for each county in which all or part of the city is located. A city must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year.

As described below, the Property Tax Code provides that if a city adopts a tax rate that exceeds its voter-approval tax rate or, in certain cases, its "de minimis rate", an election must be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

A city may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such city participates has delivered notice to each taxpayer of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase.

For cities with a population of 30,000 or more as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the voter-approval tax rate, that city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

For cities with a population less than 30,000 as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the greater of (i) the voter-approval tax rate or (ii) the de minimis rate, the city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate. However, for any tax year during which a city has a population of less than 30,000 as of the most recent federal decennial census and does not qualify as a special taxing unit, if a city's adopted tax rate is equal to or less than the de minimis rate but greater than both (a) the no-new-revenue tax rate, multiplied by 1.08, plus the debt service tax rate or (b) the city's voter-approval tax rate, then a valid petition signed by at least three percent of the registered voters in the city would require that an election be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

Any city located at least partly within an area declared a disaster area by the Governor of the State or the President of the United States during the current year may calculate its "voter-approval tax rate" using a 1.08 multiplier, instead of 1.035, until the earlier of (i) the second tax year in which such city's total taxable appraised value exceeds the taxable appraised value on January 1 of the year the disaster occurred, or (ii) the third tax year after the tax year in which the disaster occurred.

State law provides cities and counties in the State the option of assessing a maximum one-half percent (1/2%) sales and use tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional sales and use tax for ad valorem tax reduction is approved and levied, the no-new-revenue tax rate and voter-approval tax rate must be reduced by the amount of the estimated sales tax revenues to be generated in the current tax year.

The calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact the City's ability to set a debt service tax rate in each year sufficient to pay debt service on all of the City's tax-supported debt obligations, including the Obligations.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

PROPERTY ASSESSMENT AND TAX PAYMENT . . . Property within the City is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process that uses pricing information contained in the most recently published Early Release Overview of the Annual Energy Outlook published by the United States Energy Information Administration, as well as appraisal formulas developed by the State Comptroller of Public Accounts. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and the final installment due on August 1.

PENALTIES AND INTEREST . . . Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

Month	Cumulative Penalty	Cumulative Interest	Total
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July	12	6	18

After July, the penalty remains at 12%, and interest accrues at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid. A delinquent tax continues to incur the penalty interest as long as the tax remains unpaid, regardless of whether a judgment for the delinquent tax has been rendered. The purpose of imposing such interest is to compensate the taxing unit for revenue lost because of the delinquency. In addition, if an account is delinquent in July, an attorney's collection fee of up to 20% may be added to the total tax penalty and interest charge. Under certain circumstances, taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed. In general, property subject to the City's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

CITY APPLICATION OF TAX CODE . . . The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of \$50,000. Disabled taxpayers also receive a \$50,000 exemption.

The City grants an additional one-half of one percent, or a minimum of \$5,000 exemption of the market value of residence homesteads.

See Table 1 for a listing of the amounts of the exemptions described above.

Ad valorem taxes are not levied by the City against the exempt value of residence homesteads for the payment of debt.

The City does not tax nonbusiness personal property.

Denton County began collecting taxes for the City during the fiscal year 2006-07.

The City does not allow split payments, and discounts are not allowed.

The City does not tax freeport property.

The City collects the additional one-half cent sales tax for reduction of ad valorem taxes.

The City does tax "goods-in-transit".

The City has adopted the tax freeze (limitation) for citizens who are disabled or are 65 years of age or older.

The City has adopted a tax abatement policy.

The City participates in two tax increment reinvestment zones, which were created in 2010 and 2012.

TAX INCREMENT FINANCING AND PUBLIC IMPROVEMENT DISTRICT . . . The City participates in two tax increment reinvestment zones, Reinvestment Zone Number One, City of Denton, Texas (the "Downtown TIRZ"), and Reinvestment Zone Number Two, City of Denton, Texas (the "Westpark TIRZ"), which were created in 2010 and 2012, respectively.

- Grant agreements committing funds in an aggregate amount not to exceed \$250,000 of Downtown TIRZ funds have been approved in this Fiscal Year 2025-26.
- On December 17, 2024, the Denton City Council amended Ordinance No. 2010-316 by expanding the boundaries and extending the term of the Downtown TIRZ. The life of the zone was extended to December 31, 2040, or when the budget of \$50.2 million is collected. The 2025 tax year (FY 2025-2026) is the first year to capture incremental revenue above the 2024 base tax year for the expanded boundaries (TIRZ 1A).

The City participates in two Public Improvement Districts ("PIDs"), Rayzor Ranch Public Improvement District No. 1 and the Denton Tourism Public Improvement District. These PIDs, created in 2014 and 2024 respectively, are authorized by Chapter 372 of the Texas Local Government Code.

Additional information on the tax increment reinvestment zones and the PIDs can be found in the Annual Comprehensive Financial Report, Notes to Basic Financial Statements, IV. Detailed Notes on All Funds, B. Property Tax Revenue.

TAX INCENTIVE POLICY . . . The City enters into economic development incentive agreements consisting of property tax abatement agreements and Chapter 380 agreements with entities to promote development and redevelopment within the City, stimulate commercial activity, generate additional sales tax, and enhance the property tax base and economic vitality of the City. A summary of newly initiated agreements and terminated agreements follows.

PROPERTY TAX ABATEMENTS . . . One property tax abatement was approved December 16, 2025 for Novartis Gene Therapies. Novartis is a Swiss pharmaceutical corporation, formed in 1996, which selected Denton for an expansion of its radiopharmaceutical manufacturing operations. The Tax Abatement Agreement includes a 50% abatement on new improvements up to \$2,337,960 for a period of ten years.

CHAPTER 380 AGREEMENTS . . . Three Chapter 380 Agreements have been approved in this Fiscal Year 2025-26.

- Novartis Gene Therapies was awarded a 50% sales tax rebate up to \$199,688 for the construction and equipping of the facility, a stratified job-based grant up to \$300,000 on qualified jobs and an environmental remediation grant up to \$395,000. The company will produce pharmaceuticals for radioligand therapy (RLT), a cancer treatment, targeting prostate and advanced gastroenteropancreatic cancer. The facility will undergo environmental remediation and renovations of approximately 40,000 square feet to suit the manufacturing process. The company estimates the investment in the building, machinery, equipment, and improvements to the land will be \$280 million. The project plans to create 150 jobs with an average salary of greater than \$124,000
- Panel Rey/PR Gypsum was granted a five-year performance-based ad valorem tax rebate at 60% estimated at \$170,357 and a one-time relocation grant in the amount of \$50,000. In addition, the company was awarded a stratified job-based grant not to exceed \$16,500. This is the first manufacturing expansion into the United States for a company that produces joint compound used in the construction of residential and commercial projects. Panel Rey is seeking to purchase an existing 60,000 square foot building as Phase I of their U.S. expansion. The company's planned investment in the building, machinery, and equipment will be approximately \$15 million. The project involves plans to create 20 jobs with a weighted salary of \$72,733.
- KratoeSky was awarded an eight-year performance-based ad valorem tax rebate at 65% estimated at \$498,564, a 50% sales tax rebate up to \$94,500 for the construction and equipping of the facility, a headquarters grant of \$50,000 and a job-based grant up to \$227,000 on qualified jobs with residency bonus. KratoeSky is an autonomous Unmanned Aircraft Systems (UAS) manufacturing company focused on building the foundational infrastructure for large-scale autonomy. The company plans to inject \$23.5 Million in capital investment into the project with \$12.6 million in improvements and \$10.9 in business personal property. Additionally, the company plans on creating 258 jobs with an average salary of \$78,787 within a five-year period.
- Additional information on all of the tax abatement and Chapter 380 agreements may be found in Appendix B – Excerpts from the City of Denton, Texas Annual Comprehensive Financial Report, Notes to Basic Financial Statements, V. Other Information. F Tax Abatements.

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TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2025/26 Market Valuation Established by Denton Central Appraisal District		\$ 29,460,030,190
Less Exemptions/Reductions at 100% Market Value:		
Residence Homestead Exemptions	\$ 114,305,042	
Over 65 Exemptions	489,296,202	
Disabled Persons Exemptions	10,740,171	
Disabled Veterans Exemptions	270,463,697	
Agricultural Land Use Productivity	615,875,116	
Historical/Other Exemptions	7,001,241	
Freeport Exemptions	485,263,098	
Abatement Exemptions	7,644,389	
Pollution Exemptions	21,227,105	
Charitable Organization Exemptions	108,195,755	
Homestead Cap Adjustment	297,286,423	
Circuit Breaker Limitation	173,940,132	
Misc and Personal Property	6,115,647	
Totally Exempt Property	<u>3,722,833,041</u>	<u>6,330,187,059</u>
2025/26 Taxable Assessed Valuation (as of 7-25-2025)		\$ 23,129,843,131
2025/26 Incremental Taxable Assessed Value of Real Property within Reinvestment Zones		<u>(720,242,092)</u>
2025/26 Net Taxable Assessed Valuation available for General Obligations and Debt of City (as of 7-25-2025)		<u><u>\$ 22,409,601,039</u></u>
City Funded Debt Payable from Ad Valorem Taxes ⁽¹⁾		
General Obligation Bonds (as of 4-30-26)	\$ 452,520,000	
Certificates of Obligation (as of 4-30-26)	982,140,000 ⁽²⁾	
The Bonds	62,715,000 ⁽³⁾	
The Certificates	<u>281,260,000 ⁽³⁾</u>	
Funded Debt Payable from Ad Valorem Taxes		\$ 1,778,635,000
Less Self-Supporting General Obligation Debt ⁽⁴⁾		
Utility System General Obligation Debt	\$ 1,077,495,000 ⁽⁵⁾⁽⁷⁾	
Airport System General Obligation Debt	5,645,000	
Solid Waste System General Obligation Debt	<u>63,415,000 ⁽⁶⁾⁽⁷⁾</u>	<u>1,146,555,000</u>
Net Tax Supported Debt Payable from Ad Valorem Taxes		<u><u>\$ 632,080,000</u></u>
Interest and Sinking Fund as of 4-30-26 (estimated)		\$ 21,120,235
Ratio Total Funded Debt to Net Taxable Assessed Valuation		7.94%
Ratio Net Funded Debt to Net Taxable Assessed Valuation		2.82%
2026 Estimated Population - 158,933		
Per Capita Net Taxable Assessed Valuation - \$141,000		
Per Capita Total Funded Debt - \$11,191		
Per Capita Net Funded Debt - \$3,977		

- (1) The above statement of indebtedness does not include \$174,120,000 Utility System Revenue Bonds, \$127,350,000 Utility System Revenue Refunding Bonds, \$300,000,000 Utility System Revenue Extendable Commercial Paper Notes, Series A, or \$19,790,000 Utility System Revenue Notes as these bonds and notes are payable solely from the net revenues of the Utility System (the "System"), as defined in the ordinances authorizing such bonds and notes.
- (2) Excludes the Refunded Obligations. Preliminary, subject to change.
- (3) Preliminary, subject to change.
- (4) As a matter of policy, the City pays debt service on its general obligation debt issued to fund improvements to its Utility System and Solid Waste System from surplus revenues of these Systems (see "Table 7 – General Obligation Debt Service Requirements" and "Table 9 – Computation of Self-Supporting Debt"). This policy may be subject to change in the future.
- (5) The City's Utility System is comprised of the City's entire existing electric, light and power system and the waterworks and sewer system. Drainage is managed under the waterworks and wastewater system. The City's Utility System General Obligation Debt has been issued to finance or refinance Utility System improvements and contractual obligations and is paid, or is expected to be paid, from Utility System revenues. In addition, the City has \$174,120,000 Utility System Revenue Bonds, \$127,350,000 Utility System Revenue Refunding Bonds, and \$19,790,000 Utility System Revenue Notes outstanding payable from a pledge of Utility System revenues.
- (6) The City's Solid Waste System General Obligation Debt has been issued to finance or refinance Solid Waste System improvements and is paid, or is expected to be paid, from Solid Waste System revenues. The City has no outstanding Solid Waste System Revenue Bonds.
- (7) Includes a portion of the Obligations and excludes a portion of the Refunded Obligations. Preliminary, subject to change.

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY ⁽¹⁾

Category	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2026		2025		2024	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single Family	\$ 13,463,031,079	45.70%	\$ 13,235,361,992	49.04%	\$ 12,640,265,177	55.07%
Real, Residential, Multi-Family	3,611,192,084	12.26%	3,246,994,776	12.03%	3,010,316,741	13.12%
Real, Vacant Lots/Tracts	378,223,670	1.28%	330,248,139	1.22%	382,596,204	1.67%
Real, Acreage (Land Only)	621,048,215	2.11%	559,319,855	2.07%	576,294,402	2.51%
Real, Farm and Ranch Improvements	244,345,357	0.83%	253,790,382	0.94%	215,962,158	0.94%
Real, Commercial and Industrial	4,630,614,465	15.72%	4,254,925,028	15.77%	3,803,222,853	16.57%
Real, Oil, Gas, and Other Mineral Reserves	55,965,402	0.19%	48,857,763	0.18%	120,209,519	0.52%
Real and Tangible Personal, Utilities	215,844,160	0.73%	194,805,531	0.72%	178,025,520	0.78%
Tangible Personal, Commercial and Industrial	2,165,102,582	7.35%	2,040,653,199	7.56%	1,703,709,612	7.42%
Tangible Personal, Other	37,810,994	0.13%	34,036,056	0.13%	23,932,876	0.10%
Real and Special Property, Inventory	317,525,853	1.08%	233,176,418	0.86%	298,489,803	1.30%
Totally Exempt	3,719,326,329	12.62%	2,556,714,515	9.47%	-	0.00%
Total Appraised Value Before Exemptions	\$29,460,030,190	100.00%	\$26,988,883,654	100.00%	\$22,953,024,865	100.00%
Less: Total Exemptions/Reductions	(6,330,187,059)		(5,234,210,175)		(3,077,816,211)	
Less: Tax Increment Value	(720,242,092)		(644,341,698)		(655,364,707)	
Net Taxable Assessed Value	\$22,409,601,039		\$21,110,331,781		\$19,219,843,947	

Category	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2023		2022	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single Family	\$ 10,290,861,945	53.71%	\$ 8,179,274,977	30.31%
Real, Residential, Multi-Family	2,581,359,659	13.47%	2,192,401,019	8.12%
Real, Vacant Lots/Tracts	423,344,124	2.21%	314,300,099	1.16%
Real, Acreage (Land Only)	429,021,486	2.24%	361,523,875	1.34%
Real, Farm and Ranch Improvements	182,206,679	0.95%	157,873,244	0.58%
Real, Commercial and Industrial	3,299,538,286	17.22%	3,032,461,538	11.24%
Real, Oil, Gas, and Other Mineral Reserves	87,640,017	0.46%	48,516,939	0.18%
Real and Tangible Personal, Utilities	152,340,178	0.80%	142,991,907	0.53%
Tangible Personal, Commercial and Industrial	1,507,941,787	7.87%	1,425,520,232	5.28%
Tangible Personal, Other	23,831,628	0.12%	23,969,949	0.09%
Real Property, Inventory	181,149,319		137,388,170	0.51%
Totally Exempt	-	0.00%	-	0.00%
Total Appraised Value Before Exemptions	\$19,159,235,108	99.05%	\$16,016,221,949	59.34%
Less: Total Exemptions/Reductions	(2,177,190,370)		(1,376,450,603)	
Less: Tax Increment Value	(260,921,114)		(236,666,283)	
Net Taxable Assessed Value	\$16,721,123,624		\$14,403,105,063	

(1) Valuations shown are certified taxable assessed values reported by the Denton Central Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records. For the Fiscal Year ended 2026, the values were reported on July 25, 2025 based on information as of January 1, 2025.

TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population ⁽¹⁾	Net Taxable Assessed Valuation ⁽²⁾	Net Taxable Assessed Valuation Per Capita	Net Tax Debt Outstanding at End of Year ⁽⁸⁾	Ratio Net Tax Debt to Net Taxable Assessed Valuation	Net Funded Tax Debt Per Capita
2022	146,950	\$ 14,403,105,063 ⁽³⁾	\$ 98,014	\$ 354,343,240	2.46%	\$ 2,411
2023	150,624	16,721,123,624 ⁽⁴⁾	111,012	392,635,000	2.35%	2,607
2024	150,842	19,219,843,947 ⁽⁵⁾	127,417	522,720,000	2.72%	3,465
2025	155,375	21,110,331,781 ⁽⁶⁾	135,867	524,460,000	2.48%	3,375
2026	158,933	22,409,601,039 ⁽⁷⁾	141,000	632,080,000 ⁽⁹⁾	2.82%	3,977

- (1) Source: City Officials.
- (2) Valuations shown are certified taxable assessed values reported by the Denton Central Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records. Source: Denton Central Appraisal District as of July 25, 2025.
- (3) Excludes tax incremental value of approximately \$236,666,283 that is not available for the City's general obligations and debt of City.
- (4) Excludes tax incremental value of approximately \$263,821,022 that is not available for the City's general obligations and debt of City.
- (5) Excludes tax incremental value of approximately \$321,617,493 that is not available for the City's general obligations and debt of City.
- (6) Excludes tax incremental value of approximately \$644,341,698 that is not available for the City's general obligations and debt of City.
- (7) Excludes tax incremental value of approximately \$720,242,092 that is not available for the City's general obligations and debt of City.
- (8) Excludes self-supported general obligation debt.
- (9) Projected. Includes a portion of the Obligations Excludes the Refunded Obligations. Preliminary, subject to change.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	Distribution		Tax Levy ⁽¹⁾	% Current Collections	% Total Collections
		General Fund	Interest and Sinking Fund			
2022	\$ 0.56582	\$ 0.35044	\$ 0.21538	\$ 79,382,757	99.68%	99.75%
2023	0.56068	0.35643	0.20425	91,758,521	99.44%	99.55%
2024	0.56068	0.35478	0.20590	106,515,412	99.54%	99.38%
2025	0.58542	0.33478	0.25064	120,022,186	99.30%	99.30%
2026	0.59542	0.33478	0.26064	130,611,877	In Process of Collection	

- (1) Tax levy for the year 2026 is based on the adjusted certified value. Prior years represent adjusted values that include all supplements through July 25, 2025. Includes tax incremental reinvestment zone revenues.

TABLE 5 - TEN LARGEST TAXPAYERS ⁽¹⁾

Name of Taxpayer	Nature of Property	2025/26 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Paccar Inc.	Diesel Truck Manufacturing	\$153,971,503	0.67%
RR Town Center Associates LLC	Retail	103,453,509	0.45%
Denton ICC 35 LLC	Business Park	93,054,752	0.40%
Southwire Company, LLC	Manufacturing	85,175,168	0.37%
TRDWind Timberlinks Borrower LLC	Apartments	81,000,000	0.35%
Exeter Denton Land LP	Distribution	78,469,221	0.34%
Atmos Energy Mid-Tex Distribution	Gas Utility	76,435,710	0.33%
GEP XI Denton 2 LP	Apartments	75,000,000	0.32%
Epic Development Inc.	Apartments	73,362,019	0.32%
DIN1 Land LTD	Distribution	73,173,402	0.32%
		<u>\$893,095,284</u>	<u>3.86%</u>

- (1) Source: Denton Central Appraisal District.

GENERAL OBLIGATION DEBT LIMITATION . . . No general obligation debt limitation is imposed on the City under current State law or the City's Home Rule Charter (see "The Obligations – Tax Rate Limitation" for a description of the limitations on ad valorem tax rates).

TABLE 6 - ESTIMATED OVERLAPPING TAX DEBT

Expenditures of the various taxing entities within the territory of the City are paid out of ad valorem taxes levied by such entities on properties within the City. Such entities are independent of the City and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax debt ("Tax Debt") was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the City, the City has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain entities listed may have issued additional Tax Debt since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional Tax Debt, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the City.

Taxing Jurisdiction	2025/26	2025/26	Total	Estimated	City's	Authorized
	Taxable					
	Assessed	Rate	Debt	Applicable	Funded Debt	Debt As Of
	Value				As of 5-31-26	5-31-26
City of Denton	\$22,409,601,039 ⁽¹⁾	\$0.59542	\$ 632,080,000 ⁽²⁾	100.00%	\$ 632,080,000 ⁽²⁾	\$ 169,402,000 ⁽³⁾
Argyle Independent School District	5,816,552,187	1.17300	655,515,923	6.53%	42,805,190	205,565,000
Denton County	207,352,205,545	0.18600	787,916,036	11.99%	94,471,133	324,090,625
Denton Independent School District	31,328,814,917	1.20700	2,317,774,209	57.01%	1,321,363,077	-
Krum Independent School District	2,118,376,515	1.19500	206,870,995	4.85%	10,033,243	46,200,000
Ponder Independent School District	1,142,270,556	1.27700	60,521,894	8.85%	5,356,188	294,640,000
Sanger Independent School District	2,129,420,106	1.14300	135,981,559	0.32%	435,141	-
Total Direct and Overlapping Funded Debt					<u>\$2,106,543,971</u>	
Ratio of Direct and Overlapping Funded Debt to Taxable Assessed Valuation.....					9.40%	
Per Capita Overlapping Funded Debt.....					\$ 5,738.76	

(1) Excludes tax incremental value of approximately \$720,242,092 that is not available for the City's general obligations and debt of City.

(2) Includes a portion of the Obligations. Excludes the Refunded Obligations and self-supporting. See Tables 1 and 9 herein for more detailed information on the City's general obligation self-supporting debt. Preliminary, subject to change.

(3) Reflects remaining authorization after the issuance of the Bonds. Preliminary, subject to change.

TABLE 7 – PRO FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ended 9/30	Outstanding Debt Service ⁽¹⁾			The Bonds ⁽²⁾		The Certificates ⁽³⁾		Total Outstanding	Less: Self-Supporting Solid Waste Debt Service ⁽⁴⁾	Less: Self-Supporting Utility Debt Service ⁽⁴⁾	Less: Self-Supporting Airport Debt Service	Total Net Debt Service Requirements	% of Principal Retired
	Principal	Interest	Total	Principal	Interest	Principal	Interest						
2026	\$ 77,960,000	\$ 65,125,946	\$ 143,085,946	\$ -	\$ -	\$ -	\$ -	\$ 143,085,946	\$ 6,507,026	\$ 78,287,033	\$ 745,650	\$ 57,546,237	
2027	78,505,000	60,796,131	139,301,131	1,280,000	3,007,527	6,970,000	13,310,998	163,869,657	7,852,894	90,186,170	682,900	65,147,693	
2028	75,195,000	57,071,675	132,266,675	3,640,000	2,927,338	7,190,000	13,146,931	159,170,944	7,846,563	87,081,731	651,025	63,591,625	
2029	74,355,000	53,427,628	127,782,628	3,830,000	2,740,588	7,565,000	12,778,056	154,696,272	7,519,338	85,837,681	640,950	60,698,303	
2030	75,880,000	49,800,144	125,680,144	4,015,000	2,544,463	7,940,000	12,390,431	152,570,038	7,112,463	85,940,406	641,100	58,876,069	22.86%
2031	70,880,000	46,341,491	117,221,491	4,225,000	2,338,463	8,355,000	11,983,056	144,123,010	6,072,088	80,718,506	645,550	56,686,866	
2032	72,585,000	43,060,838	115,645,838	4,440,000	2,121,838	8,245,000	11,568,056	142,020,731	5,136,388	81,071,731	644,203	55,168,409	
2033	72,745,000	39,776,022	112,521,022	4,670,000	1,894,088	8,675,000	11,145,056	138,905,166	5,079,588	78,556,006	651,550	54,618,022	
2034	74,650,000	36,502,253	111,152,253	1,780,000	1,732,838	9,110,000	10,700,431	134,475,522	4,480,638	78,057,606	520,800	51,416,478	
2035	73,170,000	33,335,109	106,505,109	1,875,000	1,641,463	9,590,000	10,232,931	129,844,503	4,167,188	76,533,956	405,528	48,737,831	45.75%
2036	71,890,000	30,290,828	102,180,828	1,970,000	1,545,338	10,080,000	9,741,181	125,517,347	3,926,138	74,371,281	402,713	46,817,216	
2037	72,440,000	27,255,059	99,695,059	2,075,000	1,444,213	10,360,000	9,230,181	122,804,453	3,457,038	73,676,294	404,238	45,266,884	
2038	73,800,000	24,148,134	97,948,134	2,175,000	1,337,963	10,880,000	8,699,181	121,040,278	3,390,288	73,696,744	395,375	43,557,872	
2039	73,415,000	21,019,416	94,434,416	2,290,000	1,226,338	11,445,000	8,141,056	117,536,810	3,388,763	73,704,088	71,900	40,372,059	
2040	74,345,000	17,947,297	92,292,297	2,400,000	1,109,088	12,030,000	7,554,181	115,385,566	3,387,863	73,062,800	69,200	38,865,703	68.99%
2041	73,815,000	14,905,631	88,720,631	2,530,000	985,838	12,645,000	6,937,306	111,818,775	3,382,894	72,474,863	71,700	35,889,319	
2042	67,095,000	11,984,966	79,079,966	5,040,000	796,588	13,290,000	6,288,931	104,495,485	3,450,550	67,848,203	69,100	33,127,631	
2043	59,860,000	9,342,019	69,202,019	5,295,000	538,213	13,990,000	5,606,931	94,632,163	2,950,625	63,208,931	71,400	28,401,206	
2044	57,250,000	6,901,034	64,151,034	2,930,000	341,744	14,660,000	4,936,494	87,019,272	1,826,891	63,160,669	-	22,031,713	
2045	37,235,000	4,909,297	42,144,297	3,060,000	210,713	15,315,000	4,280,791	65,010,800	1,663,934	51,477,156	-	11,869,709	89.68%
2046	17,230,000	3,798,341	21,028,341	3,195,000	71,888	16,005,000	3,585,663	43,885,891	1,124,131	35,885,584	-	6,876,175	
2047	14,820,000	3,206,741	18,026,741	-	-	5,340,000	3,098,725	26,465,466	-	26,465,466	-	-	
2048	11,780,000	2,709,166	14,489,166	-	-	5,605,000	2,838,781	22,932,946	-	22,932,947	-	-	
2049	12,230,000	2,261,147	14,491,147	-	-	5,875,000	2,566,131	22,932,278	-	22,932,278	-	-	
2050	12,305,000	1,799,913	14,104,913	-	-	6,160,000	2,280,300	22,545,212	-	22,545,213	-	-	95.63%
2051	11,615,000	1,337,491	12,952,491	-	-	6,460,000	1,980,575	21,393,065	-	21,393,066	-	-	
2052	10,200,000	891,200	11,091,200	-	-	6,780,000	1,661,888	19,533,087	-	19,533,088	-	-	
2053	8,630,000	492,253	9,122,253	-	-	7,125,000	1,322,953	17,570,206	-	17,570,206	-	-	
2054	4,900,000	200,719	5,100,719	-	-	7,480,000	966,956	13,547,675	-	13,547,675	-	-	
2055	1,840,000	46,000	1,886,000	-	-	7,855,000	593,166	10,334,166	-	10,334,166	-	-	99.56%
2056	-	-	-	-	-	8,240,000	200,850	8,440,850	-	8,440,850	-	-	100.00%
	<u>\$1,512,620,000</u>	<u>\$670,683,887</u>	<u>\$2,183,303,887</u>	<u>\$ 62,715,000</u>	<u>\$30,556,521</u>	<u>\$281,260,000</u>	<u>\$199,768,173</u>	<u>\$2,757,603,580</u>	<u>\$93,723,282</u>	<u>\$ 1,730,532,396</u>	<u>\$ 7,784,881</u>	<u>\$ 925,563,022</u>	

DEBT INFORMATION

(1) "Outstanding Debt" does not include lease/purchase obligations or the Refunded Obligations, however, it does include self-supporting debt. Preliminary, subject to change.
 (2) Average life of the issue - 10.059 years. Interest on the Bonds has been calculated at the rate of 4.07% for purposes of illustration. Preliminary, subject to change.
 (3) Average life of the issue - 14.766 years. Interest on the Certificates has been calculated at the rate of 4.45% for purposes of illustration. Preliminary, subject to change.
 (4) Includes a portion of the Obligations. Excludes a portion of the Refunded Obligations. Preliminary, subject to change.

TABLE 8 - INTEREST AND SINKING FUND BUDGET PROJECTION ⁽¹⁾

Budgeted Tax Supported Debt Service Requirements and Fiscal Charges, Fiscal Year Ending 9/30/2026	\$ 143,561,695	
Interest and Sinking Fund Balance as of 9/30/25	\$ 2,594,012	
Budgeted Interest and Sinking Fund Tax Levy	55,556,965	
Budgeted From Revenue Supported Sources	87,852,998	
Budgeted Interest Income	151,732	<u>146,155,707</u>
Estimated Balance, 9/30/26		<u><u>\$ 2,594,012</u></u>

(1) Source: City's Annual Program of Services for Fiscal Year 2025/26.

TABLE 9 - COMPUTATION OF SELF-SUPPORTING DEBT

Net Revenue from Solid Waste System, Fiscal Year Ended 9-30-25	\$ 10,843,590 ⁽¹⁾
Less: Solid Waste System Revenue Bond Requirements, 2026 Fiscal Year	<u>-</u>
Balance Available for Other Purposes	\$ 10,843,590
Solid Waste System General Obligation Bond Requirements, 2026 Fiscal Year	<u>(6,507,026)</u>
Balance	<u><u>\$ 4,336,564</u></u>
Net Revenue from Utility System (Electric System and Waterworks and Wastewater System), Fiscal Year Ended 9-30-25	\$ 139,717,993 ⁽¹⁾
Less: Utility System Revenue Bond Requirements, 2026 Fiscal Year	<u>(33,156,363)</u>
Balance Available for Other Purposes	\$ 106,561,630
Utility System General Obligation Bond Requirements, 2026 Fiscal Year	<u>(78,287,033)</u>
Balance	<u><u>\$ 28,274,597</u></u>
Net Revenue from Airport, Fiscal Year Ended 9-30-25	\$ 809,767 ⁽¹⁾
Less: Airport Revenue Bond Requirements, 2026 Fiscal Year	<u>-</u>
Balance Available for Other Purposes	\$ 809,767
Airport General Obligation Bond Requirements, 2026 Fiscal Year	<u>(745,650)</u>
Balance	<u><u>\$ 64,117</u></u>

(1) Does not deduct franchise fees and/or return on investment paid to the General Fund.

TABLE 10 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

<u>Purpose</u>	<u>Date Authorized</u>	<u>Amount Authorized</u>	<u>Amount Heretofore Issued</u>	<u>Amount Being Issued ⁽¹⁾</u>	<u>Unissued Balance</u>
Street	11/7/2023	\$ 45,125,000	\$ 7,000,000	\$ 18,125,000	\$ 20,000,000
Drainage & Flood Control	11/7/2023	58,860,000	16,268,000	25,595,000	16,997,000
Parks	11/7/2023	33,450,000	10,450,000	-	23,000,000
Public Safety Facilities	11/7/2023	42,015,000	41,512,000	503,000	-
Affordable Housing	11/7/2023	15,000,000	-	-	15,000,000
Active Adult Center	11/7/2023	47,360,000	-	-	47,360,000
Library	11/7/2023	49,545,000	2,500,000	-	47,045,000
		<u>\$291,355,000</u>	<u>\$ 77,730,000</u>	<u>\$44,223,000</u>	<u>\$ 169,402,000</u>

(1) Includes premium on the Bonds. Preliminary, subject to change.

ANTICIPATED ISSUANCE OF ADDITIONAL GENERAL OBLIGATION DEBT . . . As shown in Table 10 above, after the issuance of the Bonds, the City will have \$169,402,000 voted but unissued debt remaining from the November 7, 2023 authorization. The City's \$132,145,000 General Obligation Refunding Bonds, Series 2026A are anticipated to be offered for sale August 6, 2026 to refund a portion of the City's outstanding Utility System Revenue Bonds. In June of 2020, the City established a commercial paper note program which allows for the issuance, at one time, or from time to time, of up to \$100,000,000 aggregate principal amount of commercial paper notes (the "*CP Notes*") in order to finance public improvements authorized in the November 7, 2023 bond election. The CP Notes are secured by ad valorem taxes and proceeds from "rolls" of CP Notes and from bonds issued under the November 7, 2023 authorization. As of May 1, 2026, no CP Notes are outstanding. The City may also issue tax-supported debt other than voter approved general obligation bonds to fund public improvements, such as certificates of obligation or tax anticipation notes, without submitting a measure to the voters, but in certain instances, subject to voter petition rights for a referendum. Further, the City may issue tax-supported debt other than voter approved general obligation bonds to refund bonds or other obligations not currently payable from or supported by ad valorem taxes, such as the City's Utility System revenue bonds. The City anticipates the issuance of approximately \$69.927 million in tax supported debt in fiscal year 2027.

TABLE 11 - OTHER OBLIGATIONS

The City is a lessor in various noncancelable leases of land, building, and equipment. During fiscal year 2025, the City recognized \$255,461 in lease revenue and \$50,602 in interest revenue.

As of September 30, 2024, the City's lease receivable balance of \$3,541,476 was comprised of the following:

Governmental Activities		
One equipment lease with rents received totaling \$159,652 during the fiscal year 2025, at an interest rate of 0.582%, with a remaining lease term of 2 years		159,652
Four land leases with rents received totaling \$858,211 during the fiscal year 2025, at an interest rate of 1.882%, with a remaining lease term of 43 years		858,211
Business-type Activities		
Various land leases with rents received totaling \$141,222 during the fiscal year 2025, at an interest rate of 1.473% to 3.053% to with remaining lease terms ranging from 10 to 45 years		2,169,652
		<u>\$ 3,187,515</u>

The lease receivables are expected to be received in subsequent years as follows:

Fiscal Year	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2026	\$ 114,464	\$ 17,556	\$ 176,181	\$ 32,558
2027	67,620	16,966	176,181	30,041
2028	34,160	16,718	176,181	27,477
2029	36,437	16,484	176,181	24,865
2030	36,644	16,220	176,181	22,203
2031-2035	106,562	79,305	859,064	69,683
2036-2040	115,800	76,473	175,603	30,610
2041-2044	506,177	262,215	254,080	19,198
	<u>\$ 1,017,864</u>	<u>\$ 501,937</u>	<u>\$ 2,169,652</u>	<u>\$ 256,635</u>

The City has various aeronautical leasing agreements for land leases (54 agreements, 5 Licenses, 72 buildings) and hangar space (27) at Denton Enterprise Airport. These qualify as regulated leases and are not included in the measurement of lease receivables, in accordance with the requirements of GASB Statement No. 87. The City recognized \$1,001,746 (Land Lease) and \$185,100 (Hangar Lease) in lease revenue during fiscal year 2025 for these leases, which have CPI increases that range from 1-5 years, dependent on the lease terms ranging from 1-30 years, with some leases having additional options that range from 5-20 years. As of October 1, 2025, the minimum payments expected to be received over the next five years is shown in the table below:

<u>Fiscal Year</u>	<u>Amount</u>
2026	\$ 1,231,598
2027	1,262,552
2028	1,344,385
2029	1,377,224
2030	1,418,541
	<u>\$ 6,634,301</u>

Additionally, on January 1, 2023, City of Denton, TX entered a 48-month lease as Lessee for the use of Employee Health Clinic. An initial lease liability was recorded in the amount of \$300,845. As of September 30, 2025, the value of the lease liability is \$95,481. The City of Denton, TX is required to make monthly fixed payments of \$6,018. The lease has an interest rate of 0.2130%. The value of the right to use asset as of September 30, 2025, of \$300,845 with accumulated amortization of \$205,364. The City has one extension option(s), each for 12 months.

SUBSCRIPTION-BASED INFORMATION TECHNOLOGY AGREEMENTS (SBITA) . . . The City entered into SBITA contracts involving various desktop and server software, electronic workflows and document management software along with other departmental specific operations management systems to assist in operations. As of September 30, 2025, all SBITA have fixed, periodic, payments over the subscription periods, which range from 1 to 4 years and expire no later than fiscal year 2029. In addition, some of these agreements are cancelable with 30 or 60-day notice. There are no commitments or outflows of resources related to SBITA that are not yet effective. The short-term portion, due within one year, totals \$4,086,021 for Governmental Funds and \$2,647,909 for Business-type Funds.

The future subscription payments as of September 30, 2025, as follows:

Fiscal Year	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 4,086,021	\$ 130,644	\$ 2,647,909	\$ 46,850
2027	1,917,068	130,644	168,577	46,850
2028	1,917,068	130,644	168,577	46,850
2029	1,917,068	130,644	168,577	46,850
	<u>\$ 9,837,225</u>	<u>\$ 522,576</u>	<u>\$ 3,153,640</u>	<u>\$ 187,400</u>

PENSION FUND . . . The City of Denton participates as one of 901 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of the System with a six-member, Governor-appointed board of trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly-available annual comprehensive financial report obtainable at www.tmrs.com.

All eligible employees of the city are required to participate in TMRS.

Benefits Provided . . . TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the employee's benefit is calculated based on the sum of the employee's contributions with interest, and the city-financed monetary credits with interest. Employees may choose to receive their retirement benefit in one of seven payment options. Employees may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the employee's deposits and interest.

Upon retirement, the employee's retirement benefits are calculated based on the sum of the employee's contributions, with interest, and the City-financed monetary credits, with interest. City-financed monetary credits are composed of three sources: prior service credits, current service credits, and updated service credits.

- Prior service credit, granted by each city joining TMRS, is a monetary credit equal to the accumulated value of the percentage of prior service credit selected by the City, multiplied by an employee's contributions that would have been made, based on the average salary prior to TMRS participation, for the number of months the employee was employed by the City before joining TMRS, accruing 3% annual interest and including the matching ratio adopted by the City.
- Current Service Credit is a monetary credit for service performed by an employee after the City joined TMRS and is based on a percent (200%) of the employee's total contributions and interest credits (commonly referred to as the City's matching ratio). Each participating city designates the rate the employee contributions (7% for the City) and interest is credited on contribution balances annually at a guaranteed minimum 5% rate. Any change in the matching ratio would be applied prospectively.
- Updated Service Credits (USC) is an optional monetary credit granted on an annually repeated basis by the City, and it may increase an employee's monthly retirement benefit. In calculating USC, TMRS looks at the changes in the employee's salary over their career and any changes the City has made to its TMRS plan, such as the employee contribution rate or the City's matching ratio. Although USC may increase the employee's retirement benefit, USC does not affect the amount of contributions in an employee's account or the amount an employee will receive if they refund.

The plan provisions also include an annually repeating basis cost of living adjustments for retirees equal to 70% of the change in the consumer price index. If an employee terminates employment and refunds their account, the employee will receive their total contributions, plus credited interest. The employee will not receive any of the city-financed monetary credits. An employee can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after five years.

Employees covered by benefit terms . . . At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	957
Inactive Employees Entitled to But Not Yet Receiving Benefits	75
Active Employees	<u>1,520</u>
	<u>2,552</u>

Contributions . . . The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the City Council. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 18.15% and 18.94% in calendar years 2024 and 2025, respectively. The City's contributions to TMRS for the year ended September 30, 2025, were \$25,761,959 and were equal to the required contributions.

Net Pension Liability . . . The City's Net Pension Liability ("NPL") was measured as of December 31, 2024, and the Total Pension Liability ("TPL") used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial Assumptions . . . The TPL in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB (10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the gender-distinct 2021 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate are applied for males and females, respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014, to December 31, 2018. They were adopted in 2019 and first used in December 31, 2019, actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	7.10%
Core Fixed Income	6.0%	5.00%
Non-Core Fixed Income	6.0%	6.80%
Hedge Funds	5.0%	6.40%
Private Equity	13.0%	8.50%
Private Debt	13.0%	8.20%
Real Estate	12.0%	6.70%
Infrastructure	6.0%	6.00%
Other Private Markets	4.0%	7.30%
Total	100.0%	

Discount Rate . . . The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2023	\$ 678,975,184	\$ 583,428,852	\$ 95,546,332
Changes for the year:			
Service cost	25,133,454	-	25,133,454
Interest	45,632,055	-	45,632,055
Change of benefit terms	-	-	-
Difference between expected and actual experience	7,317,890	-	7,317,890
Changes of assumptions	-	-	-
Contributions - employer	-	25,761,959	(25,761,959)
Contributions - employee	-	9,666,319	(9,666,319)
Net investment income	-	60,664,328	(60,664,328)
Benefit payments, including refunds of employee contributions	(31,022,941)	(31,022,941)	-
Administrative expense	-	(388,785)	388,785
Other changes	-	(9,093)	9,093
Net changes	47,060,458	64,671,787	(17,611,329)
Balance at 12/31/2024	\$ 726,035,642	\$ 648,100,639	\$ 77,935,003

Sensitivity of the Net Pension Liability to changes in the Discount Rate . . . The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Current Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability	\$ 192,754,710	\$ 95,546,332	\$ 15,975,192

Pension Plan Fiduciary Net Position . . . Detailed information about the pension plan’s Fiduciary Net Position is available in the Schedule of Change in Fiduciary Net Position, by Participating City, separately issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions . . . For the year ended September 30, 2025, the City recognized pension expense of \$27,338,796. This amount is included as part of personal services expenses.

At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to TMRS pension from the following sources:

	Deferred Outflow of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between projected and actual investment earnings	\$ -	\$ 6,852,939
Contributions subsequent to the measurement date	19,343,268	-
Differences between expected and actual economic experience	10,800,396	-
Difference in assumption changes	-	2,221,736
Total	<u>\$ 30,143,664</u>	<u>\$ 9,074,675</u>

As reported as deferred outflows of resources, \$19,343,268 is related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the City’s fiscal year ending September 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense (income) as follows:

For the Year Ended September 30,	
2026	\$ 4,683,041
2027	8,712,507
2028	(7,521,397)
2029	(4,148,430)
Total	<u>\$ 1,725,721</u>

FIREMEN’S RELIEF AND RETIREMENT FUND

Plan Description . . . The City contributes to the retirement plan for firefighters in the Denton Fire Department known as the Denton Firemen’s Relief and Retirement Fund (the Fund). The Fund is a single employer, contributory, defined benefit plan. The benefit provisions of the Fund are authorized by the Texas Local Fire Fighters’ Retirement Act (TLFFRA). TLFFRA provides the authority and procedure to amend benefit provisions. The plan is administered by the Board of Trustees of the Denton Firemen’s Relief and Retirement Fund. The City does not have access to nor can it utilize assets within the retirement plan trust. The Fund issues a stand-alone report pursuant to GASB Statement No. 67, which may be obtained by writing the Denton Firemen’s Relief and Retirement Fund at P.O. Box 2375, Denton, Texas 76202. See that report for all information about the plan fiduciary net position.

Benefits Provided . . . Firefighters in the Denton Fire Department are covered by the Denton Firemen’s Relief and Retirement Fund which provides service retirement, death, disability, and withdrawal benefits. These benefits are fully vested after 20 years of credited service. Firefighters may retire at age 50 with 20 years of service. A partially vested benefit is provided for firefighters who terminate employment with at least 10 but less than 20 years of service. If a terminated firefighter has a partially vested benefit, the firefighter may retire starting on the date they would have both completed 20 years of service if they had remained a Denton firefighter and attained age 50. The present plan provides a monthly normal service retirement benefit, payable in a Joint and Two-Thirds to Spouse form of annuity, equal to 2.59% of Highest 36-Month Average Salary for each year of service.

A retiring firefighter who is at least age 52 with at least 22 years of service has the option to elect the Retroactive Deferred Retirement Option Plan (RETRO DROP) which will provide a lump sum benefit and a reduced monthly benefit. The reduced monthly benefit is based on the service and Highest 36-Month Average Salary as if the firefighter had terminated employment on their selected RETRO DROP benefit calculation date, which is no earlier than the later of the date the firefighter meets the age 52

and 22 years of service requirements and the date four years prior to the date the firefighter actually retires. Upon retirement, the employee will receive, in addition to the monthly retirement benefit, a lump sum equal to the sum of (1) the amount of monthly contributions the member has made to the Fund after the RETRO DROP benefit calculation date plus (2) the total of the monthly retirement benefits the member would have received between the RETRO DROP benefit calculation date and the date retired under the plan. There are no account balances. The lump sum is calculated at the time of retirement and distributed as soon as administratively possible.

There is no provision for automatic postretirement benefit increases. The Fund has the authority to provide, and has periodically in the past provided, ad hoc postretirement benefit increases.

Employees Covered by Benefit Terms . . . In the December 31, 2023 actuarial valuation, the following numbers of members were covered by the Fund:

Inactive Employees or Beneficiaries Currently Receiving Benefits	96
Inactive Employees Entitled to But Not Yet Receiving Benefits	8
Active Employees	<u>236</u>
	340

Contributions . . . The contribution provisions of the Fund are authorized by TLFFRA. TLFFRA provides the authority and procedure to change the amount of contributions determined as a percentage of pay by each firefighter and a percentage of payroll by the City.

The contribution policy of the Denton Firemen’s Relief and Retirement Fund requires contributions equal to 12.6% of pay by the firefighters, the rate elected by the firefighters according to TLFFRA. The City began contributing in December 2017 according to a new City funding policy. The ordinance defining it includes an actuarially determined contribution rate over a closed 25-year amortization period, a contribution rate of 18.5% for several years, a minimum rate standard, and City review and approval of each actuarial valuation. The December 31, 2023 actuarial valuation includes the assumption the City contribution rate will be 18.5% over the unfunded liability amortization period. The costs of administering the plan are paid from the Fund assets. The City’s contributions to the Fund for the year ended September 30, 2025 were \$6,136,743.

Ultimately, the funding policy also depends upon the total return of the Fund’s assets, which varies from year to year. Investment policy decisions are established and maintained by the board of trustees. For the calendar year ending December 31, 2024, the money-weighted rate of return on pension plan investments was 8.61%. This measurement of the investment performance is net of investment-related expenses, reflecting the effect of the timing of the contributions received and the benefits paid during the year.

While the contribution requirements are not actuarially determined, state law requires that each change in plan benefits adopted by the Fund must first be approved by an eligible actuary, certifying the contribution commitment by the firefighters and the assumed city contribution rate together provide an adequate contribution arrangement. Using the entry age actuarial cost method, the plan’s normal cost contribution rate is determined as a percentage of payroll. The excess of the total contribution rate over the normal cost contribution rate is used to amortize the plan’s unfunded actuarial accrued liability (UAAL). The number of years needed to amortize the plan’s UAAL is actuarially determined using an open, level percentage of payroll method.

Net Pension Liability . . . The City of Denton’s net pension liability was measured as of December 31, 2024, and the total pension liability used to calculate the net pension liability was determined based actuarial valuation as of December 31, 2023, and rolled forward to December 31, 2024..

Total Pension Liability	\$ 177,904,171
Plan fiduciary net position	<u>167,944,509</u>
City's net pension liability	9,959,662
 Plan fiduciary net position as a percentage of the total pension liability	 94.4%

Actuarial Assumptions . . . The total pension liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50% per year
Overall payroll growth	3.00% per year, plus promotion, step and longevity increases that vary by service
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS-2010 (public safety) total dataset mortality tables employees and for retirees (sex distinct), projected for mortality improvement generationally using the projection scale MP-2019.

The long-term expected rate of return on pension plan investments is reviewed for each biennial actuarial valuation and was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future net real rates of return by the target asset allocation percentage (currently resulting in 4.96%) and by adding expected inflation (2.5%). In addition, the final 6.75% assumption was selected by rounding down and thereby reflects a reduction of 0.71% for adverse deviation.

The target allocation and expected arithmetic net real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Equities		
Large Cap Domestic	40.0%	6.00%
Small/Mid Cap Domestic	10.0%	6.50%
International Developed	10.0%	6.50%
Alternatives		
Master Limited Partnerships	8.0%	6.50%
Real Estate	15.0%	4.00%
Fixed Income	15.0%	1.00%
Cash	2.0%	0.00%
Total	100.0%	
Weighted Average		4.96%

Discount Rate . . . The discount rate used to measure the total pension liability was 6.75%. No projection of cash flows was used to determine the discount rate because the December 31, 2023 actuarial valuation showed expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in seven years. Because of the seven-year amortization period of the UAAL, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments of 6.75% was applied to all periods of projected benefit payments as the discount rate to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate . . . The following presents the net pension liability of the City of Denton, calculated using the discount rate of 6.75%, as well as what the city's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Current Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability	\$32,931,528	\$ 9,959,662	\$ (9,155,259)

Pension Plan Fiduciary Net Position . . . The plan fiduciary net position reported above is the same as reported by the Fund. Detailed information about the plan fiduciary net position is available in the Fund's separately issued audited financial statements, which are reported using the economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Investments are reported at fair value, the price that would be recognized to sell an asset in an orderly transaction between market participants at the measurement date.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at 12/31/2024	\$ 167,333,614	\$ 152,072,995	\$ 15,260,619
Changes for the year:			
Service cost	6,063,143	-	6,063,143
Interest	11,469,317	-	11,469,317
Change of benefit terms	-	-	-
Difference between expected and actual experience	-	-	-
Contributions - employer	-	5,846,904	(5,846,904)
Contributions - employee	-	3,889,705	(3,889,705)
Net investment income	-	13,206,709	(13,206,709)
Benefit payments, including refunds of employee contributions	(6,961,903)	(6,961,903)	-
Administrative expense	-	(109,901)	109,901
Net changes	10,570,557	15,871,514	(5,300,957)
Balance at 12/31/2025	<u>\$ 177,904,171</u>	<u>\$ 167,944,509</u>	<u>\$ 9,959,662</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions . . . For the year ended September 30, 2025, the City recognized a pension expense of \$3,431,009. Amounts recognized in the fiscal year represent changes between the current and prior year measurement dates. At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to the Fund from the following sources:

	Deferred Outflow of Resources	Deferred Inflows of Resources
Differences between projected and actual investment earnings	\$ -	\$ 636,846
Contributions subsequent to the measurement date	4,478,547	-
Differences between expected and actual economic experience	7,682,485	-
Difference in assumption changes	1,267,291	-
Total	<u>\$ 13,428,323</u>	<u>\$ 636,846</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$4,478,547, will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2025, and the City's fiscal year ending September 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense (income) as follows:

For the Year Ended September 30,	
2026	\$ 1,065,863
2027	3,645,280
2028	295,193
2029	734,679
2030	1,048,277
Thereafter	<u>1,523,638</u>
Total	<u>\$ 8,312,930</u>

OTHER POST EMPLOYMENT BENEFITS . . . The City of Denton provides for two post-employment benefit (OPEB) plans; one provides for postemployment medical care through a single-employer defined benefit medical plan (Medical OPEB), and the other is the Texas Municipal Retirement System Supplemental Death Benefits Fund (TMRS SDBF), a single-employer defined benefit OPEB plan. Both plans are described in detail following.

Aggregate amounts for the two OPEB plans are as follows:

	<u>Medical OPEB</u>	<u>TMRS SDBF</u>	<u>Total</u>
OPEB Liability	\$ 46,919,770	\$ 4,113,881	\$ 51,033,651
Deferred outflows of resources	\$ 6,270,276	\$ 648,252	6,918,528
Deferred inflows of resources	(11,008,086)	(1,202,444)	(12,210,530)
OPEB expense	3,717,424	183,507	3,900,931

Plan Description . . . The City of Denton provides post-employment medical care (OPEB) for retired employees through a single-employer defined benefit medical plan. The plan provides medical benefits for eligible retirees, their spouses and dependents through the City’s group health insurance plans, which covers both active and retired members. The benefits, benefit levels, and contribution rates are recommended annually by the City management as part of the budget process. Any changes in rate subsidies for retirees are approved by the City Council. Since an irrevocable trust has not been established, the plan is not accounted for as a trust fund. The plan does not issue a separate financial report.

Benefits Provided . . . The City provides post-employment medical, dental, and vision care benefits to its retirees. To be eligible for benefits, an employee must qualify for retirement under the Texas Municipal Retirement System or the Denton Firemen’s Relief and Retirement Plan. Retirees must make a one-time irrevocable decision to choose benefits at the time of retirement, after that their eligibility for the benefits ceases. However, retirees can move between plans and can add and drop dependents based on qualifying events.

All medical care benefits are provided through the City’s self-insured health plan. The benefit levels are the same as those afforded to active employees.

In the December 31, 2024 actuarial valuation, the following number of employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	247
Active Employees	<u>1,689</u>
	1,936

Funding Policy . . . The plan premium rates are recommended annually by City management and approved by the City Council as part of the annual budget. The retiree’s contribution is the full amount of the actuarially determined blended premium rate less a subsidy dependent upon years of service at retirement. By providing retirees with access to the City’s healthcare plans based on the same rates it charges to active employees, the City is in effect providing a subsidy to retirees. This implied subsidy exists because, on average, retiree health care costs are higher than active employee healthcare costs. By the City not contributing anything toward this plan in advance, the City employs a pay-as-you-go method through paying the higher rate for active employees each year. The City contributes \$40 per month for each five-year increment of service, up to \$200 per month, toward the cost of retiree coverage. The full cost for dental and vision is paid by the retiree. Retirees are required to enroll in Medicare Part B once eligible (age 65) and are moved into a fully-insured Medicare Supplement plan at that time. The same City contribution level applies to the supplement.

Medical OPEB Liability. . . The City’s medical OPEB liability of \$46,919,770 was measured as of December 31, 2024, the same date as the actuarial valuation.

The medical OPEB liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement date, unless otherwise specified

Significant method and assumptions used for this fiscal year valuation were as follows:

Valuation Date	December 31, 2023
Actuarial cost method	Individual Entry-Age Normal Method
	4.05% as of December 31, 2022
Discount Rate	3.77% as of December 31, 2023
	4.08% as of December 31, 2024
Inflation Rate	2.50% per annum
Projected salary increases	3.60% to 11.85% for TMRS, including inflation
	3.00% to 9.18% for Fire, including inflation
Healthcare trend rates	Initial rate of 7.20% declining to an ultimate rate of 4.25% after 15 years
Mortality	TMRS: For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP-2021 table to account for future mortality improvements. Firefighters: The gender-distinct PubS-2010 (safety employees) total data set mortality are used. The rates are projected on a fully generational basis using the projection scale of MP-2019.
Participation Rates	65% for employees retiring at age 65 or older; 45% for employees retiring between the ages 50 and 64; 5% for employees retiring between the ages of 45 and 49; 0% for retirees under the age 50 at retirement

Changes in the Medical OPEB Liability

	Total Medical OPEB Liability
Balance at 12/31/2023	\$45,653,463
Changes for the year:	
Service cost	2,882,929
Interest	1,740,446
Difference between expected and actual experience	(105,456)
Changes of assumptions	(1,393,130)
Benefit payments	(1,858,482)
Net Changes	<u>1,266,307</u>
Balance at 12/31/2024	<u><u>\$46,919,770</u></u>

Total OPEB liability as a percentage of covered payroll was 26.86%.

Sensitivity of the Medical OPEB Liability to Changes in the Discount Rate

The following schedule shows the impact of the medical OPEB liability if the discount rate used was 1% less than (3.08%) and 1% greater than (5.08%) the discount rate that was used (4.08%) in measuring the medical OPEB liability:

	1% Decrease (3.08%)	Current Discount Rate (4.08%)	1% Increase (5.08%)
Total medical OPEB Liability	\$51,619,415	\$46,919,770	\$42,780,452

Sensitivity of the Medical OPEB Liability to Changes in the Healthcare Cost Trend Rate Assumption

The following schedule shows the impact of the medical OPEB liability if the healthcare trend cost rate used was 1% less or 1% more than the healthcare cost trend rate that was used in measuring the medical OPEB liability:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Total medical OPEB Liability	\$42,999,140	\$46,919,770	\$51,543,954

Medical OPEB Expense and Deferred outflows of Resources and Deferred Inflows of Resources Related to Medical OPEB

For the year ended September 30, 2025, the City recognized medical OPEB expense of \$3,717,424. At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to medical OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 143,622	\$ 2,032,442
Changes in actuarial assumptions	4,606,710	8,975,644
Contribution subsequent to the measurement date	1,519,944	-
Totals	<u>\$ 6,270,276</u>	<u>\$ 11,008,086</u>

Deferred outflows of resources related to OPEB contributions subsequent to the measurement date of (\$1,519,944) will be recognized as a reduction of the medical OPEB liability for the City’s fiscal year ending September 30, 2026. Other amounts reported as deferred outflows of resources related to the medical OPEB will be recognized in OPEB expense as follows:

Year Ending September 30,	
2026	\$ (913,744)
2027	(1,291,494)
2028	(925,126)
2029	(977,147)
2030	(1,319,674)
Thereafter	<u>(992,569)</u>
Total	\$ (6,419,754)

Supplemental Death Benefit Fund . . . The City of Denton voluntarily participates in the Texas Municipal Retirement System Supplemental Death Benefits Fund (TMRS SDBF). The SDBF is a defined benefit group-term life insurance Other Postemployment Benefit (OPEB) plan as defined by GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. It is established and administered in accordance with the TMRS Act identically to the City’s pension plan.

Benefits provided . . . The SDBF provides group-term life insurance to City employees who are active members in TMRS, including retirees. The City Council opted into this system via an ordinance, and may terminate coverage under and discontinue participation in, the SDBF by adopting an ordinance before November 1st of any year to be effective the following January 1st .

Payments from this fund are similar to group-term life insurance benefits and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an “other postemployment benefit” (OPEB) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan.

In the December 31, 2024 actuarial valuation, the following number of employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	732
Inactive Employees entitled to but not yet receiving benefits	267
Active Employees	<u>1,520</u>
	2,519

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. For FY 2024 and FY 2025 the contribution was 0.28% and 0.23% respectively, of which 0.10% represented the retiree-only portion for each year, as a percentage of annual covered payroll. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to ensure that adequate resources are available to meet all the death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees’ entire careers. The City’s contribution to the SDBF for two years ended September 30, 2025, and 2024 were \$399,190 and \$377,550 respectively, representing contributions for both active and retiree coverage, which equaled the required contribution each year.

FINANCIAL INFORMATION

TABLE 12 - CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES

	Fiscal Year Ended September 30,				
	2025	2024	2023	2022	2021
Revenues:					
Program Revenue:					
Charges for Services	\$ 29,670,653	\$ 23,487,878	\$ 23,704,503	\$ 25,203,727	\$ 18,751,972
Operating Grants and Contributions	13,398,515	13,042,489	10,623,546	9,545,392	8,607,304
Capital Grants and Contributions	31,369,812	35,255,951	27,351,806	34,406,757	23,945,640
General Revenue:					
Property Tax	119,835,095	106,555,772	92,185,668	79,552,638	78,243,553
Sales Tax	58,972,691	57,074,842	55,906,340	53,264,724	45,404,857
Other Taxes/Fees	39,821,437	38,667,030	43,582,046	42,503,178	35,648,023
Miscellaneous	30,006,799	22,670,126	17,283,086	7,125,797	5,876,421
Total Revenue	<u>\$ 323,075,002</u>	<u>\$ 296,754,088</u>	<u>\$ 270,636,995</u>	<u>\$ 251,602,213</u>	<u>\$ 216,477,770</u>
Expenditures:					
General Government	\$ 64,602,853	\$ 57,475,453	\$ 53,383,319	\$ 40,369,454	\$ 37,401,990
Public Safety	119,030,615	112,543,358	104,695,335	87,970,791	93,415,418
Public Works	27,465,600	27,466,868	39,086,849	25,489,369	14,063,366
Parks and Recreation	30,703,498	29,842,466	28,096,065	22,787,282	19,295,206
Interest on Long-Term Debt	17,359,096	12,698,504	10,198,425	8,571,877	7,380,293
Total Expenses	<u>\$ 259,161,662</u>	<u>\$ 240,026,649</u>	<u>\$ 235,459,993</u>	<u>\$ 185,188,773</u>	<u>\$ 171,556,273</u>
Increase in Net Position before Transfers	\$ 63,913,340	\$ 56,727,439	\$ 35,177,002	\$ 66,413,440	\$ 44,921,497
Transfers	2,645,642	(870,190)	4,017,015	2,913,731	1,975,432
Increase (Decrease) in Net Position	<u>\$ 66,558,982</u>	<u>\$ 55,857,249</u>	<u>\$ 39,194,017</u>	<u>\$ 69,327,171</u>	<u>\$ 46,896,929</u>
Prior Period Adjustment	-	-	-	9,072,792 ⁽²⁾	-
Net Position at Beginning of Year	502,144,527	446,287,278	407,093,261	328,693,298	281,796,369
Net Position at End of Year	<u>\$ 568,703,509 ⁽¹⁾</u>	<u>\$ 502,144,527</u>	<u>\$ 446,287,278</u>	<u>\$ 407,093,261</u>	<u>\$ 328,693,298</u>

(1) Unrestricted net position, that part of the net position that may be used to meet the City's ongoing obligations, was \$13,474,505 as of September 30, 2025. This table refers to governmental activities only and does not include enterprise funds such as solid waste or utility activities.

(2) An adjustment has been recorded to account for the recognition of intergovernmental revenues received in advance and held as an unearned revenue liability.

TABLE 12A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Year Ended September 30,				
	2025	2024	2023	2022	2021
Revenues:					
Taxes	\$ 126,828,879	\$ 123,923,215	\$ 113,955,253	\$ 102,491,584	\$ 95,276,289
Licenses and Permits	6,853,283	5,561,811	6,049,752	9,058,717	5,939,320
Franchise Fee	19,461,375	17,534,987	22,851,663	19,910,133	17,961,984
Fines and Forfeitures	2,749,785	2,525,000	1,961,982	1,875,399	1,572,587
Fees for Service	13,863,902	12,420,160	9,662,872	9,630,662	9,354,890
Interest Revenue	2,539,720	3,567,702	2,587,602	(127,267)	160,094
Intergovernmental	2,848,052	3,530,952	2,961,572	2,508,006	4,166,856
Miscellaneous	6,420,575	304,245	342,941	322,173	385,998
Total Revenues	<u>\$ 181,565,571</u>	<u>\$ 169,368,072</u>	<u>\$ 160,373,637</u>	<u>\$ 145,669,407</u>	<u>\$ 134,818,018</u>
Expenditures:					
General Government	\$ 38,881,766	\$ 36,294,711	\$ 33,498,179	\$ 26,563,210	\$ 26,460,924
Public Safety	111,125,738	104,782,629	96,317,917	86,682,395	80,847,727
Public Works	3,799,305	3,614,951	3,454,541	2,956,465	2,919,114
Parks and Recreation	25,304,356	24,836,184	15,781,789	13,308,304	11,259,612
Capital Outlay	490,351	635,578	475,410	540,289	476,296
Debt Service:					
Principal Retirement	-	-	-	-	-
Total Expenditures	<u>\$ 179,601,516</u>	<u>\$ 170,164,053</u>	<u>\$ 149,527,836</u>	<u>\$ 130,050,663</u>	<u>\$ 121,963,673</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,964,055	\$ (795,981)	\$ 10,845,801	\$ 15,618,744	\$ 12,854,345
Other Financing Sources (Uses):					
Transfers In	\$ 7,887	\$ -	\$ 25,750	\$ 2,728	\$ 33,964
Sale of Capital Assets	344,186	384,737	198,474	568,128	326,682
Transfers (Out)	(1,567,660)	(2,140,604)	(11,929,049)	(9,230,186)	(8,497,210)
Total Other Financing Sources (Uses)	<u>\$ (1,215,587)</u>	<u>\$ (1,755,867)</u>	<u>\$ (11,704,825)</u>	<u>\$ (8,659,330)</u>	<u>\$ (8,136,564)</u>
Net Changes in Fund Balances	\$ 748,468	\$ (2,551,848)	\$ (859,024)	\$ 6,959,414	\$ 4,717,781
Prior Period Adjustment	-	28,550 ⁽¹⁾	-	-	-
Fund Balances at Beginning of Year	<u>42,077,084</u>	<u>44,628,932</u>	<u>45,459,406</u>	<u>38,499,992</u>	<u>33,782,211</u>
Fund Balances at End of Year	<u>\$ 42,825,552</u>	<u>\$ 42,077,084</u>	<u>\$ 44,600,382</u>	<u>\$ 45,459,406</u>	<u>\$ 38,499,992</u>

(1) The Recreation Fund was absorbed into the General Fund.

TABLE 13 - MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, Texas Tax Code, Chapter 321, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Obligations. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly. In January 1994, the voters of the City approved the imposition of an additional one-half of one percent (½ of 1%) for property tax reduction. In September 2003, the voters of the City approved the imposition of an additional one-half of one percent (½ of 1%) for the Denton County Transportation Authority. The implementation of this tax began January 2004, and is allocated directly to the Denton County Transportation Authority.

Fiscal Year Ended 9/30	Total Collected ⁽¹⁾	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2022	\$ 53,264,724	67.10%	\$ 0.3698	\$ 362
2023	55,906,340	60.93%	0.3343	371
2024	57,074,842	53.58%	0.2970	378
2025	29,207,284	24.33%	0.1384	188
2026 ⁽²⁾	30,624,925	23.45%	0.1367	193

(1) Source: City of Denton Annual Comprehensive Financial Report.

(2) Collections through April 30, 2026.

The sales tax breakdown for the City is as follows:

Property Tax Relief	0.50¢
Denton County Transportation Authority	0.50¢
City Sales & Use Tax	1.00¢
State Sales & Use Tax	6.25¢
Total	8.25¢

FINANCIAL POLICIES

Basis of Accounting . . . The accounting policies of the City conform to generally accepted accounting principles of the Governmental Accounting Standards Board and program standards adopted by the Government Finance Officers Association of the United States and Canada. The GFOA has awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Denton for each fiscal year since 1983. The City's current report will be submitted to GFOA to determine its eligibility for another Certificate.

The City has also received the GFOA's award for Distinguished Budget Presentation each year since 1986.

The measurement focuses for the Enterprise Funds, Internal Service Funds and Nonexpendable Trust Funds are income determination and cost of service, respectively. Accordingly, the accrual basis, whereby revenues and expenses are identified in the accounting period in which they are earned and incurred and net income, is utilized for these funds. The modified accrual basis, whereby revenues are recognized when they become both measurable and available for use during the year and expenditures are recognized when the related fund liability is incurred, is used for all other funds.

Fund Balance Policy . . .The City strives to achieve and maintain an unassigned fund balance in the General Fund equal to 20% of budgeted expenditures. An additional 5% resiliency reserve (25% combined total) may be maintained to safeguard against unusual financial circumstances or economic downturns.

Budgetary Procedures . . . As prescribed by City Charter, the City Manager, within the time period required by law, submits to the City Council a proposed budget for the fiscal year beginning the following October 1. The budget includes proposed expenditures and revenues required to fund the expenditures. Following Council considerations, amendments and refinements, a public hearing is ordered and conducted for the purpose of obtaining taxpayer comments. The budget is finally approved and adopted by passage of an ordinance by the City Council prior to the beginning of the fiscal year. The budget is adopted on a basis consistent with generally accepted accounting principles. It is the goal of the City to achieve and maintain an unassigned fund balance in the general fund equal to 20% of budgeted expenditures. An additional 5% resiliency reserve (25% combined total) may be maintained to safeguard against unusual financial circumstances and/or economic downturns.

INVESTMENTS

The City invests its investable funds in investments authorized by Texas law in accordance with investment policies approved by the City Council. Both Texas law and the City's investment policies are subject to change.

LEGAL INVESTMENTS . . . Under State law, the City is authorized to invest in: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund (the "NCUSIF") or their respective successors; (8) interest-bearing banking deposits, other than those described in clause (7), that (i) are invested through a broker or institution with a main office or branch office in this state and selected by the City in compliance with the PFIA, (ii) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the City's account, (iii) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States, and (iv) the City appoints as its custodian of the banking deposits, in compliance with the PFIA, the institution in clause (8)(i) above, a bank, or a broker-dealer; (9) certificates of deposit and share certificates meeting the requirements of the PFIA (i) that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8), above, or secured in accordance with Chapter 2257, Texas Government Code, or in any other manner and amount provided by law for City deposits, or (ii) where (a) the funds are invested by the City through a broker or institution that has a main office or branch office in the State and selected by the City in compliance with the PFIA, (b) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the account of the City, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (d) the City appoints, in compliance with the PFIA, the institution in clause (9)(ii)(a) above, a bank, or broker-dealer as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described by clauses (1) or (12), which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with a stated maturity of 270 days or less, if the short-term obligations of the accepting bank, or of the holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less that is rated at least A-1 or P-1 or an equivalent by either (i) two nationally recognized credit rating agencies, or (ii) one nationally recognized credit rating agency if the commercial paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (13) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission and complies with Securities and Exchange Commission Rule 2a-7; (14) no-load mutual funds that are registered and regulated by the Securities and Exchange Commission that have a weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations approved in this paragraph, or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset backed securities; (15) guaranteed investment contracts that have a defined termination date and are secured by obligations described in clause (1), excluding obligations which the City is explicitly prohibited from investing in, and in an amount at least equal to the amount of bond proceeds invested under such contract; and (16) securities lending programs if (i) the securities loaned under the program are 100% collateralized, including accrued income, (ii) a loan made under the program allows for termination at any time, (iii) a loan made under the program is either secured by (a) obligations described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent, or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (12) through (14) above, or an authorized investment pool, (iv) the terms of a loan made under the program require that the securities being held as collateral be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party designated by the City, (v) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State, and (vi) the agreement to lend securities has a term of one year or less.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAA-m" or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution.

The City is specifically prohibited from investing in (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

INVESTMENT POLICIES . . . Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Public Funds Investment Act. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the City shall submit an investment report detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value and the fully accrued interest during the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest City funds without express written authority from the City Council.

Effective September 1, 2019, the investment officer of a local government is allowed to invest bond proceeds or pledged revenue only to the extent permitted by the PFIA and in accordance with (i) statutory provisions governing the debt issuance (or lease, installment sale, or other agreement) and (ii) the local government's investment policy regarding the debt issuance or the agreement.

ADDITIONAL PROVISIONS . . . Under Texas law the City is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the registered principal of firms seeking to sell securities to the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment training for the Treasurer, Chief Financial Officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the entity's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

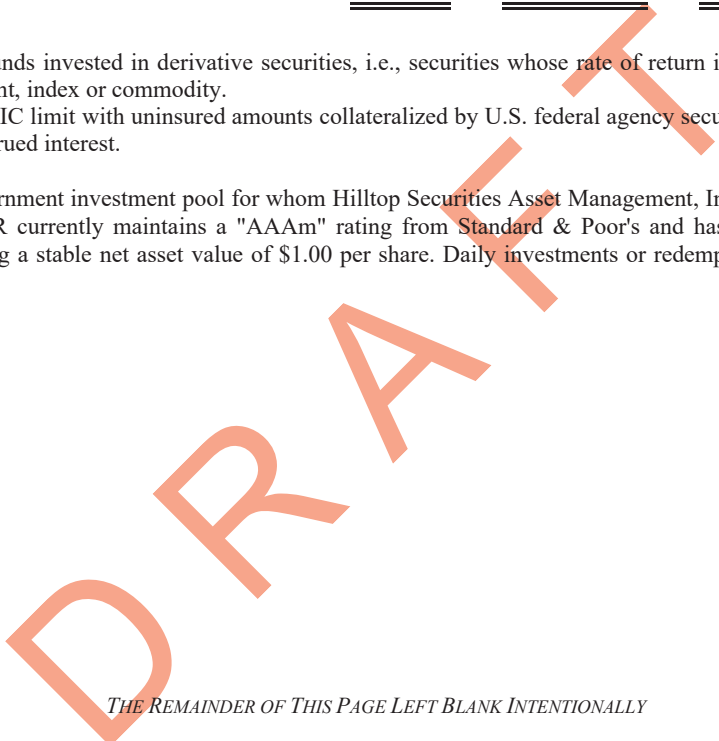
TABLE 14- CURRENT INVESTMENTS ⁽¹⁾

As of April 30, 2026, the City's available funds were invested as follows:

Description	Market Value Percent	Market Value	Book Value
Treasury Securities	62.94%	\$ 590,936,015	\$ 591,497,701
Federal Agency Issues - Coupon	5.83%	54,694,505	54,673,665
Federal Agency Issues - Callable	2.12%	19,918,060	19,968,754
Municipal Bonds	0.48%	4,519,463	4,508,839
Commercial Paper	7.36%	69,109,055	69,126,232
Local Government Inv. Pool- TexSTAR	7.53%	70,690,166	70,690,166
Local Government Inv. Pool- TexPool	10.65%	100,000,000	100,000,000
Demand Deposits/Wells Fargo ⁽²⁾	2.10%	19,712,725	19,712,725
Demand Deposits SLGS	0.99%	9,262,244	9,262,244
	100.00%	\$938,842,233	\$939,440,326

- (1) There are no City funds invested in derivative securities, i.e., securities whose rate of return is determined by reference to some other instrument, index or commodity.
- (2) Insured up to the FDIC limit with uninsured amounts collateralized by U.S. federal agency securities at a minimum of 102% of principal plus accrued interest.

TexSTAR is a local government investment pool for whom Hilltop Securities Asset Management, Inc. provides customer service and marketing. TexSTAR currently maintains a "AAAm" rating from Standard & Poor's and has an investment objective of achieving and maintaining a stable net asset value of \$1.00 per share. Daily investments or redemptions of funds is allowed by the participants.



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TAX MATTERS

OPINIONS

The Certificates . . . On the date of initial delivery of the Certificates, McCall, Parkhurst and Horton L.L.P., Dallas, Texas, Bond Counsel to the City, will render its opinion that, in accordance with Existing Law, (1) interest on the Certificates for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Certificates will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Code. Except as stated above, Bond Counsel to the City will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Certificates. See Appendix C – Forms of Bond Counsel's Opinions.

The Bonds . . . On the date of initial delivery of the Bonds, Bond Counsel to the City, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel to the City will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See Appendix C – Forms of Bond Counsel's Opinions.

In rendering each of the foregoing opinions, Bond Counsel to the City will rely upon (a) certain information and representations of the City, including information and representations contained in the City's federal tax certificate with respect to each Obligation issue, and (b) covenants of the City contained in the Obligation documents relating to certain matters, including arbitrage and the use of the proceeds of the Obligations and the property financed or refinanced therewith. Failure by the City to observe the aforementioned representations or covenants could cause the interest on the Obligations to become taxable retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Obligations in order for interest on the Obligations to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Obligations to be included in gross income retroactively to the date of issuance of the Obligations. The opinion of Bond Counsel to the City is conditioned on compliance by the City with the covenants and other requirements described in the preceding paragraph, and Bond Counsel to the City has not been retained to monitor compliance with these requirements subsequent to the issuance of the Obligations.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. The Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Obligations.

A ruling was not sought from the Internal Revenue Service by the City with respect to the Obligations or the projects being financed or refinanced therewith. Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the representations of the City that it deems relevant to render such opinion and is not a guarantee of a result. No assurances can be given as to whether or not the Internal Revenue Service will commence an audit of the Obligations, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the City as the taxpayer and the holders of the Obligations may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

FEDERAL INCOME TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT

The initial public offering price to be paid for one or more maturities of the Obligations may be less than the principal amount thereof or one or more periods for the payment of interest on the Obligations may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Obligations less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Obligations and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

COLLATERAL FEDERAL INCOME TAX CONSEQUENCES

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Obligations. This discussion is based on Existing Law, all of which are subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with subchapter C earnings and profits, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE OBLIGATIONS.

Interest on the Obligations may be includable in certain corporation's "adjusted financial statement income" determined under section 56A of the Code to calculate the alternative minimum tax imposed by section 55 of the Code.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Obligations, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Obligations, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

STATE, LOCAL AND FOREIGN TAXES

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Obligations under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

INFORMATION REPORTING AND BACKUP WITHHOLDING

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Obligations will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

FUTURE AND PROPOSED LEGISLATION

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Obligations under Federal or state law and could affect the market price or marketability of the Obligations. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Obligations should consult their own tax advisors regarding the foregoing matters.

CONTINUING DISCLOSURE OF INFORMATION

In each of the Ordinances, the City has made the following agreement for the benefit of the holders and beneficial owners of the respective series of Obligations. The City is required to observe each agreement while it remains obligated to advance funds to pay such Obligations. Under each agreement, the City will be obligated to provide certain updated financial information and operating data annually, and the timely notice of specified events to the Municipal Securities Rulemaking Board ("MSRB"). This information will be available free of charge from the MSRB via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

ANNUAL REPORTS . . . The City shall provide annually to the MSRB, in the electronic format prescribed by the MSRB, financial information and operating data (the "Annual Operating Report") with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 5 and 7 through 14. The City will additionally provide financial statements of the City (the "Financial Statements"), that will be (i) prepared in accordance with the accounting principles described in the City's annual audited financial statements or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation and shall be in substantially the form included in this Official Statement and (ii) audited, if the City commissions an audit of such Financial Statements and the audit is completed within the period during which they must be provided. The City will update and provide the Annual Operating Report within six months after the end of each fiscal year and the Financial Statements within 12 months of the end of each fiscal year, in each case beginning with the fiscal year ending in and after 2026. The City may provide the Financial Statements earlier, including at the time it provides its Annual Operating Report, but if the audit of such Financial Statements is not complete within 12 months after any such fiscal year end, then the City shall file unaudited Financial Statements within such 12-month period and audited Financial Statements for the applicable fiscal year, when and if the audit report on such Financial Statements becomes available.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule").

The City's current fiscal year end is September 30. Accordingly, it must provide the Annual Operating Report by March 31 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

NOTICE OF CERTAIN EVENTS . . . The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Obligations to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Obligations, or other material events affecting the tax status of the Obligations; (7) modifications to rights of holders of the Obligations, if material; (8) Obligation calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Obligations, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a Financial Obligation, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any Financial Obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any Financial

Obligation of the City, any of which reflect financial difficulties. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under "Annual Reports". For purposes of clauses (15) and (16) above, "Financial Obligation" means (i) a debt obligation, (ii) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of (i) or (ii). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

For these purposes, any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

LIMITATIONS AND AMENDMENTS . . . The City has agreed to update information and to provide notices of specified events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Obligations at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Obligations may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreement for either or both of the Bonds and Certificates from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds or Certificates, as the case may be, in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds or Certificates, as the case may be, consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds or Certificates, as the case may be. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Obligations in the primary offering of the Obligations. If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . During the last five years, the City believes it has complied in all material respects with all continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12.

OTHER INFORMATION

RATINGS

The Obligations and the presently outstanding tax supported debt of the City are rated "AA+" by Fitch and "AA+" by S&P. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Obligations.

LITIGATION

Various claims and lawsuits are pending against the City. In accordance with GAAP, those judgments considered "probable" are accrued, while those claims and judgments considered "reasonably possible" are disclosed but not accrued. In the opinion of City management and legal counsel, the maximum amount of all significant claims considered reasonably possible, excluding condemnation proceedings is approximately \$500,000 as of September 30, 2025. Potential losses after insurance coverage on all probable claims and lawsuits will not have a material effect on the City's financial position as of September 30, 2025., see Appendix B, Notes to Basic Financial Statements G., page 86.

At the time of the initial delivery of the Obligations, the City will provide the Initial Purchasers with a certificate to the effect that, except as disclosed herein, no litigation of any nature has been filed or is then pending challenging the issuance of the Obligations or that affects the payment and security of the Obligations or in any other manner questioning the issuance, sale or delivery of the Obligations.

REGISTRATION AND QUALIFICATION OF OBLIGATIONS FOR SALE

The sale of the Obligations has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Obligations have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds or Certificates been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Bonds or Certificates under the securities laws of any jurisdiction in which the Obligations may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Obligations shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

The Obligations. Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Obligations are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Obligations are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital, and savings and loan associations.

The Certificates. Section 271.051, Texas Local Government Code, provides that the Certificates are legal and authorized investments for banks, savings banks, trust companies, savings and loan associations, insurance companies, fiduciaries, trustees and guardians, and for the sinking funds of municipalities, school districts, and other political subdivisions or public agencies of the State of Texas. The Certificates are eligible to secure deposits of any public funds of the State, municipalities, school districts, and other political subdivisions of the State, and are legal security for those deposits to the extent of their market value.

General Considerations. For political subdivisions in Texas that have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the Obligations may have to be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. The City has made no investigation of other laws, rules, regulations, or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Obligations for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Obligations for such purposes. The City has made no review of laws in other states to determine whether the Obligations are legal investments for various institutions in those states.

LEGAL OPINIONS AND NO-LITIGATION CERTIFICATE

The City will furnish a complete transcript of proceedings had incident to the authorization and issuance of the Bonds and of the Certificates, including the unqualified approving legal opinions of the Attorney General of Texas approving the Initial Bond and the Initial Certificate and to the effect that the Bonds and the Certificates are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinions of Bond Counsel, to like effect and to the effect that the interest on the Bonds and the Certificates will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "Tax Matters" herein. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Obligations, or which would affect the provision made for their payment or security or in any manner questioning the validity of said Obligations will also be furnished. Though it represents the Municipal Advisor and purchasers of debt from governmental issuers from time to time in matters unrelated to the issuance of the Obligations, Bond Counsel has been engaged by and only represents the City in connection with the issuance of the Obligations. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Obligations in the Official Statement to verify that such description conforms to the provisions of the Bond Ordinance and the Certificate Ordinance. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Obligations is contingent on the sale and delivery of the Obligations. The legal opinion will accompany the Obligations deposited with DTC or will be printed on the Obligations in the event of the discontinuance of the Book-Entry-Only System.

The legal opinions to be delivered concurrently with the delivery of the Obligations express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

The financial data and other information contained herein have been obtained from City records, audited financial statements, and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents, and ordinances contained in this Official Statement are made subject to all of the provisions of such statutes, documents, and ordinances. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

MUNICIPAL ADVISOR

Hilltop Securities Inc., ("HilltopSecurities") is employed as Municipal Advisor to the City in connection with the issuance of the Obligations. The Municipal Advisor's fee for services rendered with respect to the sale of the Obligations is contingent upon the issuance and delivery of the Obligations. HilltopSecurities, in its capacity as Municipal Advisor, has relied on the opinion of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants, and representations contained in any of the legal documents with respect to the federal income tax status of the Obligations, or the possible impact of any present, pending, or future actions taken by any legislative or judicial bodies.

The Municipal Advisor to the City has provided the following sentence for inclusion in this Official Statement. The Municipal Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Municipal Advisor does not guarantee the accuracy or completeness of such information.

INITIAL PURCHASER OF THE CERTIFICATES

After requesting competitive bids for the Certificates, the City accepted the bid of _____ (the "Initial Purchaser of the Certificates") to purchase the Certificates at the interest rates shown on page 2 of the Official Statement at a price of par plus a cash premium of \$_____. The Initial Purchaser of the Certificates can give no assurance that any trading market will be developed for the Certificates after their sale by the City to the Initial Purchaser of the Certificates. The City has no control over the price at which the Certificates are subsequently sold and the initial yield at which the Certificates will be priced and reoffered will be established by and will be the sole responsibility of the Initial Purchaser of the Certificates.

INITIAL PURCHASER OF THE BONDS

After requesting competitive bids for the Bonds, the City accepted the bid of _____ (the "Initial Purchaser of the Bonds") to purchase the Bonds at the interest rates shown on page 4 of the Official Statement at a price of par plus a cash premium of \$_____. The Initial Purchaser of the Bonds can give no assurance that any trading market will be developed for the Bonds after their sale by the City to the Initial Purchaser of the Bonds. The City has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the sole responsibility of the Initial Purchaser of the Bonds.

The Initial Purchaser of the Bonds and the Initial Purchaser of the Certificates are herein collectively referred to as the "Initial Purchasers".

CERTIFICATION OF THE OFFICIAL STATEMENT

At the time of payment for and delivery of the Obligations, the City will furnish to the Initial Purchasers a certificate, executed by a proper City officer, acting in such officer's official capacity, to the effect that to the best of such officer's knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in the Official Statement, and any addenda, supplement, or amendment thereto, on the date of the Official Statement, on the date of sale of the Obligations, and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, the Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in the Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City since the date of the last audited financial statements of the City.

CYBERSECURITY

The unauthorized access, use, disclosure, disruption, modification, or destruction of the City's information or information systems could negatively impact the operations of the City and its ability to provide services to its citizens. The City uses a risk-based approach, least privileged access where possible, and "best practices" to protect the confidentiality, integrity and availability of the information and information systems that it is entrusted with. Employees are required to take annual security training which is re-enforced with continuous phishing email tests. The City uses the NIST-CSF framework to assure compliance with multiple standards, regulations, and other obligations. In addition, to help protect the City against claims and expenses due to a cybersecurity incident, the City maintains cyber insurance.

FORWARD LOOKING STATEMENTS DISCLAIMER

The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements. The City's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

LINKS TO WEBSITES

The City has provided links to websites in this Official Statement to allow investors independent access to information or expertise that may be of value. INFORMATION ON SUCH WEBSITES IS NOT INCORPORATED INTO THIS OFFICIAL STATEMENT BY REFERENCE OR OTHERWISE. The inclusion of any links does not imply a recommendation or endorsement of the information or views expressed within a website. The City has not participated in the preparation, compilation or selection of information or views in any website referenced in this Official Statement, and assumes no responsibility or liability for the information or views, or accuracy or completeness thereof, in any website referenced herein.

MISCELLANEOUS

The Ordinances authorizing the issuance of the Obligations will approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and will authorize its further use in the reoffering of the Obligations by the Initial Purchasers.

PRICING OFFICER
City of Denton, Texas

SCHEDULE OF REFUNDED OBLIGATIONS*

Certificates of Obligation, Series 2016

<u>Original Dated Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal Amount Outstanding</u>	<u>Principal Amount Refunded</u>	<u>CUSIPs</u>
6/1/2016	2/15/2028	5.000%	\$ 2,465,000	\$ 2,465,000	248866K79
	2/15/2029	5.000%	2,595,000	2,595,000	248866K87
	2/15/2030	5.000%	2,720,000	2,720,000	248866K95
	2/15/2031	5.000%	2,860,000	2,860,000	248866L29
	2/15/2032	5.000%	3,010,000	3,010,000	248866L37
	2/15/2033	5.000%	3,170,000	3,170,000	248866L45
	2/15/2042 ⁽¹⁾	5.000%	2,530,000	2,530,000	248866M69
	2/15/2043 ⁽¹⁾	5.000%	2,660,000	2,660,000	248866M69
			<u>\$22,010,000</u>	<u>\$ 22,010,000</u>	

The 2028-2033 and 2042-2043 maturities will be redeemed prior to original maturity on August 21, 2026* at par.
(1) Represents mandatory sinking fund redemption amount of a term bond with a stated maturity of February 15, 2043.

* Preliminary, subject to change.

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APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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Finance Department

215 E. McKinney St., Denton, TX 76201 • (940) 349-8244

March 17, 2026

The Honorable Mayor, Members of the City Council and Citizens
City of Denton
Denton, Texas

It is with great pleasure that we present to you a copy of the Annual Comprehensive Financial Report (ACFR) of the City of Denton (the City) for the fiscal year ended September 30, 2025. The purpose of the report is to provide the City Council, management, citizens, and other interested parties with detailed information concerning the City's financial condition.

THE REPORT

The Texas Local Government Code (§ 103.001) requires an annual audit for municipalities. In addition, the City Charter (Section 2.13) requires a Certified Public Accountant who, as of the end of the fiscal year, shall make an "independent audit of accounts" and prepare a report to the City Council and the City Manager. This document fulfills the above-mentioned requirements, and the independent auditor's opinion is included in the report for the fiscal year ended September 30, 2025.

The ACFR is presented in three main sections: Introductory, Financial, and Statistical. The Introductory Section includes this transmittal letter, the City's organizational chart, and a list of principal officials. The Financial Section includes the Management's Discussion and Analysis (MD&A), Basic Financial Statements, Required Supplementary Information, Combining and Individual Fund Financial Statements, along with the independent auditors' report. The Statistical Section and Other Supplementary Information include selected financial and demographic information, generally presented on a multi-year basis.

The responsibility for both the accuracy of the presented information and the completeness and fairness of the presentation of the data, including all disclosures, rests with the City, and is based upon a comprehensive framework of internal control established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance the financial statements are free of any material misstatements. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to fairly present the results of our operations in each of the various funds reported by the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The accounting firm of Weaver and Tidwell, L.L.P. has issued an unmodified opinion on the City of Denton's financial statements for the period ended September 30, 2025. As a recipient of federal and state grant awards, a separate audit is prepared to meet the requirements of the Single Audit Act Amendments of 1996 and related Uniform Guidance. As a part of the City's single audit, tests are conducted to determine that the City has complied with applicable laws and regulations related to federal awards.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

CITY OF DENTON PROFILE

Denton distinguishes itself from other cities in North Texas through its vibrant arts and culture scene, robust university partnerships, dynamic community collaborations, and commitment to 100% renewable energy. Originally incorporated on September 26, 1866, Denton has evolved from a serene college town on the outskirts of the Dallas-Fort Worth metroplex into one of the fastest-growing cities in the United States, with a current

OUR CORE VALUES

Inclusion • Collaboration • Quality Service • Strategic Focus • Fiscal Responsibility

population of approximately 158,933. This figure is projected to reach 229,192 by 2040, according to U.S. Census Bureau forecasts. Denton combines a reverence for its history with an eagerness to innovate. The City of Denton is in the northern portion of the Dallas/Fort Worth Consolidated Metropolitan Statistical Area (CMSA). The City is a part of the Dallas/Fort Worth Metroplex and is situated at the apex of a triangle based by Dallas (37 miles to the southeast) and Fort Worth (35 miles to the southwest) providing excellent access to and from all parts of the area. The heart of the city's urban core is anchored by a vibrant cultural arts district within Downtown Denton as well as three university campuses. The community is also recognized for its commitment to sustainability and environmental stewardship, in addition to its focus on health and wellness, highlighted by over 5,000 acres of parkland, more than 60 hiking trails, and numerous recreational facilities.

CITY SERVICES AND ORGANIZATION OF THE GOVERNMENT

The City is a home rule city and operates under the Council-Manager form of government. The elected seven-member council consists of a Mayor and six Council Members. The Mayor and two Council Members are elected at large, while the remaining representatives are elected from single member districts. The City Council enacts local laws, determines policy, and adopts the annual budget, and the City Manager is the chief executive officer for the City.

The City provides a full range of general government services to its citizens including public safety (police and fire protection); public works (construction and maintenance of highways, streets, and infrastructure); parks and recreation; library; planning and zoning; economic development; and general administrative services. The City's enterprise fund operations consist of a utility system, solid waste, and airport operations. The City's utility system provides electric, water, and wastewater services.

The internal service operations consist of Materials Management, Fleet Services, Risk Retention, Health Insurance, Engineering Services, Technology Services, Customer Service, Facilities, and Environmental Services funds. The Materials Management Fund accounts for the financing of Warehouse and Purchasing services which are provided to other City departments. The Fleet Services Fund accounts for the financing of goods and services provided by the municipal garage to other departments within the City. The Risk Retention Fund accounts for the accumulation of resources for the payment of workers' compensation, general liability claims, and insurance policies. The Health Insurance Fund accounts for administration of the self-insurance program for health coverage in the City. The Engineering Services Fund accounts for the provision of internal engineering services to various City operations and capital projects. The Technology Services Fund provides support for the various information and computer systems within the City. The Customer Service Fund accounts for the financing of customer service activities provided to the residents and businesses of the City on behalf of other departments within the City. The Facilities Management Fund is responsible for maintaining all city-owned facilities and vertical construction projects. The Environmental Services Fund accounts for the consolidated environmental-related services provided across the City. The financial statements presented include all government activities, organizations, and functions for which the City is financially accountable as defined by the Governmental Accounting Standards Board (GASB).

LOCAL ECONOMY

As the Dallas Ft. Worth Metroplex continues to grow, the City of Denton is seeing increased growth. In Fiscal year 2024-25, the City continued to see an increase in development and economic activity, resulting in strong property tax collection, sales tax collection, and an increase in return on investment (ROI) revenue from city utilities. Greater than one-third of the total General Fund revenue is generated from property taxes, also referred to as ad valorem taxes. As shown below, the 2025 certified value increased by 7.10%, approximately, or \$1,509,020,092 (excluding TIRZ) from the 2024 certified value. Analysis of the increase shows there was approximately \$623.3 million in new value added to the appraisal roll due to new growth and construction.

Below is a chart with a detailed breakdown of certified values:

	Tax Year 2024 Certified Total AV	Tax Year 2025 Certified Total AV	Increase (Decrease)	Percent Change	New Value
General Government	\$21,246,581,740	\$22,755,601,832	\$1,509,020,092	7.10%	\$599,600,902
Downtown TIRZ ¹	\$136,240,592	\$172,838,244	\$36,597,652	26.86%	\$23,677,508
Westpark TIRZ ²	\$165,462,701	\$179,489,315	\$14,026,614	8.48%	\$ -
Total:	\$21,548,285,033	\$23,107,929,391	\$1,559,644,358	7.24%	\$623,278,410

¹ Downtown TIRZ - Reflects 90% of incremental value through FY 2039 per Ordinance No. 2010-316.

² Westpark TIRZ - Reflects 40% of incremental value through FY 2037 per Ordinance No. 2013-033.

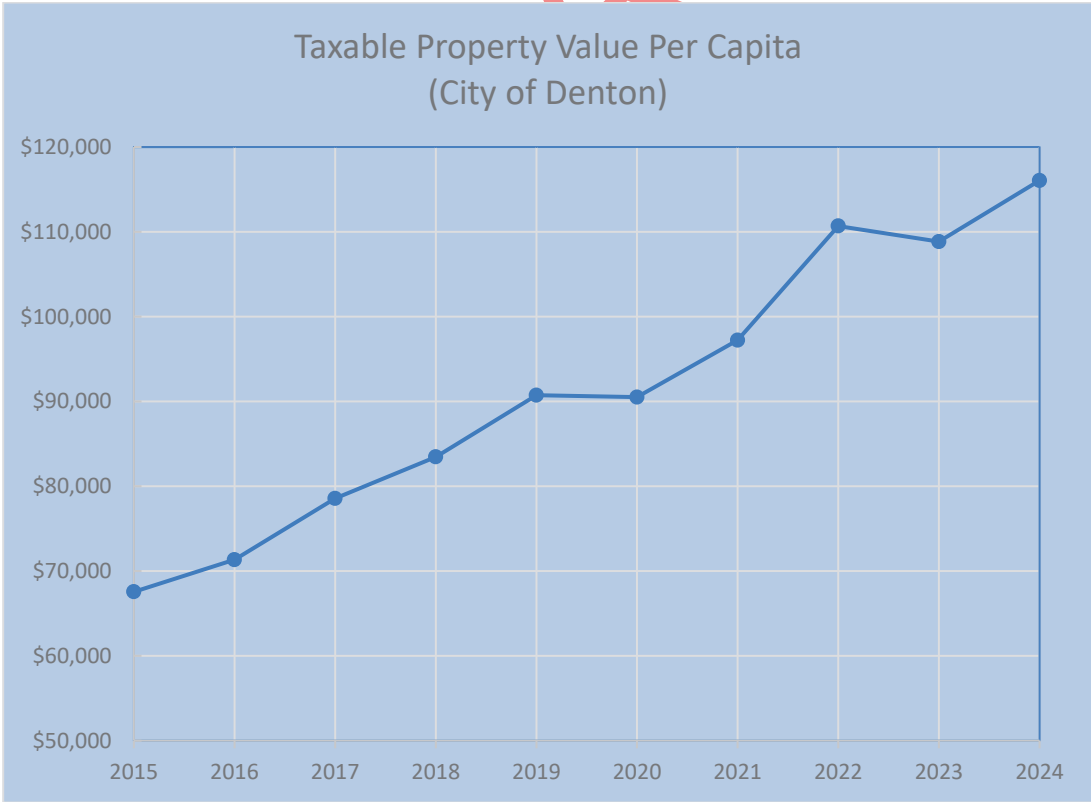
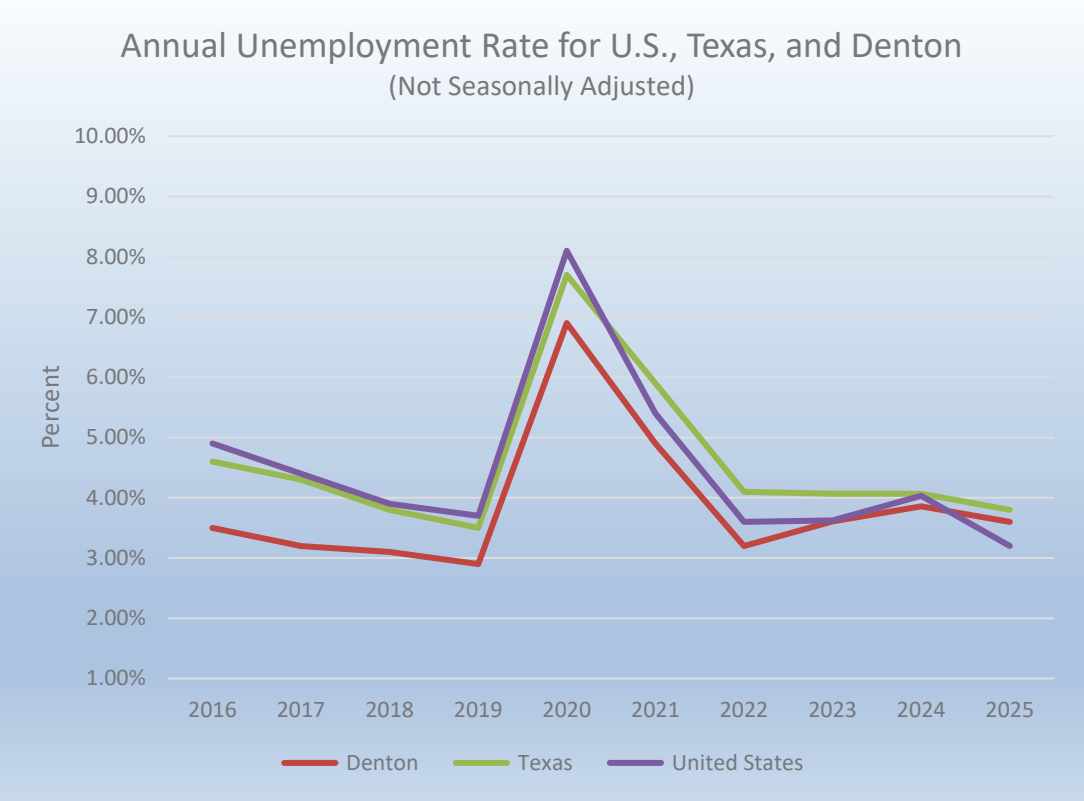
Sales tax represents approximately 28.71% of overall revenue in the General Fund, sales tax is a significant revenue source that is dependent upon a variety of economic factors. For FY 2024-25, total sales tax revenues equaled \$58,972,691 which is \$1,897,849 or 3.33%, more than the prior year collections of \$57,074,842. The budgeted FY 2025-26 collections total \$62,944,986 which is 6.74% above the FY 2024-25 actual collection. The chart below illustrates collections over the prior twelve-year period with an estimate of collection in FY 2025-26.



On a budgetary basis, the General Fund received \$201.5 million in revenue and incurred \$200.7 million in expenses resulting in an increase in fund balance of \$0.8 million.

The City of Denton’s not seasonally adjusted annual unemployment average rate remains on par with state & national levels at an average of 4.3 percent in FY 2024-25 which has slightly increased compared to 4.0 percent average in FY 2023-24. The City of Denton issued 2,187 residential, commercial, multi-family building permits for FY 2024-25, with an estimated value of \$1.2 billion (excluding City buildings, County buildings, schools, and churches). This compares to a total of 1,893 issued for FY 2023-24 with an estimated value of \$1.4 billion. The overall permit numbers increased, primarily in single family residential housing.

The following two charts highlight the strength of the local economy over the last ten years by displaying the City of Denton’s unemployment rate compared to Texas and the United States and the taxable property values per capita in the City of Denton.



<https://data.bls.gov/timeseries/LNS14000000>
<https://texaslmi.com/>
Accessed 3-2-26

In fiscal year 2024-25, the Rayzor Ranch mixed-use development in Denton experienced significant growth, enhancing both its residential and commercial offerings.

The Rayzor Ranch mixed-use development is located on both the north and south sides of US Highway 380 in Denton. Rayzor Ranch Marketplace, on the north side of the development, has constructed over 500,000 square feet of retail and commercial space. Sam’s Club and Wal-Mart anchor the development that includes a Home Depot, as a recent addition. The Town Center also includes the Embassy Suites Hotel and Convention Center. In addition, a new 300-unit multifamily project, the Village at Rayzor Ranch, opened in late 2019. In 2021, the Residences at Rayzor Ranch opened. This is a 40-acre site that includes 215 three- and four-bedroom town homes as well as 65 single-family homes. Teriyaki Madness, First Watch, Nation’s Giant Hamburger and Great Pies are new restaurant tenants at the Town Center. Recent developments include Esmse Nail Spa, Smile Dental and a 148,000 square foot and \$22.7 million Target store.

Residential Developments:

Landmark

- Landmark, by developer, Hillwood (a Perot Company), is a master planned 3,200 acre residential and commercial development in Southern Denton. At full build-out, the development will have over 6,000 homes and 5 million square feet of commercial, entertainment and office space. The first phase will include 747 home sites from 9 area builders, 250,000 square feet of commercial development, and 600 multifamily units. The first model homes are anticipated to open in 2026.

Bloomfield Homes:

- A market leading homebuilder focused primarily in the Dallas–Fort Worth metroplex, Bloomfield Homes, is currently constructing 248 new homes in two communities (Country Lakes and Glenwood Meadows) in the City of Denton.

First Texas Homes:

- First Texas Homes has planned a total of 151 homes for the Parkside Community, contributing to the City's residential growth and expanding the housing inventory in the Denton area.

Resia Rayzor Ranch:

- This 433-unit apartment community officially opened in December 2024, offering one-, two-, and three-bedroom apartments with modern amenities such as stainless-steel appliances, in-unit washers and dryers, and granite countertops. Residents can also enjoy a 24-hour fitness center, swimming pool, basketball court, and a forthcoming pickleball court.

Altera Rayzor Ranch:

- In October 2024, Wood Partners broke ground on a 192-unit multifamily community within Rayzor Ranch. This development will feature one-, two-, and three-bedroom layouts, with amenities including a resort-style pool, modern fitness facility, outdoor socializing spaces, and coworking areas.

Commercial Developments:

H-E-B:

- Two H-E-B stores are planned for Denton. One store will be located on a 20- acre site at the Hillwood Landmark development and the other is slated for a location on University and Bonnie Brae. The latter will include a 119,000 square foot store which is scheduled to start construction in Spring of 2026. The Hillwood Landmark location is anticipated to open early in 2027.

Target Store:

- A new 148,000-square-foot Target store, representing a \$22.7 million investment, was completed within Rayzor Ranch. This addition will further enhance the retail offerings available to residents and visitors.

During the fiscal year 2024-25, Denton experienced significant retail and industrial development, enhancing its economic landscape:

International House of Pancakes (IHOP):

- In September 2025, the International House of Pancakes opened in one of the outparcels in front of the Buc-ee's Travel Center.

Exeter Property Group:

- Constructed three industrial buildings at the northeast corner of Western Boulevard and Jim Christal Road, measuring 324,000, 421,000, and 1,076,000 square feet.

Enginotech:

- A global plastic injection manufacturer based in India, selected Denton for their North America Headquarters. The Denton location will provide parts to PACCAR (Peterbilt and Kenworth) in Canada, Denton, and Mexico. The company designs, tests, and manufactures their parts and holds patents on the parts and technology. The technology is so unique that they will be the only injection molding manufacturer of engine parts in Texas based on their NAICS codes. The company will create 133 high-paying and knowledge-based jobs over five years, making them a top 20 employer in Denton.

Panel Rey/PR Gypsum:

- The first manufacturing expansion in the United States for a company that produces joint compound used in the construction of residential and commercial projects. Panel Rey is seeking to purchase an existing 60,000 square foot building at 3651 Shelby Lane in Denton as Phase I of their U.S. expansion. The company's planned investment in the building, machinery, and equipment will be approximately \$15 million. The project involves plans to create 20 jobs with a weighted salary of \$72,733.

Mayday Manufacturing Company:

- Mayday currently maintains a manufacturing facility in Denton and employs approximately 400. Mayday plans to expand its existing facility and estimates that its investment in the building, machinery, and equipment will generate \$14.5 million in new capital investment. The project involves plans to create 50 new jobs with an average salary of \$54,020.

Lotte Global Logistics:

- Opened an automated distribution and warehouse facility for wellness products comprising 232,000 SF at I-35 Convergence, which was unoccupied for two years. The company hired an estimated 85 employees.

Novartis

- A Swiss pharmaceutical corporation formed in 1996, Novartis, has selected Denton for an expansion of its radiopharmaceutical manufacturing operations. The company is the eighth largest pharmaceutical company in the world by revenue, selling products in 118 countries. Novartis is considering the purchase of an existing three-building site on 20 acres at 2101 Shady Oaks in Denton for advanced isotope production and radiopharmaceutical drug product manufacturing. The Novartis Denton site would produce pharmaceuticals for radioligand therapy (RLT), a cancer treatment, targeting prostate and advanced gastroenteropancreatic

cancer. The facility will undergo significant rehabilitation projects including environmental remediation and renovations of approximately 40,000 square feet to suit the manufacturing process. The company estimates that the investment in building, machinery, equipment, and improvements to the land will be about \$280 million. The project involves plans to create 150 jobs with an average salary of greater than \$124,000.

Holt Lunsford Commercial Investments:

- Secured \$32.7 million in August 2024 for the development of Denton Point III, IV, and V, totaling 451,856 square feet at 670-710 Masch Branch Road. A groundbreaking was held this year for the Class A warehouse space.

EastGroup Properties:

- Initiated construction of Denton Exchange 35 Industrial Facility in Q2 2024, comprising two Class A industrial buildings totaling approximately 243,859 square feet, with completion anticipated by Q4 2025.

Southwire Company:

- Announced a 100,000-square-foot expansion of its Denton facility, investing \$85.4 million over three years, with an expected valuation increase of over \$69 million and the creation of 95 new jobs in 2024

Ironwood Realty Partners and Scannell Properties:

- Partnered on Denton Crossing @ I-35, a project encompassing approximately 1.2 million square feet of industrial speculative space along Western Boulevard. Buildings 1 and 2, totaling nearly 700,000 square feet, have been completed, with Buildings 3 and 4 adding 398,000 and 127,000 square feet, respectively.

The City of Denton uses various economic development tools including financial districts to improve and enhance infrastructure and encourage private investment in specific areas of the City. These development districts support development and revitalization and are commonly known as public improvement districts, tax increment reinvestment zones, or municipal management districts.

Denton currently has two active development districts:

- Tax Increment Reinvestment Zone Number One (Downtown TIRZ)
- Tax Increment Reinvestment Zone Number Two (Westpark TIRZ)

In the Downtown TIRZ area, the following projects are underway:

Fine Arts Theater:

- The Denton City Council approved a \$1.6 million economic development agreement to help with renovations and redevelopment at the Fine Arts Theater of Denton. The Theatre will be a multi-use facility for live performances, movies, special festivals, concerts, and private rentals. The 9,900-square-foot theater has been part of downtown since 1877, when it opened as an opera house, then became part of the Texas movie theater chain in 1935 and then the Fine Arts Theater in 1957. The theater is expected to open in August 2026.

The Plot Twist:

- New romance novel Book Bar, opened in Downtown Denton on January 19, 2025. The business received a \$35,000 Downtown Reinvestment Grant for utility upgrades, interior/code improvements, and new signs.

Several projects are currently underway in the Westpark Tax Increment Reinvestment Zone (TIRZ).

Westpark Industrial:

- A 16-acre parcel, at 251 N Western Boulevard, will include two speculative buildings at just over 100,000 square feet each.

Turcott Development:

- A 31,363 square foot building is planned for a single-tenant LEED certified training center that will be comprised of 45% office and 55% warehouse use, located at Jim Christal Road and Western Boulevard.

United States Cold Storage (USCS):

- USCS currently maintains a cold storage facility in Westpark TIRZ and currently employs 148 with an average salary of \$53,053. The company plans on adding on a second phase to its existing refrigerated warehouse facility and estimate that their investment in new buildings, machinery, and equipment will create approximately \$35 million in new ad valorem value in Denton. The project involves plans to create 172 jobs with a weighted average salary of \$57,164.

During the fiscal year 2024-25, Denton experienced notable advancements in its tech and entrepreneurial sectors, significantly bolstered by initiatives from Stoke Denton and Texas Woman's University's (TWU) Center for Women Entrepreneurs (CWE). Hickory and Rail Ventures LLC renewed the lease on Suite 128, which included a 2,725 square foot expansion.

AccelerateHER Program:

- In collaboration with TWU's CWE, Stoke Denton concluded the fifth cohort of the AccelerateHER program in 2020. This incubator supports women entrepreneurs by providing resources and education to fast-track their startups into scalable businesses. Thirty-four women have completed the weekly workshops and one-on-one mentorship sessions over five months. The program culminated in a virtual showcase, allowing each entrepreneur to present their business and growth strategies. Alumni meetups were started this year and will be held on a quarterly basis.

FlintConf 2025:

- In May 2025, Stoke Denton hosted FlintConf, Denton's annual startup conference aimed at empowering the local economy, entrepreneurs, and creatives. The event featured six speaker sessions, one workshop and two networking opportunities, attracting a diverse group of over 84 attendees and fostering collaboration within the entrepreneurial community.

Global Entrepreneurship Week (GEW) 2024:

- From November 18-24, 2024, Stoke Denton celebrated GEW by organizing multiple events to support and inspire local entrepreneurs. The lineup included a virtual Coffee + Convo session with Anita O'Neal, CPA, CFA; a Big Ideas Creative Mixer at Denton County Brewing Company; and the Denton Pitch Competition and Lunch and learn with Sky McClure, Improve Google Ads. These events collectively enhanced community engagement and provided valuable resources for business development with over 175 attendees throughout the week

Denton Pitch Competition:

- As part of GEW 2024, the Denton Pitch Competition offered local entrepreneurs a platform to present their business ideas to potential investors and partners. The event featured ten businesses pitching their concepts, with a total of 40 entrepreneurs participating in the accompanying Entrepreneur Expo. This initiative awarded \$30,000 to Denton businesses, of

which, 80% were women entrepreneurs, fostering business growth and innovation within the community.

Coffee + Convo Sessions:

- Throughout the fiscal year, Stoke Denton hosted monthly “Coffee + Convo” sessions with Shay Nuckles, from Uptown Discovery Group, Madison Newman, branding expert, and Juli James, designer and innovator. These informal gatherings facilitated discussions on various business topics, allowing entrepreneurs to share experiences, seek advice, and build networks within the local startup ecosystem.

These developments reflect Denton’s robust industrial growth during the 2024-25 fiscal years, contributing to economic expansion and job creation.

FINANCIAL INFORMATION AND FINANCIAL POLICY

The City’s financial direction begins with the City’s Charter, which is the basis for all financial policies the City implements. The City maintains financial policies for general operations, which include policies for financial management and fund balances, budget compliance, debt issuance and management, accounts payable, water service, and purchasing, among others.

The City’s accounting records for general governmental operations are maintained on a modified accrual basis, with revenues being recorded when available and measurable, and expenditures being recorded when the liability is incurred. Proprietary (which includes Internal Service Funds) operations are maintained on the full accrual basis.

The City’s Annual Operating Budget is proposed by the City Manager and approved by the City Council following public discussion. The City’s Charter requires adoption of the City’s budget no later than September 30th. The budget structure is organized by funds. Normally, funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The two types of funds utilized in the budget are Governmental and Proprietary (which includes Internal Service Funds). Budgetary control is maintained at the fund level by the Finance Department.

All legally required funds are budgeted annually by type, as follows:

- Governmental Funds
 - General Fund
 - General Debt Service Fund
 - Street Improvement Fund
 - Tourist and Convention Fund
 - Police Confiscation Fund
 - Catalyst Fund (formerly the Economic Development Investment Fund)
 - Parks Gas Well Fund
 - Roadway Impact Fee Fund
 - Tree Mitigation Fund
 - Public Education Government (PEG) Fund
 - McKenna Trust Fund
 - Park Land Dedication and Development Trust Fund
 - Downtown Tax Increment Reinvestment Zone (TIRZ) Fund
 - Westpark Tax Increment Reinvestment Zone (TIRZ) Fund
 - Sustainability Framework Fund
 - Other Miscellaneous Special Revenue Funds
- Proprietary Funds
 - Electric Fund
 - Water Fund
 - Wastewater Fund

- Solid Waste Fund
- Airport Fund
- Internal Service Funds
 - Customer Service Fund
 - Engineering Services Fund
 - Environmental Services Fund
 - Facilities Management
 - Fleet Management Fund
 - Health Insurance Fund
 - Materials Management Fund
 - Risk Retention Fund
 - Technology Services Fund

LONG-TERM FINANCIAL PLANNING

In conjunction with this document, interested parties are encouraged to read the City of Denton’s FY 2025-26 Annual Budget document. This document details the City’s strategic plan, long-term financial policies, program accomplishments, and other key initiatives. The document also includes the long-term financial forecasts for each of the major funds, and a summary of the assumptions that are included in these plans. In addition, the budget document provides an overview of the adopted Capital Improvement Program and planned future debt issuances. The Annual Budget can be accessed through the City’s web site at www.cityofdenton.com and selecting Financial Transparency under the “Open Government” link.

RELEVANT FINANCIAL POLICIES

The City of Denton maintains reserve balances for emergencies. In the General Fund, the target reserve level is a minimum of 20% of budgeted expenditures with an additional 5% resiliency reserve for a combined total of 25% to provide stability and flexibility for the organization. As described in the accompanying ACFR document, the unassigned fund balance is \$42.8 million, or 20.6%, of the budgeted General Fund expenditures for the fiscal year ended September 30, 2025.

Beginning in FY 2011-12, the City adopted a policy which requires a minimum ending working capital balance (current assets minus current liabilities) of at least 8% of budgeted expenditures for the Electric, Water, Wastewater and Solid Waste Funds. If the working capital level should fall below the desired minimum, the City will implement necessary corrective action with a five-year plan to restore the working capital balance to 8% of budgeted expenditures.

Additionally, rate reserve levels were established for the Electric, Water, Wastewater, and Solid Waste Funds in FY 2011-12 according to the unique operational aspects of each utility. The rate reserve levels were most recently revised in FY 2020-21 based on the factors of revenue stability, expense and demand volatility, infrastructure age, debt levels and management plans for the use of these reserves. The reserve rate is established at a range of 38% to 61% of expenses for the Electric Fund, at a range of 20% to 31% of expenses for the Wastewater Fund, at a range of 25% to 42% of expenses for the Water Fund, and at a range of 6% to 10% of expenses for the Solid Waste Fund. If the rate reserve level falls below the range, the City will implement the necessary corrective action within a five-year plan to restore the balances to the levels outlined above.

The City of Denton has adopted an Investment Policy which guides the investment of all City funds. In accordance with State law, the policy is reviewed annually by the City Council to ensure that public funds are being invested in a conservative and prudent fashion. In addition, the City also annually reviews and approves a Debt Management policy. The purpose of this policy is to provide general guidelines regarding the issuance of City debt and the use and limitation of such debt. The City complied with all aspects of the Investment and Debt Management policies during FY 2024-25.

MAJOR INITIATIVES

The City’s Strategic Plan and Council specifically identified improving facility infrastructure as a major goal. In response to this goal, the FY 2025-26 Budget includes additional issuance of General Obligation Bonds. This increase in funding shows the City’s continued commitment to facility infrastructure and equipment funding.

The combination of increased operating funding along with the issuance of debt shows the strong commitment to improving our infrastructure. In the future, the City staff will continue efforts to identify additional funding for facility infrastructure and equipment funding activities along with potential future debt issuances for street reconstruction to continue to improve the condition of the City's streets over the long term.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers' Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Annual Comprehensive Financial Report for the fiscal year ended September 30, 2024, for thirty-eight consecutive years. To be awarded the Certificate of Achievement in Financial Reporting, the City must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. This report satisfies both generally accepted accounting principles and applicable legal requirements. The Certificate of Achievement is held for a period of one year only. We believe our current Annual Comprehensive Financial Report continues to meet the Certificate of Achievement requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

The City also received the GFOA award for Distinguished Budget Presentation for its fiscal year 2024-25 Annual Budget for thirty-eight consecutive years. To qualify for the Distinguished Budget Presentation Award, the City's budget document was judged according to its compliance with specific guidelines established by GFOA. These guidelines help ensure that Denton's budget is distinguished as an operations guide, financial plan, policy document, and communications device. The City has submitted its fiscal year 2025-26 Annual Budget to GFOA to determine its eligibility for another certificate. We believe it continues to meet the Distinguished Budget Presentation Award criteria.

The City received a Certificate of Distinction from the Government Treasurers of Texas (GTOT). The distinction was received for developing an investment policy that meets the requirements of the Public Funds Investment Act and the standards for prudent public investing as established by GTOT. GTOT awards an estimated 40 distinctions annually, which the City has received ten times since 1999.

The City also received the GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting for the fiscal year ended September 30, 2024. To be eligible for the PAFR Award, the City must also submit its Annual Comprehensive Financial Report to GFOA's Certificate of Achievement for Excellence in Financial Reporting Program and receive the Certificate for the same fiscal year. Eligible reports are reviewed by judges who evaluate them based on reader appeal, clarity and understandability, distribution methods, creativity, and other key elements.

In 2024, City of Denton was awarded the Six Transparency Stars by the Texas Comptroller, which recognizes cities, counties, special purpose districts and school districts to provide easy online access to important financial data. The City of Denton is only one of five local governments in Texas to receive all six transparency stars. Transparency Stars are granted and maintained on an ongoing basis.

We would like to thank the City Council for their strong leadership and support that helped make the presentation of this report possible. We would also like to thank the City Manager, Finance staff, department directors, division heads and especially the Accounting Division staff for their diligent efforts in the preparation of the annual financial report.

DocuSigned by:
Christine Taylor
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Christine Taylor
Assistant City Manager

Signed by:
M. Hamilton
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Matt Hamilton
Chief Financial Officer

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APPENDIX B

EXCERPTS FROM THE
CITY OF DENTON, TEXAS
ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the Year Ended September 30, 2025

The information contained in this Appendix consists of excerpts from the City of Denton, Texas Annual Comprehensive Financial Report for the Year Ended September 30, 2025, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

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Independent Auditor's Report

To the Honorable Mayor
and Members of the City Council
of the City of Denton, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Denton, Texas (the "City"), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement issuance date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information Included in the Annual Comprehensive Financial Report (ACFR)

Management is responsible for the other information in the ACFR. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

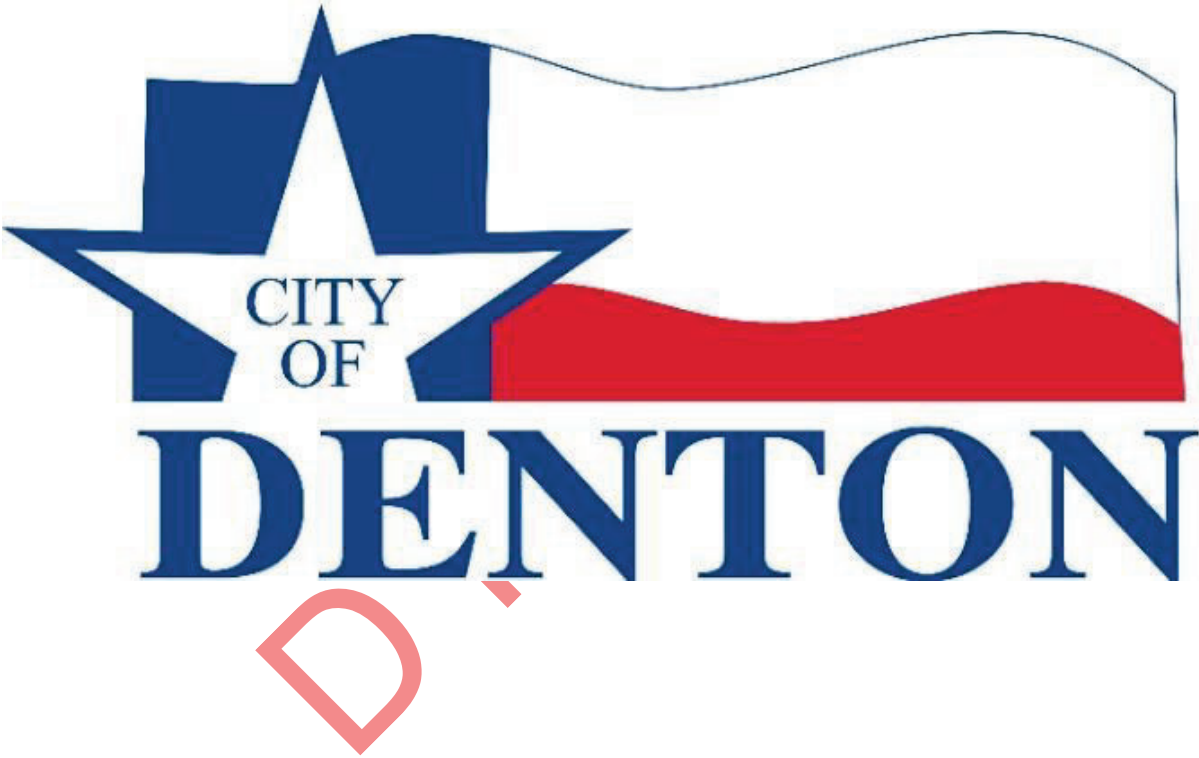
In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2026 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
March 17, 2026

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**CITY OF DENTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2025**

Introduction

The Management's Discussion and Analysis is designed to: (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position (its ability to address the next and subsequent years' challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns.

This narrative should be read in conjunction with the transmittal letter at the beginning of the report and the financial statements following this section.

Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the fiscal year ended September 30, 2025 by \$1,852,038,136 (net position), an increase of 10.54 percent from prior year net position. Of this amount, \$182,482,381 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- Net Pension Liability of the City is \$87,894,665, as compared to \$110,806,951 for the year ended September 30, 2024. Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires the City to report its net pension liability for participation in Texas Municipal Retirement System (TMRS) and Firemen's Relief and Retirement Fund (FFRF) of the total Net Pensions Liability reported by the TMRS and FFRF. For the year ended September 30, 2025, the City recorded a decrease in their portion of net pension liability of \$22,912,286, an increase in deferred pension inflows of \$6,287,024 and a decrease in deferred pension outflows of \$14,620,416.
- Governmental activities general and transfer revenues were \$251,281,664 as compared to \$224,097,580 for the year ended September 30, 2024. The increase of \$27,184,084 is primarily driven by an increase in property tax, miscellaneous income, sales tax revenues, franchise fees, and transfers. Business-type activity general revenues and transfers were \$20,397,135 compared to \$29,203,943 for the year ended September 30, 2024. The decrease of \$8,806,808 is primarily driven by investment revenue and transfers.
- Governmental funds reported combined ending fund balances of \$373,311,681 as of September 30, 2025 which is an increase of \$17,788,012 from fiscal year 2023-2024 ending fund balance total of \$355,523,669, primarily due to issuance of long-term debt and increased revenues.
- The City's primary General Fund resources are property taxes, sales tax, and franchise fees. These combined resources account for 85.4 percent of total General Fund revenues, which decreased 3.2 percent compared to the prior year.
- The City's long-term liabilities outstanding increased by \$178,720,926 in fiscal year 2024-2025. The increase is primarily attributable to an increase of \$199,050,000 of Certificates of Obligation and General Obligations Bonds Payable.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Management's Discussion and Analysis is intended to serve as an introduction to the City of Denton's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets, liabilities, deferred inflows, and deferred outflows with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

CITY OF DENTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2025

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are considered regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both the statement of net position and the statement of activities are prepared using the accrual basis of accounting as opposed to the modified accrual basis.

In the Statement of Net Position and the Statement of Activities, the City is divided into two kinds of activities:

- **Governmental activities.** Most of the City's basic services are reported here, including police, fire, libraries, development, public services and operations, public works, building inspection, technology services and general administration. Property taxes, sales taxes, and franchise fees finance most of these activities.
- **Business-type activities.** The City charges a fee to customers to cover the cost of services it provides. The City's utility systems (electric, water and wastewater), solid waste, and airport activities are reported here.

Fund Financial Statements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. Fund financial statements provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by state law or bond covenants. However, the City Council establishes many other funds to help control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other monies. The following illustration summarizes the major features of the City's financial statements. The City of Denton's funds are categorized as governmental, proprietary funds or fiduciary funds.

- **Governmental funds.** The majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions. The relationship or differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are detailed in a reconciliation following the fund financial statements.

The City of Denton maintains twelve governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, capital projects fund, and ARPA fund, all of which are considered to be major funds. Data from the other eight governmental funds are combined into a single, aggregated presentation. Individual fund data for seven of these non-major governmental funds, along with an aggregate of all other governmental funds, is provided in the form of combining statements elsewhere in this report.

- **Proprietary funds.** The City charges customers for certain services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same manner that all activities are reported in the Statement of Net Position and the Statement of Activities. The City's enterprise funds are similar to the business-type activities that are reported in the government-wide statements but provide more detail and additional information, such as cash flows. The City's internal service funds are used to accumulate and allocate costs internally among the City of Denton's various functions. Both enterprise funds and internal service funds are components of proprietary funds.

CITY OF DENTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2025

The City of Denton maintains five enterprise funds. The City uses enterprise funds to account for its electric, water, wastewater, solid waste, and airport operations. The individual funds provide the same type of information as the government-wide financial statements, only in more detail. The City considers all enterprise funds to be major funds.

The City of Denton maintains nine internal service funds. The City uses internal service funds to account for materials management, fleet services, health insurance, risk retention, technology services, engineering services, customer service, facilities management, and environmental services. Because these services benefit both governmental and business-type functions, they have been included in both the governmental and business-type activities in the government-wide financial statements. Individual fund data for the internal service funds are provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

- **Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information.

The combining non-major fund statements and individual fund schedules are presented immediately following the notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As of September 30, 2025, the City's combined net position was \$1,852,038,136 of which \$568,703,509 can be attributed to governmental activities and \$1,283,334,627 attributed to business-type activities. This analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the City's governmental and business-type activities.

The largest portion of the City's net position (78.9%) reflects its investment in capital assets (e.g., land, building, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF DENTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2025

Table 1
Net Position
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 455,094	\$ 451,238	\$ 921,202	\$ 797,426	\$ 1,376,296	\$ 1,248,664
Capital assets, net of accumulated depreciation/amortization	879,180	786,807	1,885,862	1,715,971	2,765,042	2,502,778
Total assets	1,334,274	1,238,045	2,807,064	2,513,397	4,141,338	3,751,442
Deferred outflows of resources	31,786	51,057	8,175	16,181	39,960	67,238
Long-term liabilities outstanding	741,390	707,646	1,440,741	1,295,763	2,182,130	2,003,409
Other liabilities	47,765	66,779	82,084	52,037	129,850	118,816
Total liabilities	789,155	774,425	1,522,825	1,347,800	2,311,980	2,122,225
Deferred inflows of resources	8,201	12,532	9,080	8,454	17,280	20,986
Net position:						
Net investment in capital assets	502,428	444,565	960,266	884,537	1,462,694	1,329,102
Restricted	49,801	44,845	157,060	119,996	206,861	164,841
Unrestricted	16,475	12,735	166,008	168,791	182,483	181,526
Total net position	\$ 568,704	\$ 502,145	\$ 1,283,334	\$ 1,173,324	\$ 1,852,038	\$ 1,675,469

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CITY OF DENTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2025

Governmental activities increased the City's net position by \$66,558,982. Business-type activities increased the City's net position by \$110,010,611. The key elements of these increases are contained in Table 2.

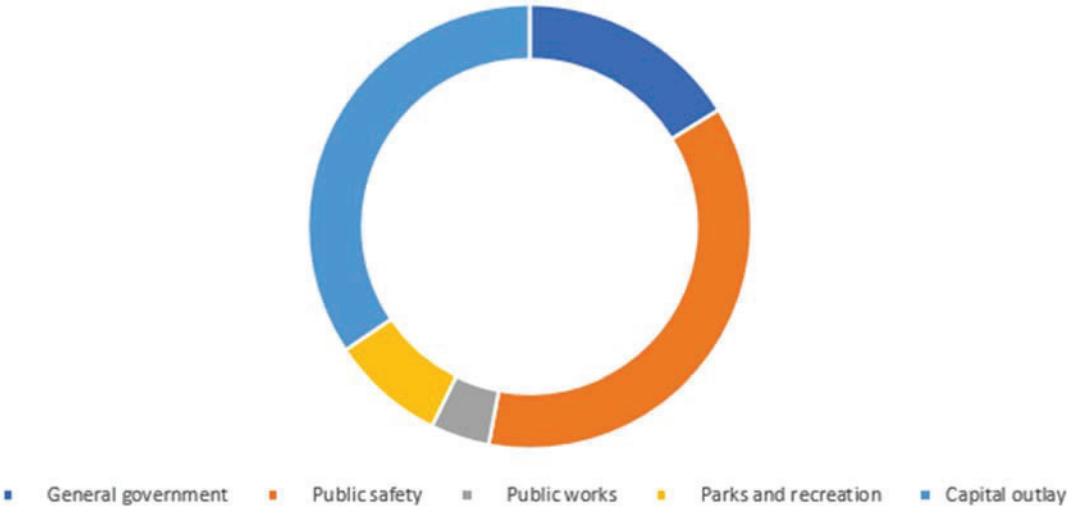
Table 2
Changes in Net Position
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program Revenues:						
Charges for services	\$ 29,671	\$ 23,488	\$ 425,046	\$ 417,598	\$ 454,717	\$ 441,086
Operating grants and contributions	13,399	13,042	-	-	13,399	13,042
Capital grants and contributions	31,370	35,256	37,399	35,949	68,769	71,205
General Revenues:						
Property tax	119,835	106,556	-	-	119,835	106,556
Sales tax	58,972	57,075	-	-	58,972	57,075
Franchise tax	35,761	34,985	-	-	35,761	34,985
Hotel occupancy tax	3,320	2,965	-	-	3,320	2,965
Beverage tax	724	703	-	-	724	703
Bingo tax	16	14	-	-	16	14
Investment income (loss)	16,357	17,015	22,655	27,498	39,012	44,513
Gain (loss) on sale of capital assets	301	265	387	836	688	1,101
Miscellaneous	13,348	5,391	-	-	13,348	5,391
Total revenues	<u>323,075</u>	<u>296,755</u>	<u>485,487</u>	<u>481,881</u>	<u>808,561</u>	<u>778,636</u>
Expenses:						
General government	64,603	57,476	-	-	64,603	57,476
Public safety	119,031	112,543	-	-	119,031	112,543
Public works	27,466	27,467	-	-	27,466	27,467
Parks and recreation	30,703	29,842	-	-	30,703	29,842
Interest on long-term debt	17,359	12,699	-	-	17,359	12,699
Electric	-	-	234,784	286,616	234,784	286,616
Water	-	-	38,644	34,826	38,644	34,826
Wastewater	-	-	52,675	46,815	52,675	46,815
Solid waste	-	-	43,879	41,283	43,879	41,283
Airport	-	-	2,850	2,681	2,850	2,681
Total expenses	<u>259,162</u>	<u>240,027</u>	<u>372,832</u>	<u>412,221</u>	<u>631,994</u>	<u>652,248</u>
Increase in net position before transfers	63,913	56,728	112,655	69,660	176,568	126,388
Transfers	2,646	(870)	(2,646)	870	-	-
Increase in net position	<u>66,559</u>	<u>55,858</u>	<u>110,009</u>	<u>70,530</u>	<u>176,568</u>	<u>126,388</u>
Net position at beginning of year	502,145	446,287	1,173,325	1,102,795	1,675,470	1,549,082
Net position at end of year	<u>\$ 568,704</u>	<u>\$ 502,145</u>	<u>\$ 1,283,334</u>	<u>\$ 1,173,325</u>	<u>\$ 1,852,038</u>	<u>\$ 1,675,470</u>

Governmental activities. Expenses for governmental activities reflect an increase of \$19.1 million over the prior year. Increases include \$7.1 million in General Government, \$6.5 million in Public Safety, \$4.6 million in interest expense, and \$0.9 million for Parks and Recreation. The most significant governmental activities expense was in providing public safety, which incurred expenses of \$119,030,615. The largest expense for public safety is the cost of personnel, which totaled \$92,588,310. Last year the City added 14.0 new positions in public safety including 7.0 in the police department, 3.0 in the fire department, 3.0 in the animal service department, and 1.0 in the public safety communication department.

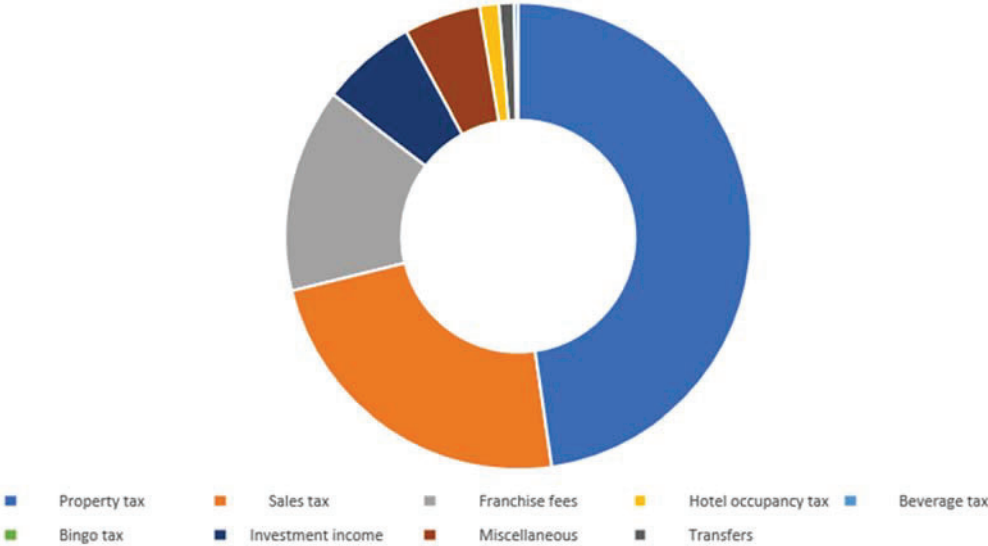
CITY OF DENTON, TEXAS
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Governmental Activities Expenditures



Governmental expenses were funded by revenues collected from a variety of sources, with the largest being from property taxes, which are \$119,835,095 for the fiscal year ended September 30, 2025. Governmental activities program revenues increased \$2.7 million over the prior year. Capital grants and contributions decreased \$3.9 million from contributed asset revenues and American Rescue Plan Act (ARPA) funding for public works transportation and general government projects were completed. Operating grants and contributions increased \$356 thousand from funding for public safety and parks and recreation. Charges for Services increased \$6.2 million from general government and parks and recreation. Governmental activities general revenues included an increase of \$13.3 million for property tax due to rising values and new construction. Sales tax increased \$1.9 million due to population and business growth. Transfers reflect a net \$2.6 million transfer in for governmental activities for the current year.

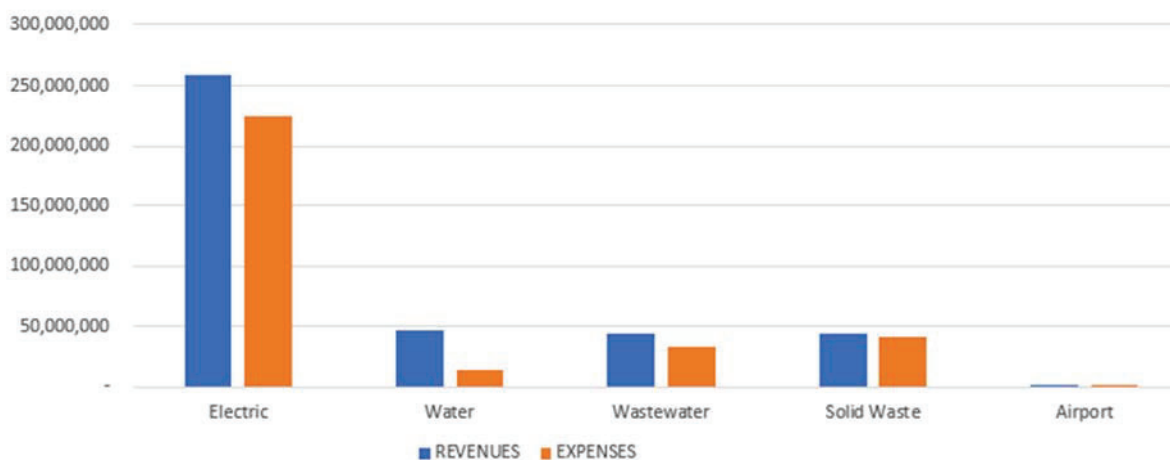
Revenues by Source - Governmental Activities



**CITY OF DENTON, TEXAS
MANAGEMENT’S DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2025**

Business-type activities. Business-type activities increased the City’s net position by \$110,010,611. This accounts for 62.3% of the growth in the entity-wide net position. Total utility service revenues decreased by \$7.3 million. The fiscal year 2025 included an Electric base rate increase of 1.50%, Water rate increase of 3%, Wastewater rate increase of 11%, and Solid Waste rate increase of 1.50%. Electric charges for services decreased by \$14.8 million mainly due to a decrease in data center revenues. Water charges for services decreased by \$22 thousand as compared to the service charges from prior year. Wastewater charges increased by \$3.6 million compared to the prior year. Solid Waste charges for service increased by \$3.6 million compared to the prior year. Airport charges for goods and services increased by \$318 thousand. Water and Wastewater collected \$16.9 million and \$12.6 million in impact fees, respectively, reflecting a \$12.4 million increase over the prior year. Capital contributions reflected an increase of \$1.5 million from the prior year. Water capital contributions increased by \$3.3 million while Wastewater capital contributions decreased by \$1.8 million. The Airport gas well revenues contributed an additional \$259 thousand in revenue, an increase of \$20 thousand from the prior year. Total enterprise funds operating costs, before depreciation, decreased \$38.0 million. Electric operating costs, before amortization and depreciation, account for 65.3 percent of total enterprise fund expenses. Cost decreases include purchase power costs of \$35.8 million from the prior year. Expenses for personnel services and administrative costs decreased by \$9.0 million. Water expenses increased \$3.7 million from the prior year, due to an increase in materials and supplies by 8 percent and administrative costs by 11 percent from prior year. Wastewater expenses increased \$1.2 million, due to an increase in personnel and administrative costs. Solid Waste expenses increased \$2.9 million from the prior year, due to increased personnel services and administrative costs.

**Expenses and Program Revenues
Business-type Activities**



FINANCIAL ANALYSIS OF THE GOVERNMENT’S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City’s governmental funds is to provide information on near-term inflows, outflows, and balances of resources available to spend. Such information is useful in assessing the City’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City’s governmental funds reported a combined ending fund balance of \$373.3 million, an increase of \$17.8 million in comparison with the prior year. \$41.2 million constitutes unassigned fund balance, which is available for spending at the government’s discretion. The remainder of the

CITY OF DENTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2025

fund balance has been classified to indicate that it is not available for new spending because it has already been classified as restricted (\$282.0 million), committed (\$32.2 million), and assigned (\$17.9 million).

The General Fund is the chief operating fund of the City. At September 30, 2025, the unassigned fund balance of the General Fund was \$42.8 million, or 20.6% of budgeted general fund expenditures. Revenues were \$12.2 million higher compared to the previous year primarily due to increases in taxes of \$2.9 million, licenses and permits of \$1.3 million, franchise fees of \$1.9 million, fees for service of \$1.4 million and miscellaneous revenues of \$6.1 million, partially offset due to decrease in investment revenue of \$1.0 million and intergovernmental revenue of \$683 thousand. The net change in General Fund expenditures was \$9.4 million higher compared to the previous year primarily due to increased costs related to personnel services and operations. Personnel costs increased \$9.0 million over the prior year which includes a 3% cost of living adjustment (COLA) and 2.5% merit increase. Public safety increased \$5.0 million over the prior year due to 14.0 new positions in public safety including 7.0 in the police department, 3.0 in the fire department, 3.0 in the animal service department, and 1.0 in the public safety communication department.

At the end of the fiscal year, the Capital Projects Fund has a total fund balance of \$273.5 million, an increase of \$10.3 million. The total fund balance is made up of \$244.8 million in restricted funds, \$10.8 million in committed funds, and \$17.9 million in assigned funds, all for capital construction and acquisition. In 2025, the City received \$70.1 million of proceeds from the issuance of debt and recognized \$7.3 million current year of regional toll revenues from the Texas Department of Transportation, while expending \$102.6 million on construction and acquisition. In addition, the capital projects fund received \$14.9 million of transfers from other funding sources. The City also received approximately \$11.0 million in developer's contributed capital recorded in the government-wide financial statements. This is \$3.3 million less than in the prior year.

The Debt Service Fund has a total fund balance of \$2.6 million, all of which is restricted for the payment of debt service. As compared with the prior year results, the overall increase in the debt service fund balance of \$1.2 million. An increase of \$11.9 million in tax revenue was offset by an increase of \$11.0 million in principal and interest costs.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position at September 30, 2025 in proprietary funds is \$88.4 million for Electric, \$47.0 million for Water, \$21.0 million for Wastewater, \$14.7 million for Solid Waste, and \$1.5 million for the Airport fund. The results reflect decreases of the unrestricted net position in the Water Fund of \$10.6 million, Wastewater of \$7.2 million, and Airport fund of \$0.2 million, partially offset by increases in the Electric fund of \$16.5 million, and Solid Waste fund of \$3.6 million. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Denton's business-type activities.

BUDGETARY HIGHLIGHTS

No amendments were made to adjust the City of Denton's Annual Program of Service for the fiscal year.

GENERAL FUND BUDGET TO ACTUAL HIGHLIGHTS

For fiscal year 2025, General Fund actual expenditures (including transfers) on a budgetary basis were \$200.7 million compared to the final budget of \$207.7 million. The \$4.9 million favorable variance from a transfer expense was offset with increased costs of personnel services of \$9.0 million.

Actual revenues for the General Fund (including transfers and sale of capital asset) on a budgetary basis were \$200.7 million compared to the final budget of \$207.6 million. Included in the \$6.2 million unfavorable revenue variance was \$3.5 million decrease in taxes and \$10.6 million decrease in franchise fees. These unfavorable

CITY OF DENTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2025

variances were offset by \$4.9 million of transfers, \$5.2 million in miscellaneous revenue, \$1.8 million in fees for services, and \$0.6 million in fines and forfeitures.

The City of Denton's General Fund unassigned fund balance at September 30, 2025 is \$42.8 million, or 20.6% of budgeted expenditures. Below is a listing of the ending unassigned balances for the prior year, as well as the fiscal year 2025 unassigned fund balance.

	Actual 9/30/2025	Actual 9/30/2024
Unassigned balance	\$42,825,552	\$42,077,084
% of final budgeted expenditures	20.6%	22.3%
Policy level	20% plus up to a 5% resiliency reserve	20% plus up to a 5% resiliency reserve

The largest revenue source of the General Fund's budget was the ad valorem tax. Denton's ad valorem tax rate is composed of two components. The first is the operations and maintenance component that is used to calculate revenue for the City's General Fund operations. The second component is the debt portion that is used to calculate revenue to pay the City's general debt service obligations. The Denton Central Appraisal District's certified appraisal roll shows an increase of 10.16% compared to the prior year certified value, which showed an increase of 15.1%. The current property tax year included \$1.21 billion of new growth and construction that was added to the tax rolls in Tax year 2025 as compared to Tax year 2024. The fiscal year 2025 ad valorem tax rate remained the same compared to fiscal year 2024 at \$0.585420 per \$100 of valuation.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. At the end of fiscal year 2025, the City had \$2.8 billion invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, electrical infrastructure, water and sewer lines, SBITA assets and lease assets (see Table 3 below). This amount represents a net increase (including additions and deductions) of \$262.3 million or 10.5% over the prior fiscal year.

Table 3
Capital Assets at Year-end
(Net of Accumulated Depreciation/Amortization, in Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Land	\$ 53,786	\$ 49,344	\$ 91,575	\$ 89,923	\$ 145,361	\$ 139,267
Landfill improvements	-	-	139	700	139	700
Building and improvements	84,610	84,704	24,648	25,591	109,258	110,295
Plant, machinery and equipment	63,185	63,597	592,495	592,666	655,680	656,263
Water rights	-	-	44,563	45,259	44,563	45,259
Infrastructure	227,078	229,346	660,400	566,985	887,478	796,331
SBITA assets	11,394	6,249	3,740	4,957	15,134	11,206
Lease assets	94	169	-	-	94	169
Construction in progress	439,033	353,398	468,302	389,892	907,335	743,290
Total capital assets	\$ 879,180	\$ 786,807	\$ 1,885,862	\$ 1,715,973	\$ 2,765,042	\$ 2,502,780

CITY OF DENTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2025

This year's major asset additions included:

Description	Amount
Lewisville Lake Water Treatment Plant Upgrade Phase II	\$ 18,984,384
Northwest Booster Pump Station & Transmission Line	17,128,696
Northwest Transmission Line	14,954,546
Hickory Creek Interceptor III	6,363,830
Hickory Creek Interceptor II	6,014,048
Eden Village	4,656,711
King's Way	4,126,907
Sagebrook Phase 2	4,086,265
Stuart Ridge Phase 3	3,933,760
Dry Fork Hickory Creek Tributary I	3,380,860
Hickory Grove Phase 1A (Offsite)	3,257,877
Hickory Grove Phase 1A (Onsite)	3,012,368
Mayhill Road	3,000,000
Ft Worth Drive Relocation I-35E	2,965,393
380 Mayhill Industrial	2,509,686
	<u>\$ 98,375,331</u>

Additional information on the City's capital assets can be found in note IV. D. of this report.

Debt. At year-end, the City had \$1,864.7 million in bonds and notes outstanding as compared to \$1,674.6 million at the end of the prior fiscal year, an increase of 11.4%, as shown in Table 4.

Table 4
Principal Outstanding Debt at Year-end
(in thousands)

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
General obligation bonds	\$ 353,395	\$ 328,400	\$ 132,280	\$ 124,070	\$ 485,675	\$ 452,470
Certificates of obligation	209,590	193,855	839,365	689,255	1,048,955	883,110
Revenue bonds	-	-	330,070	339,010	330,070	339,010
Total	<u>\$ 562,985</u>	<u>\$ 522,255</u>	<u>\$ 1,301,715</u>	<u>\$ 1,152,335</u>	<u>\$ 1,864,700</u>	<u>\$ 1,674,590</u>

These amounts do not include net unamortized premiums/(discounts) of \$110,771,019 nor net deferred gain/(loss) on refunding of \$1,869,950.

During the fiscal year, the City issued three types of debt in June and August 2025. The first debt issuance included \$10.1 million in utility system bonds. The second debt issuance included \$78.2 million in general obligation refunding bonds of which \$26.6 million was for business-type activities. Of this amount, \$51.6 million was issued to pay the costs of bond election capital improvements for streets, parks, and public safety projects in the Capital Projects fund. The remaining \$26.6 million was issued to refund outstanding debt obligations. The third debt issuance included \$232.6 million (\$201.3 million of which is included as part of business-type

CITY OF DENTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2025

activities) in certificates of obligation. The debt was issued to pay the costs of various capital improvements in the Capital Projects Fund (\$30.1 million), the Electric Fund (\$42.2 million), the Water Fund (\$75.4 million), the Wastewater Fund (\$73.0million), the Solid Waste fund (\$10.6 million), the Technology Service Fund (\$1.7 million), and the Fleet Fund (\$925 thousand).

Standard and Poor's Corporation has given both the City's General Obligation Bonds and Certificates of Obligation an "AA+" rating. Standard and Poor's Corporation has given the City's Utility System Revenue Bonds a rating of "A+". Fitch has given the City's General Obligation Bonds and the Certificates of Obligation a rating of "AA+." Fitch has given the City's Utility System Revenue Bonds a rating of "A". The City is permitted by Article XI, Section 5 of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. The current ratio of tax-supported debt to certified assessed value of all taxable property is 2.9%.

Other long-term liabilities. The City maintains a self-insurance program for property, excess flood (for specific properties), general liability and excess general liability, aviation ground operations liability, auto liability and physical damage, public officials' liability, professional liability for EMT operations, employment practices liability, law enforcement professional liability, cyber, commercial crime, and workers' compensation. Private insurance companies cover claims for property loss on a per occurrence basis, except for specific perils, with deductibles that vary depending on location and property values, for workers' compensation losses over \$1,000,000 per occurrence, and general liability over \$500,000 per occurrence. The Risk Retention Fund has a reserve for claims and judgments of \$7.2 million outstanding at year-end. Other obligations include pension liabilities, accrued vacation pay, and sick leave. More detailed information about the City's long-term liabilities is presented in Note IV. G.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

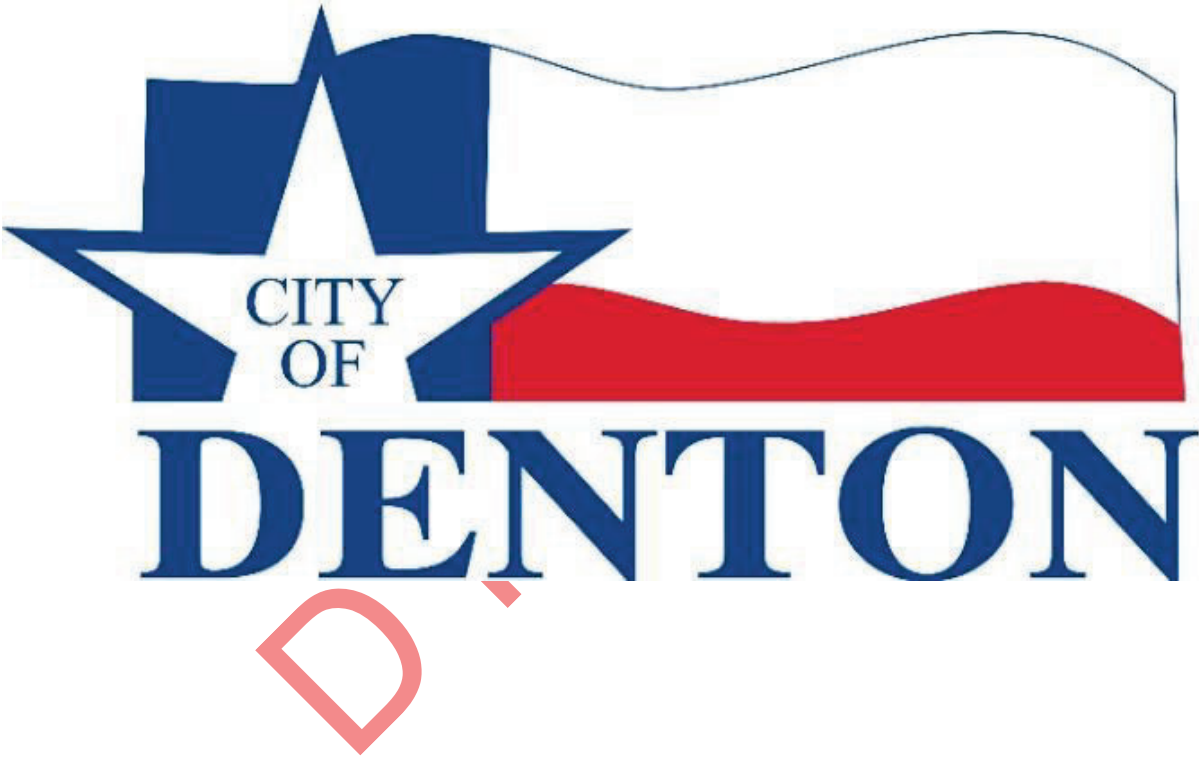
While growth for the Denton community is expected to be moderate in the short term, demand for city services are expected to remain strong over the long term. The adopted budget includes a tax rate of \$0.595420 per \$100 valuation. Of this amount \$0.334780 is provided for operations and maintenance and \$0.260640 is provided for debt service. While sales tax collections increased \$1.9 million compared to the prior fiscal year, 2026 Budget projects an increase of 4.62% from actual fiscal year 2025 sales tax revenue. The fiscal year 2026 Budget includes approximately \$7 million in reductions.

The unemployment rate for the City was 4.2 percent on September 30, 2025 compared to 3.8 percent as of September 30, 2024.

The fiscal year 2026 budget includes a Wastewater rate increase of 11% and Water rate increase of 3% to fund current and future growth.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Denton Finance Department, 215 E. McKinney, Denton, Texas 76201.



CITY OF DENTON, TEXAS
STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2025

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash, cash equivalents and investments, at fair value	\$ 96,791,610	\$ 188,178,903	\$ 284,970,513
Receivables, net of allowances:			
Taxes	11,455,100	-	11,455,100
Accounts	-	16,447,221	16,447,221
Unbilled utility service	-	22,807,361	22,807,361
Interest	639,697	1,251,712	1,891,409
Other	4,846,607	6,837,849	11,684,456
Internal balances	(18,707,139)	18,707,139	-
Due from other governments	9,233,855	2,107,243	11,341,098
Inventory	26,229,223	-	26,229,223
Prepaid items	6,606	41,368,323	41,374,929
Restricted assets:			
Cash, cash equivalents and investments, at fair value	321,588,990	482,019,429	803,608,419
Escrow deposits	244,000	5,437,022	5,681,022
Taxes	615,357	-	615,357
Accrued interest	2,131,066	3,206,391	5,337,457
Other receivables	19,203	83,453	102,656
Debt issuance costs - insurance	-	413,079	413,079
Other assets	-	132,336,721	132,336,721
Capital, Lease and Right-to-use assets:			
Right-to-use assets, net of accumulated amortization	11,394,115	3,739,623	15,133,738
Lease assets, net of accumulated amortization	94,014	-	94,014
Capital assets not being depreciated	492,818,715	559,877,095	1,052,695,810
Capital assets, net of accumulated depreciation	<u>374,872,771</u>	<u>1,322,245,757</u>	<u>1,697,118,528</u>
Total assets	<u>1,334,273,790</u>	<u>2,807,064,321</u>	<u>4,141,338,111</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred loss on refundings	66,297	467,878	534,175
Deferred pension balances	27,829,360	6,031,106	33,860,466
Deferred other post-employment benefit balances	3,889,936	1,675,891	5,565,827
Total deferred outflows of resources	<u>31,785,593</u>	<u>8,174,875</u>	<u>39,960,468</u>
LIABILITIES:			
Accounts payable	15,158,747	11,201,519	26,360,266
Retainage payable	534,805	1,129,604	1,664,409
Deposits	145,945	13,947,049	14,092,994
Accrued interest	282,573	-	282,573
Due to other governments	30	-	30
Other liabilities	792,904	-	792,904
Unearned revenue	16,317,466	21,956,924	38,274,390
Payable from restricted assets:			
Accounts payable	7,185,076	15,778,270	22,963,346
Retainage payable	4,369,285	8,352,012	12,721,297
Accrued interest	2,978,605	9,719,005	12,697,610
Noncurrent liabilities:			
Noncurrent liabilities due within one year	59,306,733	80,458,071	139,764,804
Noncurrent liabilities due in more than one year	682,083,050	1,360,282,551	2,042,365,601
Total liabilities	<u>789,155,219</u>	<u>1,522,825,005</u>	<u>2,311,980,224</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred lease revenues	898,062	2,141,861	3,039,923
Deferred gain on refundings	542,447	1,861,678	2,404,125
Deferred other post-employment benefit balances	6,760,147	2,968,782	9,728,929
Deferred other	-	2,107,243	2,107,243
Total deferred inflows of resources	<u>8,200,656</u>	<u>9,079,564</u>	<u>17,280,220</u>
NET POSITION:			
Net investment in capital assets	502,427,544	960,266,998	1,462,694,542
Restricted for:			
Debt service	-	23,357,305	23,357,305
Parks and recreation	17,168,837	-	17,168,837
Capital acquisition	27,199,327	133,702,448	160,901,775
Grant	403,677	-	403,677
Public safety	1,792,148	-	1,792,148
Public education	1,211,378	-	1,211,378
Special Assesment Projects	443,543	-	443,543
Tourism	1,582,550	-	1,582,550
Unrestricted	16,474,505	166,007,876	182,482,381
Total net position	<u>\$ 568,703,509</u>	<u>\$ 1,283,334,627</u>	<u>\$ 1,852,038,136</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF DENTON, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 64,602,853	\$ 11,476,392	\$ 4,876,406	\$ 15,099,167
Public safety	119,030,615	7,218,413	7,419,210	-
Public works	27,465,600	634,097	-	13,952,028
Parks and recreation	30,703,498	10,341,751	1,102,899	2,318,617
Interest expense	17,359,096	-	-	-
Total governmental activities	259,161,662	29,670,653	13,398,515	31,369,812
Business-type activities:				
Electric system	234,784,149	258,295,781	-	-
Water system	38,643,794	63,776,494	-	14,760,897
Wastewater system	52,675,288	56,094,632	-	22,638,150
Solid waste	43,878,520	44,585,934	-	-
Airport	2,850,255	2,293,594	-	-
Total business-type activities	372,832,006	425,046,435	-	37,399,047
Total primary government	\$ 631,993,668	\$ 454,717,088	\$ 13,398,515	\$ 68,768,859

(continued on the following page)

The notes to the basic financial statements are an integral part of this statement.

CITY OF DENTON, TEXAS
 STATEMENT OF ACTIVITIES (concluded)
 FOR THE YEAR ENDED SEPTEMBER 30, 2025

Exhibit II

Net (Expense) Revenue and Changes in Net Position			
Functions/Programs	Primary Government		
	Governmental Activities	Business-type Activities	Total
Primary government:			
Governmental activities:			
General government	\$ (33,150,888)	\$ -	\$ (33,150,888)
Public safety	(104,392,992)	-	(104,392,992)
Public works	(12,879,475)	-	(12,879,475)
Parks and recreation	(16,940,231)	-	(16,940,231)
Interest expense	(17,359,096)	-	(17,359,096)
Total governmental activities	(184,722,682)	-	(184,722,682)
Business-type activities:			
Electric system	-	23,511,632	23,511,632
Water system	-	39,893,597	39,893,597
Wastewater system	-	26,057,494	26,057,494
Solid waste	-	707,414	707,414
Airport	-	(556,661)	(556,661)
Total business-type activities	-	89,613,476	89,613,476
Total primary government	(184,722,682)	89,613,476	(95,109,206)
General revenues:			
Taxes:			
Property tax	119,835,095	-	119,835,095
Sales tax	58,972,691	-	58,972,691
Franchise fees	35,761,375	-	35,761,375
Hotel occupancy tax	3,319,923	-	3,319,923
Beverage tax	724,191	-	724,191
Bingo tax	15,948	-	15,948
Investment income	16,357,066	22,655,173	39,012,239
Gain on sale of capital assets	301,091	387,604	688,695
Miscellaneous	13,348,642	-	13,348,642
Transfers	2,645,642	(2,645,642)	-
Total general revenues and transfers	251,281,664	20,397,135	271,678,799
Change in net position	66,558,982	110,010,611	176,569,593
Net position at beginning of year	502,144,527	1,173,324,016	1,675,468,543
Net position at end of year	\$ 568,703,509	\$ 1,283,334,627	\$ 1,852,038,136

The notes to the basic financial statements are an integral part of this statement.

(concluded)

CITY OF DENTON, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF SEPTEMBER 30, 2025

Exhibit III

	General Fund	Debt Service Fund	Capital Projects Fund	ARPA Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:						
Cash, cash equivalents and investments, at fair value	\$ 40,122,505	\$ 2,480,938	\$ 297,315,867	\$ 1,001,667	\$ 53,005,341	\$ 393,926,318
Receivables, net of allowances for uncollectibles:						
Taxes	11,053,500	606,254	-	-	410,703	12,070,457
Accrued interest	267,671	16,502	1,977,744	-	346,958	2,608,875
Other	2,957,249	-	-	-	36,569	2,993,818
Interfund receivables	2,203,273	-	-	-	1,285,663	3,488,936
Due from other governments	1,194,135	-	5,055,479	-	2,984,241	9,233,855
Total assets	<u>\$ 57,798,333</u>	<u>\$ 3,103,694</u>	<u>\$ 304,349,090</u>	<u>\$ 1,001,667</u>	<u>\$ 58,069,475</u>	<u>\$ 424,322,259</u>
LIABILITIES:						
Accounts payable	10,240,890	-	6,605,842	116,771	1,359,769	18,323,272
Retainage payable	-	-	4,802,910	61,107	10,614	4,874,631
Interfund payables	-	-	-	-	353,537	353,537
Due to other governments	30	-	-	-	-	30
Other liabilities	792,904	-	-	-	-	792,904
Unearned revenues	-	-	15,419,464	823,789	74,213	16,317,466
Total liabilities	<u>11,033,824</u>	<u>-</u>	<u>26,828,216</u>	<u>1,001,667</u>	<u>1,798,133</u>	<u>40,661,840</u>
DEFERRED INFLOWS OF RESOURCES:						
Unavailable revenue - property taxes	799,960	509,682	-	-	-	1,309,642
Unavailable revenue - general services	908,749	-	4,062,947	-	1,667,482	6,639,178
Unavailable revenue - intergovernmental	2,230,248	-	-	-	169,670	2,399,918
Total deferred inflows of resources	<u>3,938,957</u>	<u>509,682</u>	<u>4,062,947</u>	<u>-</u>	<u>1,837,152</u>	<u>10,348,738</u>
FUND BALANCES:						
Restricted for:						
Debt service	-	2,594,012	-	-	-	2,594,012
Parks and recreation	-	-	67,381,777	-	17,018,873	84,400,650
Streets and drainage projects	-	-	68,669,534	-	12,396,304	81,065,838
Other capital projects	-	-	107,479,058	-	-	107,479,058
Grant	-	-	1,222,210	-	224,007	1,446,217
Public safety	-	-	-	-	1,792,147	1,792,147
Public education	-	-	-	-	1,211,379	1,211,379
Special Assesment Projects	-	-	-	-	443,543	443,543
Tourism	-	-	-	-	1,582,550	1,582,550
Committed to:						
Streets	-	-	10,750,603	-	6,205,504	16,956,107
Parks and recreation	-	-	4,433	-	222,621	227,054
Economic development	-	-	-	-	12,911,890	12,911,890
Capital Projects	-	-	35,297	-	-	35,297
Tree Preservation	-	-	-	-	2,031,893	2,031,893
Assigned to:						
Streets and drainage projects	-	-	11,464,997	-	-	11,464,997
Capital projects	-	-	5,762,916	-	-	5,762,916
Other purposes	-	-	687,102	-	1,010	688,112
Unassigned	42,825,552	-	-	-	(1,607,531)	41,218,021
Total fund balances	<u>42,825,552</u>	<u>2,594,012</u>	<u>273,457,927</u>	<u>-</u>	<u>54,434,190</u>	<u>373,311,681</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 57,798,333</u>	<u>\$ 3,103,694</u>	<u>\$ 304,349,090</u>	<u>\$ 1,001,667</u>	<u>\$ 58,069,475</u>	<u>\$ 424,322,259</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF DENTON, TEXAS
 RECONCILIATION OF THE BALANCE SHEET
 OF GOVERNMENTAL FUNDS TO THE
 STATEMENT OF NET POSITION
 AS OF SEPTEMBER 30, 2025

Total fund balances - governmental funds (Exhibit III)		\$	373,311,681
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Includes capital assets of internal service funds.			879,179,615
Certain receivables will be collected next year but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflows of resources in the funds.			10,348,738
Deferred outflows of resources are not reported in the governmental funds. Includes deferred outflows of internal service funds:			
Deferred loss on refundings	(476,150)		
Deferred pension balances	27,829,360		
Deferred other post-employment benefits contributions	<u>3,889,936</u>		31,243,146
An internal charge to business-type activities is not recorded at the fund level.			6,647,914
Several internal service funds are used by the City's management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The assets, liabilities, deferred outflows, and deferred inflows of the internal service funds are included with governmental activities. Internal service fund balances not included in other reconciling items listed above or below:			
Current and other assets	\$	52,967,993	
Liabilities	\$	(32,686,408)	
Deferred inflows	\$	<u>(898,062)</u>	19,383,523
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Includes balances of internal service funds. Long-term liabilities and related balances at year-end consist of:			
General obligation bonds payable	\$	(353,395,000)	
Certificates of obligation payable		(209,590,000)	
Bond (premiums)/discounts		(38,949,231)	
Accrued interest on the bonds		(3,261,178)	
Capital leases payable		(95,481)	
Right-to-use liability		(9,837,225)	
Net Pension liability		(61,570,154)	
Total other post-employment benefits liability		(35,858,494)	
Claims and judgement payable		(9,396,853)	
Compensated absences		<u>(22,697,345)</u>	(744,650,961)
Deferred inflows of resources are not reported in the governmental funds. Includes deferred outflows of internal service funds:			
Deferred other post-employment benefits contributions			<u>(6,760,147)</u>
Total net position of governmental activities (Exhibit I)		\$	<u>568,703,509</u>

The notes to the basic financial statements are an integral part of this exhibit.

CITY OF DENTON, TEXAS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

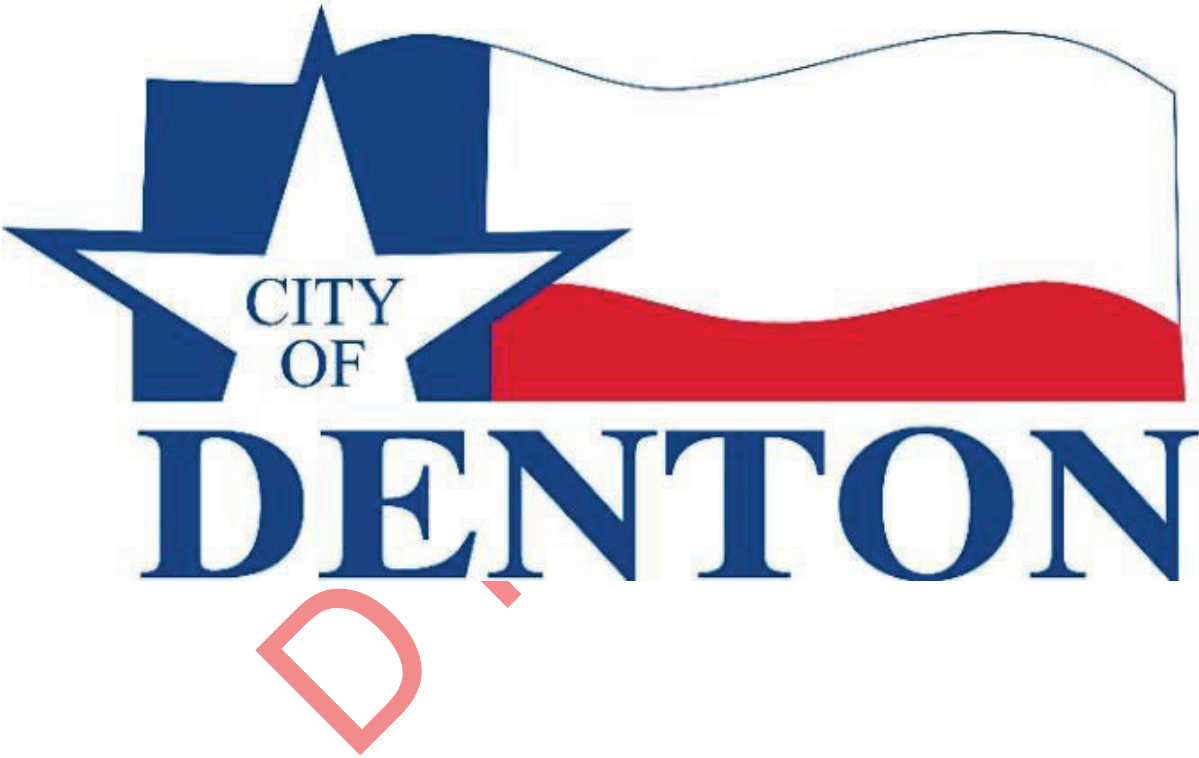
	General Fund	Debt Service Fund	Capital Projects Fund	ARPA Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:						
Taxes	\$ 126,828,879	\$ 50,087,820	\$ -	\$ -	\$ 5,546,112	\$ 182,462,811
Licenses and permits	6,853,283	-	-	-	-	6,853,283
Franchise fees	19,461,375	-	-	-	16,300,000	35,761,375
Fines and forfeitures	2,749,785	-	-	-	182,168	2,931,953
Fees for services	13,863,902	-	-	-	5,038,024	18,901,926
Investment revenue	2,539,720	1,071,608	10,525,175	-	2,220,563	16,357,066
Intergovernmental	2,848,052	-	14,967,859	5,216,739	7,612,138	30,644,788
Miscellaneous	6,420,575	-	7,951	-	6,920,118	13,348,644
Total revenues	181,565,571	51,159,428	25,500,985	5,216,739	43,819,123	307,261,846
EXPENDITURES:						
Current:						
General government	38,881,766	-	241,899	1,555,525	10,410,677	51,089,867
Public safety	111,125,738	-	13,465	41,866	4,694,624	115,875,693
Public works	3,799,305	-	121,720	-	9,632,120	13,553,145
Parks and recreation	25,304,356	-	287,729	-	572,673	26,164,758
Capital outlay	490,351	-	102,607,699	3,619,348	1,839,205	108,556,603
Debt service:						
Principal retirement	-	29,740,000	-	-	-	29,740,000
Bond issuance costs	-	56,915	421,452	-	-	478,367
Interest and other charges	-	20,989,801	608,025	-	-	21,597,826
Total expenditures	179,601,516	50,786,716	104,301,989	5,216,739	27,149,299	367,056,259
Excess (deficiency) of revenues over (under) expenditures	1,964,055	372,712	(78,801,004)	-	16,669,824	(59,794,413)
OTHER FINANCING SOURCES (USES):						
Refunding bonds issued	-	10,375,000	-	-	-	10,375,000
Payment to refunded bond agent	-	(11,400,289)	-	-	-	(11,400,289)
Issuance of long-term debt	-	-	70,055,000	-	-	70,055,000
Premium on debt issuance	-	1,084,796	4,208,047	-	-	5,292,843
Proceeds from sale of capital assets	344,186	-	-	-	-	344,186
Transfers in	7,887	751,656	14,854,716	-	2,126,082	17,740,341
Transfers out	(1,567,660)	-	(36,818)	-	(13,220,178)	(14,824,656)
Total other financing sources (uses)	(1,215,587)	811,163	89,080,945	-	(11,094,096)	77,582,425
Net change in fund balances	748,468	1,183,875	10,279,941	-	5,575,728	17,788,012
Fund balance at beginning of year	42,077,084	1,410,137	263,177,986	-	48,858,462	355,523,669
Fund balances at end of year	\$ 42,825,552	\$ 2,594,012	\$ 273,457,927	\$ -	\$ 54,434,190	\$ 373,311,681

The notes to the basic financial statements are an integral part of this statement.

**CITY OF DENTON, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT
OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Net change in fund balances - total governmental funds (Exhibit V)	\$ 17,788,012
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount represents the difference between capital outlay of \$108,556,603 and depreciation of \$30,691,571 (which is the net of overall governmental activities depreciation of \$36,898,333 less internal service fund depreciation of \$6,206,762).	77,865,032
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Such amounts are recorded in the funds when considered available.	4,404,523
The net effect of various miscellaneous transactions involving capital assets (i.e., SBITA, leases, sales, trade-ins and donations) is to decrease net position.	9,243,124
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which proceeds exceeded payments.	(44,592,843)
Fund-level financials report costs related to bonds as expenditures; however, these are deferred and amortized on the government-wide financials	4,016,939
Certain expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	520,934
Internal service funds are used by management to charge the costs of certain activities, such as insurance and technology services, to individual funds. A portion of the net revenue (expense) of certain internal service funds is reported with governmental activities. The amount reported with business-type activities is (\$5,082,891).	(2,686,739)
Change in net position of governmental activities (Exhibit II)	<u>\$ 66,558,982</u>

The notes to the basic financial statements are an integral part of this statement



CITY OF DENTON, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts		Actual Amounts	Adjustments - Budgetary Basis	Actual on a Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final				
REVENUES:						
Taxes	\$ 130,330,041	\$ 130,330,041	\$ 126,828,879	\$ -	\$ 126,828,879	\$ (3,501,162)
Licenses and permits	6,415,806	6,415,806	6,853,283	-	6,853,283	437,477
Franchise fees	30,053,643	30,053,643	19,461,375	-	19,461,375	(10,592,268)
Fines and forfeitures	2,106,531	2,106,531	2,749,785	-	2,749,785	643,254
Fees for services	12,108,150	12,108,150	13,863,902	-	13,863,902	1,755,752
Investment revenue	2,352,098	2,352,098	2,539,720	-	2,539,720	187,622
Intergovernmental	3,197,656	3,197,656	2,848,052	-	2,848,052	(349,604)
Miscellaneous	106,648	106,648	6,420,575	(1,141,585)	5,278,990	5,172,342
Total revenues	186,670,573	186,670,573	181,565,571	(1,141,585)	180,423,986	(6,246,587)
EXPENDITURES:						
Current:						
General government	50,709,750	47,323,595	38,881,766	6,949,135	45,830,901	1,492,694
Public safety	103,661,323	103,674,823	111,125,738	(7,154,651)	103,971,087	(296,264)
Public works	3,332,781	3,345,900	3,799,305	(492,282)	3,307,023	38,877
Parks and recreation	24,665,353	24,590,080	25,304,356	(1,348,895)	23,955,461	634,619
Capital outlay	704,483	658,223	490,351	-	490,351	167,872
Total expenditures	183,073,690	179,592,621	179,601,516	(2,046,693)	177,554,823	2,037,798
Excess (deficiency) of revenues over (under) expenditures	3,596,883	7,077,952	1,964,055	905,108	2,869,163	(4,208,789)
OTHER FINANCING SOURCES (USES):						
Proceeds from sale of capital assets	198,528	198,528	344,186	-	344,186	145,658
Transfer in	20,710,051	20,710,051	7,887	20,710,050	20,717,937	7,886
Transfers out	(24,505,462)	(27,986,531)	(1,567,660)	(21,544,768)	(23,112,428)	4,874,103
Total other financing sources (uses)	(3,596,883)	(7,077,952)	(1,215,587)	(834,718)	(2,050,305)	5,027,647
Net change in fund balance	-	-	748,468	70,390	818,858	818,858
Fund balance, beginning of year	42,077,084	42,077,084	42,077,084	-	42,077,084	-
Fund balance at end of year	\$ 42,077,084	\$ 42,077,084	\$ 42,825,552	\$ 70,390	\$ 42,895,942	\$ 818,858

Adjustments - Budgetary Basis are expenditures allocated to and reimbursed by other funds. These expenditures are recorded in the other funds' financials.

The notes to the basic financial statements are an integral part of this statement.

CITY OF DENTON, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AS OF SEPTEMBER 30, 2025

Exhibit VIII

	Business-type Activities - Enterprise Funds		
	Utility System		
	Electric Fund	Water Fund	Wastewater Fund
ASSETS:			
Current assets:			
Cash, cash equivalents and investments, at fair value	\$ 84,810,373	\$ 54,802,111	\$ 25,790,379
Receivables, net of allowances:			
Accounts	10,228,011	2,356,272	2,068,034
Unbilled utility service	14,848,692	3,062,471	2,630,653
Accrued interest	564,158	364,509	171,557
Other	6,182,745	-	-
Interfund receivables	21,945,369	2,186,986	1,222,698
Due from other governments	-	2,107,243	-
Merchandise inventory	-	-	-
Prepaid items	41,368,323	-	-
Total current assets	179,947,671	64,879,592	31,883,321
Noncurrent assets:			
Restricted assets:			
Cash, cash equivalents and investments, at fair value	89,432,981	173,436,421	180,440,346
Escrow deposit	-	5,437,022	-
Accrued interest	594,908	1,153,698	1,200,288
Other receivables	-	-	-
Total restricted assets	90,027,889	180,027,141	181,640,634
Unamortized debt issuance costs - insurance	413,079	-	-
Other Assets	132,336,721	-	-
Lease assets, net of accumulated amortization	-	-	-
Right-to-use assets, net of accumulated amortization	3,085,460	185,506	-
Capital assets, net of accumulated depreciation	822,193,298	507,754,878	459,871,061
Total noncurrent assets	1,048,056,447	687,967,525	641,511,695
Total assets	1,228,004,118	752,847,117	673,395,016
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred charges on refunding	178,020	269,546	-
Deferred pension balances	3,203,970	1,004,656	720,289
Deferred other post employment benefit balances	618,579	297,179	330,357
Total deferred outflows of resources	4,000,569	1,571,381	1,050,646
LIABILITIES:			
Current liabilities:			
Accounts payable	8,291,329	1,082,836	803,067
Retainage payable	-	478,922	650,682
Claims payable	-	-	-
Compensated absences payable	2,401,067	1,072,938	912,329
Other post employment benefits	127,458	66,252	55,667
Deposits	11,390,619	952,017	769,954
Accrued interest	-	-	-
Interfund payables	-	-	-
Right-to-use liability	2,622,528	25,381	-
Unearned revenue	21,956,924	-	-
Payable from restricted assets:			
Accounts payable	12,636,198	935,937	2,096,820
Retainage payable	4,705,761	2,419,128	810,729
Accrued interest	7,184,326	1,179,431	1,077,243
Certificate, general obligation, and revenue bonds	43,809,571	12,612,283	10,359,471
Total current liabilities paid from restricted assets	68,335,856	17,146,779	14,344,263
Total current liabilities	115,125,781	20,825,125	17,535,962

(continued on the following page)

CITY OF DENTON, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AS OF SEPTEMBER 30, 2025

Exhibit VIII

	Business-type Activities - Enterprise Funds			Governmental
	Solid Waste Fund	Airport Fund	Total	Activities -
			Enterprise Funds	Internal Service Funds
ASSETS:				
Current assets:				
Cash, cash equivalents and investments, at fair value	\$ 19,483,260	\$ 3,292,780	\$ 188,178,903	\$ 12,073,483
Receivables, net of allowances:				
Accounts	1,696,498	98,406	16,447,221	-
Unbilled utility service	2,265,545	-	22,807,361	-
Accrued interest	129,584	21,904	1,251,712	79,532
Other	655,104	-	6,837,849	1,871,994
Interfund receivables	-	-	25,355,053	-
Due from other governments	-	-	2,107,243	-
Merchandise inventory	-	-	-	26,229,223
Prepaid items	-	-	41,368,323	6,606
Total current assets	24,229,991	3,413,090	304,353,665	40,260,838
Noncurrent assets:				
Restricted assets:				
Cash, cash equivalents and investments, at fair value	37,466,047	1,243,634	482,019,429	12,380,799
Escrow deposit	-	-	5,437,022	244,000
Accrued interest	249,224	8,273	3,206,391	82,356
Other receivables	-	83,453	83,453	-
Total restricted assets	37,715,271	1,335,360	490,746,295	12,707,155
Unamortized debt issuance costs - insurance	-	-	413,079	-
Other Assets	-	-	132,336,721	-
Lease assets, net of accumulated amortization	-	-	-	94,014
Right-to-use assets, net of accumulated amortization	468,657	-	3,739,623	7,313,004
Capital assets, net of accumulated depreciation	72,403,994	19,899,621	1,882,122,852	19,624,288
Total noncurrent assets	110,587,922	21,234,981	2,509,358,570	39,738,461
Total assets	134,817,913	24,648,071	2,813,712,235	79,999,299
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred charges on refunding	20,312	-	467,878	-
Deferred pension balances	972,187	130,004	6,031,106	3,904,762
Deferred other post employment benefit balances	411,567	18,209	1,675,891	878,843
Total deferred outflows of resources	1,404,066	148,213	8,174,875	4,783,605
LIABILITIES:				
Current liabilities:				
Accounts payable	936,853	87,434	11,201,519	4,016,185
Retainage payable	-	-	1,129,604	29,459
Claims payable	-	-	-	3,004,453
Compensated absences payable	1,407,574	104,672	5,898,580	3,304,574
Other post employment benefits	84,423	4,701	338,501	178,037
Deposits	823,359	11,100	13,947,049	145,945
Accrued interest	-	-	-	282,573
Interfund payables	-	-	-	28,490,454
Right-to-use liability	-	-	2,647,909	4,260,572
Unearned revenue	-	-	21,956,924	-
Payable from restricted assets:				
Accounts payable	109,315	-	15,778,270	4,366
Retainage payable	416,394	-	8,352,012	-
Accrued interest	278,005	-	9,719,005	-
Certificate, general obligation, and revenue bonds	4,791,756	-	71,573,081	1,723,374
Total current liabilities paid from restricted assets	5,595,470	-	105,422,368	1,727,740
Total current liabilities	8,847,679	207,907	162,542,454	45,439,992

(continued on the following page)

CITY OF DENTON, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AS OF SEPTEMBER 30, 2025

Exhibit VIII

	Business-type Activities - Enterprise Funds		
	Utility System		
	Electric Fund	Water Fund	Wastewater Fund
Noncurrent liabilities:			
General obligation bonds payable	\$ 87,547,580	\$ 20,046,314	\$ 12,401,069
Certificates of obligation	410,789,819	194,858,761	209,306,380
Revenue bonds payable	311,066,938	9,920,000	-
Compensated absences payable	635,249	127,625	110,456
Claims and judgement payable	-	-	-
Lease liability	-	-	-
Right-to-use liability	111,036	109	-
Net pension liability	13,480,240	3,957,413	3,783,884
Total other post-employment benefits liability	5,985,979	2,909,675	3,196,598
Landfill closure/postclosure costs	-	-	-
Total noncurrent liabilities	829,616,841	231,819,897	228,798,387
Total liabilities	944,742,622	252,645,022	246,334,349
DEFERRED INFLOWS OF RESOURCES:			
Deferred inflows - leases	1,507,377	-	-
Deferred charges on refundings	1,020,712	233,904	350,154
Deferred other post employment benefit balances	1,098,621	553,356	541,872
Deferred - other	-	2,107,243	-
Total deferred inflows of resources	3,626,710	2,894,503	892,026
NET POSITION:			
Net investment in capital assets	172,269,639	372,479,378	352,697,671
Restricted for debt service	22,953,227	404,078	-
Restricted for capital acquisition	-	78,961,142	53,489,400
Unrestricted	88,412,489	47,034,375	21,032,216
Total net position	\$ 283,635,355	\$ 498,878,973	\$ 427,219,287

(continued on the following page)

The notes to the basic financial statements are an integral part of this statement.

CITY OF DENTON, TEXAS
 STATEMENT OF NET POSITION (concluded)
 PROPRIETARY FUNDS
 AS OF SEPTEMBER 30, 2025

	Business-type Activities - Enterprise Funds			Governmental
	Solid Waste Fund	Airport Fund	Total Enterprise Funds	Activities - Internal Service Funds
Noncurrent liabilities:				
General obligation bonds payable	\$ 7,154,728	\$ -	\$ 127,149,691	\$ -
Certificates of obligation	38,872,118	-	853,827,078	20,041,242
Revenue bonds payable	-	-	320,986,938	-
Compensated absences payable	340,639	10,842	1,224,811	360,309
Claims and judgement payable	-	-	-	6,392,399
Lease liability	-	-	-	95,481
Right-to-use liability	394,586	-	505,731	1,853,470
Net pension liability	4,640,987	461,987	26,324,511	13,469,479
Total other post-employment benefits liability	3,674,836	198,467	15,965,555	7,554,733
Landfill closure/postclosure costs	14,298,236	-	14,298,236	-
Total noncurrent liabilities	69,376,130	671,296	1,360,282,551	49,767,113
Total liabilities	78,223,809	879,203	1,522,825,005	95,207,105
DEFERRED INFLOWS OF RESOURCES:				
Deferred inflows - leases	634,484	-	2,141,861	898,062
Deferred charges on refundings	256,908	-	1,861,678	-
Deferred other post employment benefit balances	738,696	36,237	2,968,782	1,498,461
Deferred - other	-	-	2,107,243	-
Total deferred inflows of resources	1,630,088	36,237	9,079,564	2,396,523
NET POSITION:				
Net investment in capital assets	41,668,783	21,151,527	960,266,998	11,433,600
Restricted for debt service	-	-	23,357,305	-
Restricted for capital acquisition	-	1,251,906	133,702,448	-
Unrestricted	14,699,299	1,477,411	172,655,790	(24,254,324)
Total net position	\$ 56,368,082	\$ 23,880,844	\$ 1,289,982,541	\$ (12,820,724)
Adjustment to reflect inclusion of internal service fund activities related to enterprise funds.			(6,647,914)	
Net position of business-type activities (Exhibit I)			\$ 1,283,334,627	

The notes to the basic financial statements are an integral part of this statement.

(concluded)

CITY OF DENTON, TEXAS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Exhibit IX

	Business-type Activities - Enterprise Funds		
	Utility System		
	Electric Fund	Water Fund	Wastewater Fund
OPERATING REVENUES:			
Utility services	\$ 248,814,658	\$ 45,463,323	\$ 41,588,841
Charges for goods and services	-	-	-
Other fees	9,481,123	1,380,136	1,951,353
Miscellaneous	-	-	-
Total operating revenues	<u>258,295,781</u>	<u>46,843,459</u>	<u>43,540,194</u>
OPERATING EXPENSES:			
Operating expenses before depreciation and amortization	192,470,221	34,073,460	34,903,110
Depreciation and amortization	26,025,997	13,592,921	14,290,676
Total operating expenses	<u>218,496,218</u>	<u>47,666,381</u>	<u>49,193,786</u>
Operating income (loss)	<u>39,799,563</u>	<u>(822,922)</u>	<u>(5,653,592)</u>
NON-OPERATING REVENUES (EXPENSES):			
Investment revenue	8,130,935	6,448,381	5,740,542
Interest expense and fiscal charges	(24,324,608)	(6,001,761)	(5,925,963)
Impact fee revenue	-	16,933,035	12,554,438
Gain on disposal of capital assets	(365,390)	38,815	348,789
Gas well revenues	-	-	-
Other non-operating revenues (expenses)	10,767,142	15,837,828	3,345,738
Total non-operating revenues (expenses)	<u>(5,791,921)</u>	<u>33,256,298</u>	<u>16,063,544</u>
Income (loss) before contributions and transfers	<u>34,007,642</u>	<u>32,433,376</u>	<u>10,409,952</u>
CONTRIBUTIONS AND TRANSFERS:			
Capital contributions	-	14,760,897	22,638,150
Transfers in	171,697	201,857	688,115
Transfers out	(1,308,009)	(1,369,752)	(430,434)
Total contributions and transfers	<u>(1,136,312)</u>	<u>13,593,002</u>	<u>22,895,831</u>
Change in net position	<u>32,871,330</u>	<u>46,026,378</u>	<u>33,305,783</u>
Net position at beginning of year	<u>250,764,025</u>	<u>452,852,595</u>	<u>393,913,504</u>
Total net position at end of year	<u>\$ 283,635,355</u>	<u>\$ 498,878,973</u>	<u>\$ 427,219,287</u>

(continued on the following page)

The notes to the basic financial statements are an integral part of this statement.

CITY OF DENTON, TEXAS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION (concluded)
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Business-type Activities - Enterprise Funds			Governmental
	Solid Waste Fund	Airport Fund	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES:				
Utility services	\$ 43,808,482	\$ 1,964,579	\$ 381,639,883	\$ -
Charges for goods and services	-	-	-	127,800,203
Other fees	774,803	-	13,587,415	-
Miscellaneous	2,649	70,015	72,664	5,177,570
Total operating revenues	<u>44,585,934</u>	<u>2,034,594</u>	<u>395,299,962</u>	<u>132,977,773</u>
OPERATING EXPENSES:				
Operating expenses before depreciation and amortization	35,699,496	1,602,990	298,749,277	133,491,048
Depreciation and amortization	<u>6,352,429</u>	<u>1,243,268</u>	<u>61,505,291</u>	<u>6,206,762</u>
Total operating expenses	<u>42,051,925</u>	<u>2,846,258</u>	<u>360,254,568</u>	<u>139,697,810</u>
Operating income (loss)	<u>2,534,009</u>	<u>(811,664)</u>	<u>35,045,394</u>	<u>(6,720,037)</u>
NON-OPERATING REVENUES (EXPENSES):				
Investment revenue	1,957,152	378,163	22,655,173	1,359,900
Interest expense and fiscal charges	(1,426,861)	-	(37,679,193)	(1,034,446)
Impact fee revenue	-	-	29,487,473	-
Gain on disposal of capital assets	574,577	-	596,791	(1,035,646)
Gas well revenues	-	259,000	259,000	-
Other non-operating revenues (expenses)	-	24,751	29,975,459	(99,358)
Total non-operating revenues (expenses)	<u>1,104,868</u>	<u>661,914</u>	<u>45,294,703</u>	<u>(809,550)</u>
Income (loss) before contributions and transfers	<u>3,638,877</u>	<u>(149,750)</u>	<u>80,340,097</u>	<u>(7,529,587)</u>
CONTRIBUTIONS AND TRANSFERS:				
Capital contributions	-	-	37,399,047	30,000
Transfers in	156,589	-	1,218,258	67,970
Transfers out	<u>(4,049)</u>	<u>(751,656)</u>	<u>(3,863,900)</u>	<u>(338,013)</u>
Total contributions and transfers	<u>152,540</u>	<u>(751,656)</u>	<u>34,753,405</u>	<u>(240,043)</u>
Change in net position	3,791,417	(901,406)	115,093,502	(7,769,630)
Net position at beginning of year	<u>52,576,665</u>	<u>24,782,250</u>	<u>1,174,889,039</u>	<u>(5,051,094)</u>
Total net position at end of year	<u>\$ 56,368,082</u>	<u>\$ 23,880,844</u>	<u>\$ 1,289,982,541</u>	<u>\$ (12,820,724)</u>
Change in fund net position of proprietary funds			115,093,502	
Adjustment to reflect inclusion of internal service fund activities related to enterprise funds.			<u>(5,082,891)</u>	
Change in net position of business-type activities (Exhibit II)			<u>\$ 110,010,611</u>	

The notes to the basic financial statements are an integral part of this statement.

(concluded)

CITY OF DENTON, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Exhibit X

	Business-type Activities - Enterprise Funds		
	Utility System		
	Electric Fund	Water Fund	Wastewater Fund
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 277,940,303	\$ 44,693,004	\$ 42,615,098
Cash paid to employees for services	(24,475,363)	(11,109,464)	(9,029,241)
Cash paid to suppliers	(176,014,877)	(28,491,326)	(25,535,031)
Net cash provided (used) by operating activities	77,450,063	5,092,214	8,050,826
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	171,697	201,857	688,115
Transfers out	(1,308,009)	(1,369,752)	(430,434)
Other nonoperating revenues	-	17,945,071	3,345,738
Principal payments on non-capital debt	(5,615,000)	-	-
Interest and fiscal charges on non-capital debt	(124,500)	-	-
Net cash provided (used) by noncapital financing activities:	(6,875,812)	16,777,176	3,603,419
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from issuance of debt	65,610,171	91,981,417	81,413,338
Principal payments on capital debt	(56,415,000)	(8,131,433)	(9,905,000)
Interest and fiscal charges	(29,272,288)	(10,528,167)	(7,157,097)
Lease liability	-	-	-
Acquisition of Right-to-use assets	(1,734,443)	76,325	-
Proceeds from gas wells	-	-	-
Proceeds from impact fees	-	16,933,035	12,554,438
Proceeds from lease financing	-	-	-
Proceeds from capital contributions and transfers in	-	-	-
Proceeds from sale or reimbursement of capital assets	336,353	42,550	408,150
Acquisition and construction of capital assets	(85,145,830)	(58,218,126)	(36,579,791)
Net cash provided (used) by capital financing activities	(106,621,037)	32,155,601	40,734,038
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale and maturities of investment securities	91,610,849	38,640,244	33,027,242
Purchase of investment securities	(83,094,618)	(82,572,714)	(74,635,627)
Interest received on investments	8,350,225	6,119,676	5,258,830
Proceeds from ownership investment	3,267,142	-	-
Net cash provided (used) by investing activities	20,133,598	(37,812,794)	(36,349,555)
Net increase (decrease) in cash and cash equivalents	(15,913,188)	16,212,197	16,038,728
Cash and cash equivalents at beginning of year	79,910,991	67,620,780	59,707,711
Cash and cash equivalents at end of year	63,997,803	83,832,977	75,746,439
Investments, at fair value (Note IV.A.)	110,245,551	144,405,555	130,484,286
Cash, cash equivalents and investments, at fair value	\$ 174,243,354	\$ 228,238,532	\$ 206,230,725
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 39,799,563	\$ (822,922)	\$ (5,653,592)
Adjustments:			
Depreciation and amortization expense	26,025,997	13,592,921	14,290,676
Decrease (Increase) in receivables	932,605	(1,579,723)	(212,823)
Decrease (Increase) in interfund receivables	(2,568,623)	(570,732)	(712,273)
Decrease (Increase) in inventories	-	-	-
Decrease (Increase) in customer deposits	(523,773)	-	-
Decrease (Increase) in prepaid items	(21,496,197)	-	-
Decrease (Increase) in other assets	2,258,072	-	-
Decrease (Increase) in escrow deposits	-	(5,437,022)	-
Increase (Decrease) in accounts payable	9,883,799	(896,639)	(408,087)
Decrease in unearned revenue	21,956,924	-	-
Increase (Decrease) in compensated absences payable	1,048,025	665,439	623,004
Increase (Decrease) in net municipal pension balances	116,303	41,094	32,930
Increase (Decrease) in other post-employment benefit balances	169,979	99,798	90,991
Increase (Decrease) in closure/postclosure liability	-	-	-
Increase (Decrease) in interfund payables	-	-	-
Increase (Decrease) in lease deferred inflows	(152,611)	-	-
Total adjustments	37,650,500	5,915,136	13,704,418
Net cash provided (used) by operating activities	\$ 77,450,063	\$ 5,092,214	\$ 8,050,826
NONCASH CAPITAL, INVESTING AND FINANCING ACTIVITIES:			
Decrease in fair value of investments	(317,239)	(93,888)	(72,734)
Capital asset contributions	-	14,760,897	22,638,150
Right-to-use assets acquired through lease and SBITA Liabilities	(611,257)	-	-

The notes to the basic financial statements are an integral part of this statement.

(continued on the following page)

CITY OF DENTON, TEXAS
STATEMENT OF CASH FLOWS (concluded)
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Exhibit X

	Business-type Activities - Enterprise Funds			Governmental
	Solid Waste Fund	Airport Fund	Total Enterprise Funds	Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 44,897,897	\$ 2,027,127	\$ 412,173,429	\$ 132,380,175
Cash paid to employees for services	(13,879,980)	(780,817)	(59,274,865)	(34,246,478)
Cash paid to suppliers	(19,478,404)	(791,346)	(250,310,984)	(96,191,435)
Net cash provided (used) by operating activities	11,539,513	454,964	102,587,580	1,942,262
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in	156,589	-	1,218,258	67,970
Transfers out	(4,049)	(751,656)	(3,863,900)	(338,013)
Other nonoperating revenues	-	-	21,290,809	-
Principal payments on non-capital debt	-	-	(5,615,000)	-
Interest and fiscal charges on non-capital debt	-	-	(124,500)	-
Net cash provided (used) by noncapital financing activities:	152,540	(751,656)	12,905,667	(270,043)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from issuance of debt	13,239,412	-	252,244,338	(710,000)
Principal payments on capital debt	(5,804,597)	-	(80,256,030)	2,110,323
Interest and fiscal charges	(1,582,129)	-	(48,539,681)	(889,340)
Lease liability	-	-	-	(78,205)
Acquisition of Right-to-use assets	(57,844)	-	(1,715,962)	(3,543,051)
Proceeds from gas wells	-	259,000	259,000	-
Proceeds from impact fees	-	-	29,487,473	-
Proceeds from lease financing	-	-	-	2,993
Proceeds from capital contributions and transfers in	-	-	-	30,000
Proceeds from sale or reimbursement of capital assets	1,218,250	-	2,005,303	(232,889)
Acquisition and construction of capital assets	(15,341,195)	33,497	(195,251,445)	(4,271,302)
Net cash provided (used) by capital financing activities	(8,328,103)	292,497	(41,767,004)	(7,581,471)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from sale and maturities of investment securities	18,583,515	1,576,815	183,438,665	7,318,303
Purchase of investment securities	(23,744,572)	(1,964,471)	(266,012,002)	(5,748,890)
Interest received on investments	1,941,421	383,220	22,053,372	1,397,460
Proceeds from ownership investment	-	-	3,267,142	-
Net cash provided (used) by investing activities	(3,219,636)	(4,436)	(57,252,823)	2,966,873
Net increase (decrease) in cash and cash equivalents	144,314	(8,631)	16,473,420	(2,942,379)
Cash and cash equivalents at beginning of year	20,774,348	1,674,719	229,688,549	11,998,410
Cash and cash equivalents at end of year	20,918,662	1,666,088	246,161,969	9,056,031
Investments, at fair value (Note IV.A.)	36,030,645	2,870,326	424,036,363	15,398,251
Cash, cash equivalents and investments, at fair value	\$ 56,949,307	\$ 4,536,414	\$ 670,198,332	\$ 24,454,282
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 2,534,009	\$ (811,664)	\$ 35,045,394	\$ (6,720,037)
Adjustments:				
Depreciation and amortization expense	6,352,429	1,243,268	61,505,291	6,206,762
Decrease (Increase) in receivables	156,243	(7,467)	(711,165)	(1,739)
Decrease (Increase) in interfund receivables	-	-	(3,851,628)	-
Decrease (Increase) in inventories	-	-	-	(3,279,938)
Decrease (Increase) in customer deposits	183,406	-	(340,367)	-
Decrease (Increase) in prepaid items	-	-	(21,496,197)	4,574
Decrease (Increase) in other assets	-	-	2,258,072	-
Decrease (Increase) in escrow deposits	-	-	(5,437,022)	-
Increase (Decrease) in accounts payable	(34,673)	(37,443)	8,506,957	1,321,091
Decrease in unearned revenue	-	-	21,956,924	-
Increase (Decrease) in compensated absences payable	1,048,827	58,141	3,443,436	1,935,663
Increase (Decrease) in net municipal pension balances	50,876	119,877	361,080	139,033
Increase (Decrease) in other post-employment benefit balances	119,775	(109,748)	370,795	332,711
Increase (Decrease) in closure/postclosure liability	1,152,911	-	1,152,911	-
Increase (Decrease) in interfund payables	3,396	-	3,396	2,101,494
Increase (Decrease) in lease deferred inflows	(27,686)	-	(180,297)	(97,352)
Total adjustments	9,005,504	1,266,628	67,542,186	8,662,299
Net cash provided (used) by operating activities	\$ 11,539,513	\$ 454,964	\$ 102,587,580	\$ 1,942,262
NONCASH CAPITAL, INVESTING AND FINANCING ACTIVITIES:				
Decrease in fair value of investments	(57,303)	(4,737)	(545,901)	(46,544)
Capital asset contributions	-	-	37,399,047	30,000
Right-to-use assets acquired through lease and SBITA Liabilities	390,398	-	(220,859)	4,742,073

The notes to the basic financial statements are an integral part of this statement.

(concluded)

CITY OF DENTON, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
TOURISM PUBLIC IMPROVEMENT DIST. FUND
AS OF SEPTEMBER 30, 2025

Exhibit XI

	Tourism Public Improvement District Fund
ASSETS	
Cash, cash equivalents and investments at fair value	\$ 272,817
Receivables:	
Accounts receivable	<u>1,815</u>
Total assets	<u><u>274,632</u></u>
 LIABILITIES	
Total liabilities	<u><u>-</u></u>
 NET POSITION	
Restricted for:	
Other Organizations and Governments	274,632
Total net position	<u><u>\$ 274,632</u></u>

DRAFT

Exhibit XII

CITY OF DENTON, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
TOURISM PUBLIC IMPROVEMENT DIST. FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Tourism Public Improvement District Fund
ADDITIONS	
Assessments Collected	\$ 981,871
Investment revenue	17,049
Total additions	<u>998,920</u>
DEDUCTIONS	
Payments to DTPID	719,506
Administrative Costs	64,160
Total deductions	<u>783,666</u>
Net increase (decrease) in fiduciary net position	<u>215,254</u>
Net position, beginning	59,378
Net position, ending	<u>\$ 274,632</u>

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**CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Denton is a municipal corporation governed by an elected seven-member council consisting of a mayor elected at large and six councilpersons, four representing specific geographical districts and two elected at large. The City receives funding from state and federal government sources and must comply with the requirements of these funding source entities. However, the City is not included in any other governmental “reporting entity,” as defined in pronouncements by the Governmental Accounting Standards Board (GASB), as council members are elected by the public and have decision-making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

The financial statements of the City have been prepared to conform to accounting principles generally accepted (GAAP) in the United States of America as applicable to state and local governments. Generally accepted accounting principles for local governments include principles prescribed by GASB, the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies.

A. Reporting Entity

An elected seven-member council consisting of a mayor and six councilpersons governs the City. As required by accounting principles generally accepted in the United States of America, these financial statements present the City (the primary government) and its component units, which are entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations, and so data from these units are combined with data from the primary government. A discretely presented component unit, on the other hand, is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the City. The City had no component units, discretely presented or blended, at September 30, 2025.

B. Government-wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The reporting focus is either the City as a whole (government-wide financial statements) or major individual funds (within the fund financial statements). The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (public safety, public works, etc.) or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment; (2) grants and contributions that are restricted to meeting operational requirements of a particular function or segment; and (3) grants and contributions that are restricted to meeting the capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The net cost (by function or business-type activity) is normally covered by general revenue (property taxes, sales taxes, franchise fees, interest income, etc.).

Separate fund financial statements are provided for governmental funds and proprietary funds. Major governmental funds and major enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category and for the governmental and enterprise funds combined) for the determination of major funds. Non-major funds are combined in a column in the fund financial statements.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

Internal service funds, which traditionally provide services primarily to other funds of the government, are presented in summary form as part of the proprietary fund financial statements. The financial statements of internal service funds are allocated (based on the percentage of goods or services provided) between the governmental and business-type activities when presented at the government-wide level.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories, as well as the fiduciary funds (by category). Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund-level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized and susceptible to accrual as soon as they are both measurable and available. Revenues are available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Any amounts collected beyond the 60 days are recorded as deferred inflows of resources. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The City reports the following major governmental funds:

The general fund is the City's primary operating fund. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid general operating costs, fixed charges and capital improvement costs that are not paid through other funds.

The debt service fund accounts for the accumulation of financial resources for the payment of principal, interest, and related costs on general long-term debt, paid primarily by taxes levied by the City. On a budgetary basis, the debt service fund also accounts for pass-through debt service payments from the self-supporting proprietary funds.

The capital projects fund accounts for financial resources used for the acquisition or construction of capital other than those recorded in the enterprise funds and internal service funds.

The ARPA fund accounts for the federal resources received by the City from the American Rescue Plan Act of 2021 and used for the programs as outlined by the plan.

Other governmental funds are a summarization of all the non-major governmental funds.

The City reports the following major proprietary funds:

The City utility system is made up of three separate funds as follows:

The electric fund accounts for electrical utility services to the residents and commercial establishments of the City. Activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations, maintenance, finance, and related debt service.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

The water fund accounts for water utility services to the residents and commercial establishments of the City. Activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations, maintenance, finance, and related debt service.

The wastewater fund accounts for sewer and storm water services to the residents and commercial establishments of the City. Activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations, maintenance, finance, and related debt service.

The City provides additional services through the following funds:

The solid waste fund accounts for the provision of solid waste services to the residents of the City. Activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations, maintenance, finance, and related debt service.

The airport fund accounts for the airport services to the public and is funded through operational and gas well revenues. Activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations, maintenance, and finance.

The City additionally reports the following funds:

Internal service funds are used to account for the financing of materials and services provided by one department of the City to other departments of the City on a cost-reimbursement basis.

The materials management fund accounts for the financing of the goods and services of the purchasing department as well as the management and inventory of the City warehouse activities.

The fleet services fund accounts for the financing of goods and services provided by the activities of the City garage and machine shop to other departments.

The health insurance fund accounts for the accumulation of resources for the self-insurance activities of the City for employee medical insurance as well as other employee insurance benefits including long-term disability, short-term disability, and dental and vision insurances.

The risk retention fund accounts for the accumulation of resources for the payment of activities associated with providing general liability insurance coverage and self-funded activities for City departments.

The technology services fund accounts for financing and management of technology equipment, software, and services such as programming, support, training, maintenance, and office services to City departments.

The engineering services fund accounts for providing engineering, real estate, public works inspection, and development review services primarily to City departments although some services are provided to and paid by external entities.

The customer service fund accounts for providing customer service activities to residents and businesses for City departments. Services include bill pay, utility service requests, connect/disconnect services, maintenance of customer accounts, utility billing, operator calls, collections, accounts receivable, and cash handling.

The facilities fund accounts for the maintenance of all city-owned facilities and vertical construction projects.

The environmental services fund accounts for the consolidated environmental-related services provided across the City.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's electric, water, wastewater, solid waste, and airport funds are charges to customers for services. Operating expenses for the enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The City recognizes, as an asset or a liability, the difference between the electric fund's energy cost adjustment (ECA) revenue collected and related costs.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Budgetary Information

The City Council follows these procedures, as prescribed by City Charter, in establishing the budgets reflected in the financial statements:

1. Within the time period required by law, the City Manager submits to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted prior to the adoption of the budget to obtain taxpayer comments.
3. The annual budget adopted by the City Council covers the general fund, non-major special revenue funds (Police Confiscation Fund, Tourist and Convention Fund, Gas Well Revenues Fund, Street Improvement Fund, and the Citizens' Park Trusts), the debt service fund, the enterprise funds, and internal service funds. The budget is legally enacted by the City Council through passage of an ordinance prior to the beginning of the fiscal year. The basic financial statements reflect the legal level of control, (i.e. the level at which expenditures cannot legally exceed the appropriated amount) which is established at the total fund level as approved by City Council.
4. The City Charter provides for the City Manager to transfer any part of the unencumbered appropriation balance or the entire balance thereof between programs or general classifications of expenditures within an office, department, agency, or organizational unit. (The City Council defines an organizational unit as set forth in Article VIII, Section 8.07 of the City Charter, to be a fund that has been appropriated by the City Council.) City Council approval is not required up to the fund level. The Charter also provides that at any time during the year, at the request of the City Manager, City Council may by resolution transfer any part of the unencumbered appropriation balance or the entire balance thereof from one office, department, agency, or organizational unit to another, as well as make any increases in fund appropriations.

Budgets are adopted on a basis for the governmental funds and the budgeted special revenue funds which are generally consistent with generally accepted accounting principles. Budgets for enterprise funds are prepared on the full accrual basis, except certain noncash transactions such as depreciation expense and amortization on debt issuance costs where it is not budgeted, and debt service payments where it is budgeted. Also, during the budgetary process, amounts are included in all fund budgets to recognize administrative transfers between funds for goods or services. These amounts are not included in the reporting of actual activity for the funds. For funds reporting required budget-to-actual comparisons, these administrative transfers are included as adjustments – budgetary basis.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed contracts for goods or services (i.e., purchase orders and contracts). While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances are re-appropriated against the subsequent year's budget, reducing the available appropriations for additional expenditures.

E. Assets, Liabilities and Net Position or Equity

1. Cash, cash equivalents and investments

The City's cash and cash equivalents are cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Investments are carried at fair value, except for the position in local government investment pools. Fair value is determined as the price at which two willing parties would complete an exchange.

The City uses a pooled cash and investment fund to hold and account for all the City's investments. For financial reporting purposes, the investment balances in the pooled fund are allocated back to the individual funds based on their respective share of the pooled total. Interest earned on investments is also allocated back and recorded directly to the individual funds monthly.

2. Receivables

Outstanding balances between funds are reported as "interfund receivables/payables." Any residual balances between governmental activities and business-type activities are reported in the government-wide statements as "internal balances."

Trade, property tax receivables, and municipal court receivables are shown as a net of an allowance for uncollectible accounts. The City accrues amounts for utility services provided in September but not billed by September 30, 2025.

3. Inventories

Inventories of supplies are maintained at the City warehouse for use by all City funds and are accounted for by the consumption method. Cost is determined by using a moving average method. No inventories exist in the governmental fund types.

4. Prepaid items

Certain costs applicable to future accounting periods are recorded as prepaid items. Most of these balances are due to payments into an account for energy settlements in the Electric Fund and health claims in the Employee Insurance Fund.

5. Other Assets

Certain costs applicable to future accounting periods are recorded as other assets. In a prior fiscal year, the City impaired its TMPA prepaid purchase power due to a permanent closure in generation and subsequent sale of the plant. The impaired amount was recorded as an Other Asset (regulatory) that will be fully amortized in FY 2025. See note IV.F. for more information on Other Assets and V.E. Agreement with TMPA for further information regarding TMPA.

6. Restricted assets

Certain proceeds of the City's governmental and proprietary fund general obligation bonds and certificates of obligation, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Assets collected from impact fees are limited by state statute in use and shown as restricted on the balance sheet of the Water and Wastewater funds.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

7. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$15,000 and an estimated useful life more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Infrastructure	20 – 40
General improvements	10
Machinery and equipment	10 – 20
Furniture and office equipment	10
Computer equipment/software	3 – 10
Plant and equipment	5
Underground pipe	40
Water storage rights	50 – 100
Water recreation rights	50
Communication equipment	5
Vehicles	3 – 10
Leases	1 – 100
Subscription-based IT agreement	1 – 5

Renewals and betterments of property and equipment are capitalized, whereas normal repair and maintenance are charged to expense as incurred.

8. Compensated absences

The City allows full-time employees to accumulate unused vacation time without a maximum balance. Upon termination, accumulated vacation time up to 320 hours (480 for civil service fire employees) will be paid to an employee. Generally, sick leave is not paid upon termination except for civil service fire fighters and police officers. Firefighters and police officers accumulate unused sick leave for payout up to a maximum of 1080 hours and 720 hours, respectively. All other employees are paid only upon illness or other valid sick leave uses while employed by the City. Accumulated vacation and sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements but have not been paid this amount at the end of the fiscal year. The General Fund and Other Governmental Funds are used to record any payout expenditures of the governmental funds' employees and related liability, while proprietary fund payouts for their employees are recorded as reductions to the liabilities in those funds.

9. Arbitrage

Arbitrage involves the investment of the proceeds from the sale of tax-exempt bonds in taxable instruments and securities authorized by the Public Funds Investment Act (Texas Government Code, Chapter 2256) that yield a higher rate, resulting in interest revenue in excess of interest costs. Federal tax

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

code requires that these excess earnings be rebated to the federal government. The Capital Projects Fund has been used in prior years to liquidate governmental funds' related liability. A liability was recorded at September 30, 2025, in the amount of \$450,329 for positive arbitrage payments related to the 2020 bond issuance.

10. Pensions

For purposes of measuring the net pension liability, pension-related deferred outflows and inflows of resources, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and the Firemen's Relief and Retirement Fund (FRRF) and additions to/deductions from TMRS's and the FRRF's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS and the FRRF. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. Other post-employment benefits

The City participates in a single-employer, unfunded, defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefit Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year rather than prefunding. Benefit payments are treated as being equal to the City's yearly contribution for retirees. For purposes of measuring the total SDBF OPEB liability, related deferred outflows and inflows of resources, and expense, City specific information about its total SDBF liability and additions to/deductions from the City's total SDBF liability have been determined on the same basis as they are reported by TMRS. The SDBF expense and deferred (inflows)/outflows of resources related to SDBF, primarily result from changes in the components of the total SDBF liability. Most changes in the total SDBF liability will be included in SDBF expense in the period of the change. For example, changes in the total SDBF liability resulting from current-period service cost, interest on the Total OPEB Liability, and changes of benefit terms are required to be included in SDBF expense immediately. Changes in the total SDBF liability that have not been included in SDBF expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to SDBF.

The City provides post-employment medical care (Medical OPEB) for retired employees through a single employer defined benefit medical plan. The plan provides medical benefits for eligible retirees, their spouses, and their dependents through the City's group health insurance plans. By providing retirees with access to the City's healthcare plans based on the same rates it charges to active employees, the City is in effect providing a subsidy to retirees. This implied subsidy exists because, on average, retiree healthcare costs are higher than active employee healthcare costs. By the City not contributing anything toward the plan in advance, the City employs a pay-as-you-go method through paying the higher rate for active employees each year. The City also contributes up to \$200 per month, based on years of service, toward the cost of retiree coverage. As an irrevocable trust has not been established, the plan is not accounted for as a trust fund. For this purpose, plan contributions are recognized in the period that the direct and indirect subsidies are paid by the City. Total OPEB liability, OPEB-related deferred outflows, and inflows of resources, and OPEB expense is based on the actuarial measurement dates.

12. Long-term obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Gain/loss on refunding are reported as deferred outflow/inflow and recognized as a component of interest expense over the remaining life of the old debt or life of the new debt, whichever is shorter.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

13. Fund balance

The City follows GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions”, and in accordance with the statement, the classifications of governmental fund balances are presented as follows:

Nonspendable fund balances – include amounts not in a spendable form or are legally or contractually required to be maintained intact. Examples include inventory or endowments.

Restricted fund balance – include amounts that can be spent only for the specific purposes stipulated by external resource providers, creditors, grantors, and contributors or through enabling legislation.

Committed fund balance – include amounts that can be used only for the specific purposes determined by the City Council through an ordinance and may only be changed or lifted through another ordinance. The ordinance must either adopt or rescind the commitment, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.

Assigned fund balance - comprise amounts intended to be used for specific purposes. Intent can be expressed by the City Council, or per the policy adopted by an ordinance by the City Council, the City Manager or the City Manager’s designee (assistant city manager) may also make an assignment. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed and, at a minimum, is intended for the purpose of that fund.

Unassigned fund balance – is the residual classification of the general fund and includes all amounts not constrained in the other classifications. Unassigned amounts are technically available for any purpose. The General Fund is the only fund to report a positive unassigned fund balance amount. However, other governmental funds may report a negative unassigned fund balance as necessary if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned for those purposes.

When multiple categories of fund balance are available for expenditure and approved for use by the City Council, the City will start with the most restricted category and spend those funds first before moving down to the next category with available funds. Normally this would result in the use of restricted, then committed, then assigned, and lastly, unassigned fund balance.

14. Minimum fund balance policy

It is the goal of the City to achieve and maintain an unassigned fund balance in the General Fund equal to 20% of budgeted expenditures. An additional 5% resiliency reserve (25% combined total) may be maintained to safeguard against unusual financial circumstances or economic downturns.

15. Net position

Net position represents the difference between assets, deferred inflows, deferred outflows, and liabilities. Net investment in capital assets consists of capital assets net of accumulated depreciation and the outstanding balances of any borrowing spent for the acquisition, construction, or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

16. Deferred outflows and inflows of resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to future periods and will not be recognized as an outflow of resources, either expenses or expenditures, until that time. The City reports the following items qualifying for this category:

- Deferred loss on refunding reported in the statements of net position - A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price and is amortized over the shorter of the life of the refunded or refunding debt.
- Deferred pension and OPEB actuarial losses reported in the statement of net position – A deferred charge is recorded for the difference between actual experience and expected experience during the period between two actuarial valuations and is amortized over future periods.
- Deferred pension and other postemployment benefit plan contributions reported in the statement of net position – A deferred charge is recorded for pension contribution amounts paid by the City after the current year’s measurement date (December 2024) and will be fully recognized as a reduction of the respective liability in the next period on the next measurement date (December 2025).
- Deferred pension and other postemployment benefit plan actuarial assumption changes – A deferred charge is recorded for the difference due to assumption changes and amortized over future periods.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to future periods and will not be recognized as an inflow of resources, or revenues, until that time. The City reports the following items qualifying for reporting in this category:

- Deferred gain on refunding reported in the statements of net position - A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price and is amortized over the shorter of the life of the refunded or refunding debt.
- Deferred pension excess earnings reported in the statement of net position – A deferred charge is recorded for the difference between actual investment earnings and expected investment earnings during the period and is amortized over future periods.
- Deferred pension and other postemployment benefit plan actuarial gains reported in the statement of net position – A deferred charge is recorded for the difference between actual experience and expected experience during the period between two actuarial valuations and is amortized over future periods.
- Deferred pension and other postemployment benefit plan actuarial assumption changes – A deferred charge is recorded for the difference due to assumption changes and amortized over future periods.
- Deferred amounts related to leases are reported for leases in which the City is the lessor – A deferred amount recorded to initially offset the total lease receivable recorded at lease commencement and is subsequently amortized as lease revenue over the life of the lease term.
- Deferred unavailable revenues reported on the balance sheet of the governmental funds – A deferred amount is recorded for the billed revenues not yet collected or available. These amounts are deferred and recognized as inflow of resources in the period the amounts become available.

17. Leases

A lease is defined as a contract conveying control of the right to use another entity’s non-financial asset as specified in the contract for a period of greater than one year, in an exchange or exchange-like transaction.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

City as lessee

The City is currently a lessee for noncancelable leases of land, buildings, equipment, or other assets. The City recognized a lease liability and an intangible right-to-use leased asset (lease asset) in the Government-wide and Proprietary Fund financial statements. Reporting includes lease assets with depreciable capital assets and lease liabilities with long-term liabilities. At the commencement of a lease, the City measured the lease liability at the present value of payments expected to be made over the course of the lease term. Subsequently, the lease liability is reduced by the principal portion of the lease payments. The lease asset is measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the remaining lease term. Variable lease payments based on usage of the underlying assets are not included in the lease liability calculations but are recognized as outflows of resources in the period in which obligations are incurred.

Key estimates and judgments related to leases in which the City would be a lessee are as follows:

- The lease term includes the non-cancellable period of the lease. Extension options are included in the lease term unless it is reasonably certain that they will not be exercised.
- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City uses its estimated incremental borrowing rate as the discount rate for leases.
- Leases with payments depending on an index or rate, such as the Consumer Price Index or market rate, are initially measured using the index or rate as of the commencement of the lease term.
- Leases with periodic percentage payment increases or flat rate payment increases specified in the lease terms are included in the measurement of the lease liability.

The City monitors changes in circumstances requiring remeasurement of its leases and will remeasure the lease assets and liabilities if certain changes occur that are expected to significantly affect the amount of the lease liabilities.

City as lessor

The City is a lessor for non-cancelable leases of land, buildings, and equipment. The City recognizes a lease receivable and a deferred inflow of resources in the Government-wide, Governmental, and Proprietary Fund financial statements. At the commencement of a lease, the City measures the lease receivable at the present value of payments expected to be received over the life of the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the lease term.

Key estimates and judgements related to leases in which the City is a lessor are as follows:

- The lease term includes the non-cancellable period of the lease. Extension options are included in the lease term unless it is reasonably certain that they will not be exercised.
- The City uses its incremental borrowing rate as the discount rate for leases.
- Leases with payments depending on an index or rate, such as the Consumer Price Index or market rate, are initially measured using the index or rate as of the commencement of the lease term.
- Leases with periodic percentage payment increases or flat rate payment increases specified in the lease terms are included in the measurement of the lease receivable.

The City monitors changes in circumstances requiring a remeasurement of its leases and will remeasure the lease receivables and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivables.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

18. Subscription-Based Information Technology Agreements (SBITA)

GASB 96 defines a SBITA as a contract that conveys control of the right to use another party's information technology (IT) software, alone or in combination with tangible capital assets, as specified in the contract for a period in an exchange or exchange-like transaction. The City recognizes a subscription liability and an intangible subscription right-of-use asset at the beginning of the subscription term if they have a term exceeding one year and the cumulative future payments on the contract exceed \$100,000 unless the contract is considered a short-term SBITA. A SBITA asset is measured based on the net present value of subscription payments expected to be made during the subscription term, using the incremental borrowing rate, and is amortized using the straight-line method over the shorter of the subscription term or the useful life of the underlying IT assets. Remeasurement of a subscription liability occurs when there is a change in the contract term and/or other changes that are likely to have a significant impact on the subscription liability.

F. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities

An element of that reconciliation states, "Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which proceeds exceeded payments." The details of this \$(44,592,843) difference are as shown on the following page:

Debt issued or incurred:	
Issuance of general obligation debt	\$ (51,660,000)
Issuance of certificates of obligation	(28,770,000)
Principal repayments:	
General obligation debt principal retirement	17,045,000
Certificates of obligation principal retirement	12,695,000
Refunded debt principal	11,390,000
Premium:	
General obligation bond premium	(3,543,112)
Certificates of obligation bond premium	(1,749,731)
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	\$ (44,592,843)

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

Another element of that reconciliation states, "The net effect of various miscellaneous transactions involving capital assets (i.e., subscription-based IT agreements, leases, sales, trade-ins and donations) is to decrease net position." The details of this \$9,243,124 difference are as follows:

Net effect of transactions involving asset retirements/disposals	\$ (1,855,573)
Donations of capital assets increase net position in the statement of activities but do not appear in the governmental funds because they are not financial resources	11,098,697
Net adjustment to increase net changes in fund balances - total governmental funds	<u>\$ 9,243,124</u>

Another element of that reconciliation states, "Certain expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of the \$520,934 difference are as follows:

Change in:	
Net pension liability	\$ 14,290,321
Municipal pension - Deferred	
Contributions	752,887
Economic differences	(1,054,787)
Assumption changes	(31,822)
Actuarial gain/loss	(11,576,924)
Total Municipal pension - Deferred	<u>(11,910,646)</u>
OPEB liability	(1,310,615)
OPEB - Deferred	
Contributions	121,640
Economic differences	368,997
Assumption changes	(129,908)
Total OPEB - Deferred	<u>360,729</u>
Compensated absences	(1,243,048)
Accrued interest	334,193
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 520,934</u>

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Deficit Fund Net Position

The Materials Management, Risk Retention, Engineering Services, Customer Service, Facilities and Environmental Services internal service funds had deficit net positions of (\$255,543), (\$5,728,618), (\$6,466,192), (\$3,524,693), (\$434,994) and (2,767,480), respectively, due to the implementation of GASB Statement No. 68 “Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27” and GASB Statement No.75 “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions” (OPEB) which resulted in an increase in the net pension liability and the total OPEB liability in the prior years during implementation.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

In order to facilitate effective cash management practices, the operating cash of all funds is pooled into a common account for the purpose of increasing income through combined investment activities. At year-end, the City had \$400,097,453 in cash and cash equivalents of which \$8,700 is in petty cash.

The Public Funds Investment Act (Texas Government Code) authorizes the City to invest in obligations of the U.S. Treasury, U.S. agencies, fully collateralized repurchase agreements, public fund investment pools, SEC-registered no-load money market mutual funds, municipal securities of any state rated A or better, certificates of deposit (fully collateralized, insured, and standby letters of credit backed), and commercial paper rated not less than A-1 or P-1 with a stated maturity of no more than 365 days. The City’s investment policy may further restrict those investment options. The investments reported on September 30, 2025, were similar to those held during the fiscal year.

The City reports all investments in the financial statements at fair value. At September 30, 2025, the City’s investments carried a fair value of \$1,079,320,717 of which \$391,568,238 was in a local governmental investment pool which the City classifies in the financial statements as cash equivalents, resulting in \$687,752,479 of investment balances reported in the financial statements.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, Fair Value Measurement and Application establishes an authoritative definition of fair value, sets a framework for measuring fair value, and requires additional disclosures about fair value measurements. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets a government can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included within Level 1, observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is based on the lowest priority level input significant to the entire measurement.

The City invests in State and Local Government Series (SLGS), which are classified in Level 2 of the fair value hierarchy which are valued using significant other observable inputs. The City considers SLGS Level 2 investments, because only government bodies or other entities that issue state or local government bonds may buy SLGS and may only buy SLGS if the proceeds from those state or local government bonds are

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

subject to yield restrictions and arbitrage rebate requirements. There is no fixed maturity rate, and the SLGS rollover daily and remain outstanding until redeemed, in whole or in part.

At September 30, 2025, the City had the following recurring fair value investments:

	<u>Fair Value Measurement Method</u>				Weighted Average Maturity (Days)
	9/30/2025	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Percent of Total Investments	
<u>Investments Measured at Amortization Cost:</u>					
TexSTAR - Investment Pool	\$ 291,568,238	\$ -	\$ -	27.01%	1
TexPool - Investment Pool	\$ 100,000,000	-	-	9.27%	1
<u>Investments by Fair Value Level:</u>					
Debt Securities:					
U.S. Treasury Securities	\$ 463,736,856	-	463,736,856	42.97%	402
U.S. Treasury Securities - Discount	\$ -	-	-	0.00%	135
U.S. Agency Securities	\$ 124,883,050	-	124,883,050	11.57%	418
U.S. Agency Securities - Callable	\$ 44,969,165	-	44,969,165	4.17%	224
Commercial Paper	\$ 49,606,010	-	49,606,010	4.60%	99
Municipal Bonds - Coupon	\$ 4,557,398	-	4,557,398	0.42%	730
Total Investments	<u>1,079,320,717</u>	<u>-</u>	<u>687,752,479</u>		
Total Cash and Investments	<u>\$ 1,079,320,717</u>	<u>\$ -</u>	<u>\$ 687,752,479</u>		
Portfolio Weighted Average Maturity					238

Of the investments recorded at fair value, the U.S. treasuries, the U.S. agency securities, commercial paper, and municipal bonds are valued based upon observable inputs, including but not limited to, model prices for similar assets, benchmark yield curves, and matrix pricing.

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair values due to interest rate fluctuations by limiting the weighted average maturity of its investment portfolio to less than twenty-four months.

Credit risk. The City's investment policy limits investments to obligations of the United States of America and its agencies, investment quality obligations of the State of Texas (including agencies, municipalities, counties, and other political subdivisions) with a rating not less than AA, certificates of deposits and savings deposits (fully insured, collateralized, or standby letter of credit backed), fully collateralized repurchase agreements, local public fund investment pools with a dollar weighted average maturity of 60 days or less, U.S. government money market mutual funds with a dollar weighted average maturity of 60 days or less and a stable net asset value of \$1 for each share, and commercial paper that has a maturity of 270 days or less and a minimum rating of A-1, P-1, or an equivalent rating by at least two nationally recognized rating agencies. The City's investments in TexSTAR and TexPool were rated "AAAm" by Standard & Poor's, the highest rating a local government investment pool can achieve.

Custodial credit risk. This is the risk that in the event of a bank or counterparty failure, the City's deposits may not be returned. The policy states that all bank deposits of City funds shall be secured by pledged collateral with a market value equal to no less than 102 percent of the principal plus accrued interest less an amount insured by FDIC. As of September 30, 2025, the bank balance for deposits was \$7,614,028 and was fully collateralized by the City's third-party custodian, BNY Mellon.

Concentration of Credit Risk. The City's investment policy minimizes the risk of potential loss by diversifying investment types according to the following limitations based on value: U.S. Treasury bills/notes/bonds (100%), U.S. Agencies and Instrumentalities (100%), State of Texas Obligations – including agencies and local governments (15%), local government investment pools (50% in government

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

securities and 15% in prime securities), repurchase agreements (20%), certificates of deposit (35%), savings deposits (15%), U.S. Money Market Mutual Funds (50%), callable U.S. Agencies and Instrumentalities (20%), and commercial paper (20%).

Local Government Investment Pools. During the year, the City invested in two public fund investment pools, TexSTAR and TexPool. The fair value of the position of TexSTAR is measured at net asset value, and the fair value of the position of TexPool is measured at amortized cost. Each pool's governing body is composed of individuals who are employees, officers, or elected officials of participants in the funds or who do not have a business relationship with the fund and are qualified to advise. Investment objective and strategies of the pools are to seek preservation of principal, liquidity and current income through investment in a diversified portfolio of short-term marketable securities. Pools offer same day access to investment funds, which may be redeemed daily. As the redemption period is only one day or less, the City classifies these balances in the financials as cash equivalent. The pools may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, a general banking moratorium, or a national state of emergency affecting the pool's liquidity. The City has no unfunded commitments related to the investment pool.

Cash, cash equivalents and investments, at fair value, are reported together on the financial statements. Investments, at fair value, by fund were as follows:

	General Fund	Debt Service	Capital Projects	Other Governmental Funds
Unrestricted investments	\$ 25,372,657	\$ 1,564,353	\$ 187,472,378	\$ 33,060,565
Change in fair value	86,944	5,362	642,408	113,288
Restricted investments	-	-	-	-
Change in fair value	-	-	-	-
Total	\$ 25,459,601	\$ 1,569,715	\$ 188,114,786	\$ 33,173,853

	Electric	Water	Wastewater	Solid Waste
Unrestricted investments	\$ 53,477,140	\$ 34,552,161	\$ 16,262,111	\$ 12,283,402
Change in fair value	183,250	118,399	55,725	42,092
Restricted investments	56,391,923	109,360,252	113,776,574	23,624,198
Change in fair value	193,238	374,743	389,876	80,953
Total	\$ 110,245,551	\$ 144,405,555	\$ 130,484,286	\$ 36,030,645

	Airport	Internal Service Funds	Total City Investments
Unrestricted investments	\$ 2,076,261	\$ 7,538,959	\$ 373,659,987
Change in fair value	7,115	25,834	1,280,417
Restricted investments	784,173	7,806,706	311,743,826
Change in fair value	2,687	26,752	1,068,249
Total	\$ 2,870,236	\$ 15,398,251	\$ 687,752,479

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

B. Property Tax Revenue

Property taxes attach as an enforceable lien on property as of January 1st. Taxes are levied on October 1st and are due and payable at that time; therefore, the legally enforceable claim arises on October 1st. A receivable is recorded at that time. All unpaid taxes levied October 1st become delinquent February 1st of the following year.

Property taxes at the fund level are recorded as receivables and revenue in the period they become available. Current-year revenues recognized are those Ad valorem taxes collected within the current period or soon enough thereafter to pay current liabilities, which is sixty days after year-end. All other outstanding receivables are adjusted from revenue and recognized as deferred inflows of resources for future collections. Current tax collections for the year ended September 30, 2025, were 99.30% of the tax levy. An allowance is provided for delinquent taxes not expected to be collected in the future.

At September 30, 2025, the City had a tax rate of \$0.58542 per \$100 valuation. Based upon the maximum Ad valorem tax of \$2.50 per \$100 valuation imposed by Texas Constitutional law, the City had a tax rate margin of \$1.91458. Additional revenues up to \$395,154,105 could be raised per year based on the current year's certified assessed value of \$20,639,205,739 before the limit is reached.

On December 7, 2010, the City Council approved a Tax Increment Financing Reinvestment Zone (TIRZ #1) for the purpose of dedicating the increase in tax revenues generated within the TIRZ district for development in the downtown area of the City for a total of 30 years. The tax increment to be paid is 100% of the increment in years 1-5, 95% in years 6-10, 90% in years 11-20, and 85% in years 21-30. In fiscal year 2025, the total assessed value of \$230,565,487 after supplemental adjustments for TIRZ #1 was an increase of \$151,208,633 over the base fiscal year 2011 assessed value and resulted in \$796,685 of property tax revenue recorded in the TIRZ Fund as part of All Other Special Revenue Funds.

On December 18, 2012, the City Council approved a Tax Increment Financing Reinvestment Zone (TIRZ #2) for the purpose of dedicating 40% of the increase in tax revenues generated within the TIRZ district for development in the Westpark Industrial District for a total of 25 years. In fiscal year 2025, the assessed value of \$413,776,211 after supplemental adjustments was an increase of \$413,656,753 over the base fiscal year 2014 assessed value and resulted in \$968,651 of property tax revenue recorded in the TIRZ Fund as part of All Other Special Revenue Funds. Denton County participates in the zone and based on their tax rate and a participation contribution of 40% of the County's tax rate, \$310,853 of property tax revenue was generated for Fiscal Year 2025.

The City created the Rayzor Ranch Public Improvement District No. 1 in 2014 for the undertaking and financing of public improvements authorized by Chapter 372 of the Texas Local Government Code. The project is located on the City's northern sector, east of Interstate 35, and encompasses approximately 229.693 contiguous acres. The estimated costs of the proposed public improvements total \$40 million. The authorized improvement costs will be apportioned 100% to the District. The method of assessment will impose equal shares of the costs of the proposed public improvements on parcels that are similarly benefited. No City property will be assessed, and the City will not be obligated to pay any assessments.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

C. Receivables

Receivables at September 30, 2025, for the City's individual major funds and other funds (non-major funds, internal service funds and fiduciary funds), including the applicable allowances for uncollectible accounts, are as follows:

	General	Debt Service	Capital Projects	ARPA	Other Governmental Funds	Electric
Receivables:						
Taxes	\$ 11,595,072	\$ 836,458	\$ -	\$ -	\$ 410,703	\$ -
Accounts	483,388	-	-	-	-	11,762,842
Accrued interest	267,671	16,503	1,977,744	-	346,958	1,159,066
Unbilled utility service	-	-	-	-	-	14,848,692
Lease	-	-	-	-	-	1,514,548
Other	15,910,765	-	-	-	36,569	4,668,198
Gross receivables	<u>28,256,896</u>	<u>852,961</u>	<u>1,977,744</u>	<u>-</u>	<u>794,230</u>	<u>33,953,346</u>
Less: Allowance for uncollectibles	<u>(13,978,476)</u>	<u>(230,205)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,534,832)</u>
Net Total receivables	<u>\$ 14,278,420</u>	<u>\$ 622,756</u>	<u>\$ 1,977,744</u>	<u>\$ -</u>	<u>\$ 794,230</u>	<u>\$ 32,418,514</u>

	Water	Wastewater	Solid Waste	Airport	Internal Service Funds	Total
Receivables:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,842,233
Accounts	2,753,366	2,339,360	1,844,358	117,978	624,152	19,925,444
Accrued interest	1,518,207	1,371,845	378,808	30,177	161,888	7,228,867
Unbilled utility service	3,062,471	2,630,653	2,265,545	-	-	22,807,361
Lease	-	-	655,104	-	1,017,864	3,187,516
Other	-	-	-	83,453	282,175	20,981,160
Gross receivables	<u>7,334,044</u>	<u>6,341,858</u>	<u>5,143,815</u>	<u>231,608</u>	<u>2,086,079</u>	<u>86,972,581</u>
Less: Allowance for uncollectibles	<u>(397,094)</u>	<u>(271,326)</u>	<u>(147,860)</u>	<u>(19,572)</u>	<u>(52,197)</u>	<u>(16,631,564)</u>
Net Total receivables	<u>\$ 6,936,950</u>	<u>\$ 6,070,532</u>	<u>\$ 4,995,955</u>	<u>\$ 212,036</u>	<u>\$ 2,033,882</u>	<u>\$ 70,341,017</u>

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

D. Capital Assets

Capital asset balances and transactions for the year ended September 30, 2025, are summarized below and on the following page.

	Balance at September 30, 2024	Transfers and Increases	Transfers and Decreases	Balance at September 30, 2025
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 49,344,048	\$ 4,441,555	\$ -	\$ 53,785,603
Construction in progress	353,398,312	112,603,355	(26,968,555)	439,033,112
Total capital assets not being depreciated/amortized	402,742,360	117,044,910	(26,968,555)	492,818,715
Capital assets being depreciated/amortized:				
Buildings	127,133,155	3,047,835	-	130,180,990
Right-to-use lease building	300,845	-	-	300,845
Infrastructure	479,618,584	15,732,752	(225,795)	495,125,541
Machinery, equipment, and other improvements	181,385,720	12,616,449	(3,636,605)	190,365,564
SBITA assets	13,098,184	16,035,502	(6,232,745)	22,900,941
Total capital assets being depreciated/amortized	801,536,488	47,432,538	(10,095,145)	838,873,881
Less accumulated depreciation/amortization for:				
Buildings	42,429,543	3,141,543	-	45,571,086
Right-to-use lease building	131,619	75,212	-	206,831
Infrastructure	250,272,774	17,774,336	-	268,047,110
Machinery, equipment, and other improvements	117,788,582	12,385,587	(2,993,041)	127,181,128
SBITA assets	6,848,879	6,103,772	(1,445,825)	11,506,826
Total accumulated depreciation/amortization	417,471,397	39,480,450	(4,438,866)	452,512,981
Total capital assets, being depreciated/amortized, net	384,065,091	7,952,088	(5,656,279)	386,360,900
Governmental activities capital assets, net	\$ 786,807,451	\$ 124,996,998	\$ (32,624,834)	\$ 879,179,615



(continued)

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

	Balance at September 30, 2024	Transfers and Increases	Transfers and Decreases	Balance at September 30, 2025
Business-type activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 89,923,052	\$ 1,817,495	\$ (165,039)	\$ 91,575,508
Construction in progress	389,889,601	202,665,326	(124,253,340.00)	468,301,587
Total capital assets not being depreciated/amortized	479,812,653	204,482,821	(124,418,379.00)	559,877,095
Capital assets being depreciated/amortized:				
Buildings	40,347,903	-	-	40,347,903
Landfill improvements	32,550,765	-	-	32,550,765
Water rights	69,883,098	-	-	69,883,098
Infrastructure	835,382,293	118,466,803	-	953,849,096
Plant, machinery, equipment, and other improvements	936,252,165	34,146,860	▲(8,592,095.00)	961,806,930
SBITA assets	7,378,150	2,167,004	(2,387,864.00)	7,157,290
Lease Assets	-	-	-	-
Total capital assets being depreciated/amortized	1,921,794,374	154,780,667	(10,979,959.00)	2,065,595,082
Less accumulated depreciation/amortization for:				
Buildings	14,757,008	942,341	-	15,699,349
Landfill improvements	31,851,016	560,825	-	32,411,841
Water rights	24,624,132	695,990	-	25,320,122
Infrastructure	268,397,764	25,051,053	-	293,448,817
Plant, machinery, equipment, and other improvements	343,585,537	32,906,794	(7,180,425)	369,311,906
SBITA assets	2,420,835	1,348,289	(351,457)	3,417,667
Lease Assets	-	-	-	-
Total accumulated depreciation/amortization	685,636,292	61,505,292	(7,531,882.00)	739,609,702
Total capital assets, being depreciated/amortized, net	1,236,158,082	93,275,375	(3,448,077.00)	1,325,985,380
Business-type activities capital assets, net	\$ 1,715,970,735	\$ 297,758,196	\$ (127,866,456.00)	\$ 1,885,862,475

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

Depreciation and amortization expense was charged to activities of funds/functions/programs as follows:

Governmental activities:	
General government	11,618,315
Public Safety	6,061,919
Public Works	12,043,921
Parks & Recreation	3,474,320
Capital assets held by the internal service funds are charged to the various functions based upon usage	6,281,975
Total amortization and depreciation expense - governmental activities	<u>\$ 39,480,450</u>
Business-type activities:	
Electric	\$ 26,025,998
Water	13,592,921
Wastewater	14,290,677
Solid Waste	6,352,429
Airport	1,243,267
Total amortization and depreciation expense - business-type activities	<u>\$ 61,505,292</u>

Construction commitments:

The City has several major construction/capital projects planned or in progress as of September 30, 2025. These projects are evidenced by contractual commitments with contractors and include:

Project	Spent-to-Date	Remaining Commitment
2019 Street Reconstruction - Neighborhood 2 & 6	\$ 59,492,590	\$ 3,727,511
Hickory Creek Road Realignment	29,775,222	27,994,270
Hickory Creek Substation Reconstruction	55,583,140	995,447
Bonnie Brae South Construction	48,519,685	5,160,465
Ray Roberts Water Treatment Plant Performance Upgrade	34,311,823	6,487,588
Pecan Creek Water Reclamation Plant Expansion to 26MGD	12,104,059	28,595,941
Bonnie Brae 2nd Arterial	16,749,928	19,990,920
Underwood Substation	19,459,500	3,926,578
FY 23/24 Transformers	17,762,603	4,818,122
Ray Roberts Water Treatment Plant Expansion 1 & 2	2,436,412	18,601,438
Regional Toll Revenue - McKinney (Formerly FM 426)	17,246,415	1,020,888
Mayhill Denton County Transit Authority Bridge	16,992,240	1,524,991
Loop 288 Property	13,652,440	3,073,722
Fire Station No 6	14,012,306	277,438
Hickory Creek Wastewater Treatment Plant	11,384,620	7,600
Milam Creek Basin Wastewater Line	3,190,691	7,275,790
	<u>\$ 372,673,674</u>	<u>\$ 133,478,709</u>

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

E. Interfund Receivables, Payables and Transfers

A summary of interfund receivables and payables (in thousands) at September 30, 2025, is as follows:

	Interfund Receivables:					
	Governmental Major Funds		Business-Type Major Funds			
	General Fund	Non-Major Governmental Funds	Electric	Water	Wastewater	Total
Interfund Payables:						
Non-Major Governmental Funds	\$ 354	\$ -	\$ -	\$ -	\$ -	\$ 354
Internal Service Funds	1,849	1,286	21,945	2,187	1,223	28,490
Total	\$ 2,203	\$ 1,286	\$ 21,945	\$ 2,187	\$ 1,223	\$ 28,844

The most significant interfund receivables and payables include the following:

<u>Interfund receivables</u>	<u>Interfund payables</u>	<u>Amount</u>
Electric fund	Internal service funds-materials management	\$ 21,945,369
Water fund	Internal service funds-materials management	2,186,986
General fund	Internal service funds-materials management	1,849,737
Non-Major Governmental Funds	Internal service funds-materials management	1,285,663
Wastewater fund	Internal service funds-materials management	1,222,698
General fund	Non-Major Governmental Funds	353,537
	Total:	\$ 28,843,990

The outstanding balances between Electric, Water, Wastewater, and General Fund related to the Materials Management Fund are a result of the cash position in the Materials Management Fund due to inventory purchases. The outstanding balance between the General Fund and the Non-Major Governmental Funds is due to reimbursement timing from outside sources.

Transfers between funds (in thousands) during the year were as follows:

	Transfers Out:										
	Governmental Major Funds			Business-Type Major Funds						Internal Service Funds	Total
	General Fund	Capital Projects Fund	Non-Major Governmental Funds	Electric Fund	Water Fund	Wastewater Fund	Solid Waste	Airport Fund	Internal Service Funds	Total	
Transfers In:											
Governmental Major Funds:											
General Fund	\$ -	\$ -	\$ 8	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8	
Debt Service Fund	-	-	-	-	-	-	-	752	-	752	
Capital Projects Fund	1,561	-	13,133	-	-	-	-	-	160	14,854	
Non-Major Governmental	-	-	-	1,143	565	418	-	-	-	2,126	
Electric Fund	7	-	-	-	165	-	-	-	-	172	
Water Fund	-	37	-	165	-	-	-	-	-	202	
Wastewater Fund	-	-	-	-	588	-	-	-	100	688	
Solid Waste Fund	-	-	79	-	-	-	-	-	78	157	
Internal Service Funds	-	-	-	-	51	12	4	-	-	67	
Total	\$ 1,568	\$ 37	\$ 13,220	\$ 1,308	\$ 1,369	\$ 430	\$ 4	\$ 752	\$ 338	\$ 19,026	

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

The most significant transfers include the following:

<u>Transfers from fund</u>	<u>Transfers to fund</u>	<u>Amount</u>
Non-Major Gov't	Capital Projects	\$ 13,133,291
Business-type Major Funds (Electric, Water, and Wastewater)	Non-Major Gov't – Street Improvement Fund	2,126,082
General Fund	Capital Projects	1,561,001
Business-type Major Funds - Airport	Debt Service Fund	751,656
	Total:	<u>\$ 17,572,030</u>

Transfers from the Non-Major Governmental Fund – Street Improvement Fund and from the General Fund were to fund capital projects such as streets, building renovations, equipment, and park improvements. Transfers from Other-Special Revenue Funds (SRF) were to fund road capital projects. Transfers from the Business-type Major Funds (Electric, Water, and Wastewater) to the Non-Major Governmental Fund – Street Improvement Fund were to fund street maintenance operations in the Street Improvements Fund. Transfers from Business-type Major Funds – Airport to the Debt Service Fund were to pay for Airport-related debt payments previously paid by property taxes.

F. Other Assets

In March 2010, the City issued Combination Tax & Electric Utility System Revenue Refunding Bonds, Series 2010 with a maturity of 15 years for prepaying certain contractual obligations to TMPA. The principal amount of the bonds was \$58,820,000 with a reoffering premium and other bond issuance costs of \$3,835,015 for a total of \$62,655,015. As the proceeds of this debt issuance were placed with Texas Municipal Power Agency (TMPA) and the City received an economic benefit over a period of years, an Other Asset was recorded in the Electric Fund Statement of Net Position in the amount of \$62,655,015. In September 2017, 37.9% of the unamortized balance of these Other Assets were impaired and recorded as a GASB 62 Regulatory Asset when TMPA reduced its power generation operations to seasonal. The remaining balance of the Other Assets were impaired and recorded as a GASB 62 Regulatory Asset in September 2019 upon TMPA's notification to ERCOT of the plan to retire and decommission the Gibbons Creek generation plant. The Regulatory asset is fully amortized as of September 30, 2025. See footnote V.E. for more information on TMPA.

In February 2021, the State of Texas experienced unprecedented freezing temperatures that put pressure on the availability of electric power (the "Weather Event"). Due to the high demand for power during this period and the limited availability of the power, the purchase price for power increased dramatically during this period. These energy price increases resulting in utilities, including the Electric Fund of the City of Denton, needing to access financial reserves to make payment to ERCOT for the power purchased necessary to service their customers. Due to the unparalleled dollar amount of the purchased power, the City of Denton issued \$140 million of commercial paper to provide temporary funding for immediate cash flow needs. In September 2021, the City issued \$141,990,000 of revenue refunding bonds to convert the outstanding commercial paper principal plus interest to debt to be paid over a period of 30 years. The Electric Fund recorded \$140,000,000 of this purchased power expense as a regulatory asset in Other Assets to be amortized over the period of 30 years, starting with fiscal year ending September 30, 2022.

Capitalized Interest-GASB Statement No. 89, "Accounting for Interest Cost incurred before the end of a Construction Period", was implemented in FY 2022 to eliminate interest associated with the construction of capital assets. As these interest costs add to the full capitalized costs associated with the plant and infrastructure assets and provide an economic benefit over a period of years, a regulatory asset was established to continue capitalized interest for the Electric Fund. The regulatory asset recorded additions totaling \$6,792,340 from FY's 2022-2024 and \$4,825,949 in FY 2025 with amortization occurring over the life of related assets to align with the recovery of costs through rates.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

To qualify to utilize GASB 62, the following must apply:

- The regulated business-type activity’s rate for regulated services provided to its customers are established by or are subject to approval of
- an independent, third-party regulator or by its own governing board empowered by statute or contract to establish rates that bind customers.
- The regulated rates are designed to recover the specific regulated business-type activity’s costs of providing the regulated services.

In view of the demand for the regulated services or products and the level of competition, direct and indirect, it is reasonable to assume that rates set at levels that will recover the regulated business-type activity costs can be charged to and collected from customers. This criterion requires consideration of anticipated changes in levels of demand or competition during the recovery period for any capitalized costs.

The City of Denton qualifies to utilize GASB 62 due to:

- State and local statues empower the City of Denton City Council to establish retail rates.
- The City of Denton specific costs are recovered through City of Denton retail rates.

Current and projected customer demand support the recovery of City of Denton cost of service.

	Balance at October 1, 2024	Increases	Amortization	Balance at September 30, 2025	Years Remaining
Regulatory Assets:					
2010 TMPA Obligation	\$ 2,088,510	\$ -	\$ 2,088,510	\$ -	0
2021 Weather Event	126,006,128	-	4,782,575	121,223,553	26
Capitalized Interest	6,500,155	4,825,949	212,936	11,113,168	4-40
Total Other Assets	<u>\$ 134,594,793</u>	<u>\$ 4,825,949</u>	<u>\$ 7,084,021</u>	<u>\$ 132,336,721</u>	

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

G. Long-term Debt

Long-term liabilities transactions for the year ended September 30, 2025, are summarized as follows below and on the following pages:

	Balance at October 1, 2024	Increases	Decreases	Balance at September 30, 2025	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 328,400,000	\$ 51,660,000	\$ 26,665,000	\$ 353,395,000	\$ 18,825,000
Certificates of obligation	193,855,000	31,345,000	15,610,000	209,590,000	16,135,000
Compensated absences payable	19,451,469	12,242,132	8,996,256	22,697,345	12,040,860
Claims and judgement payable	9,201,570	30,356,318	30,161,035	9,396,853	3,004,453
Net pension liability	78,842,512	-	17,272,358	61,570,154	-
Other post employment benefits	34,172,930	1,685,564	-	35,858,494	790,397
Leases liability	173,686	-	78,205	95,481	-
Right-to-use liability	5,277,849	4,559,376	-	9,837,225	4,086,021
Unamortized premium/(discounts)	38,270,941	5,481,031	4,802,741	38,949,231	4,425,002
Total governmental activities long-term liabilities	\$ 707,645,957	\$ 137,329,421	\$ 103,585,595	\$ 741,389,783	\$ 59,306,733
Business-type Activities:					
Revenue bonds	\$ 339,010,000	\$ 10,135,000	\$ 19,075,000	\$ 330,070,000	\$ 20,045,000
General obligation bonds	124,070,000	26,660,000	18,450,000	132,280,000	14,330,000
Certificates of obligation	689,255,000	201,300,000	51,190,000	839,365,000	28,670,000
Compensated absences payable	3,679,955	6,364,439	2,921,003	7,123,391	5,898,580
Net pension liability	31,964,439	-	5,639,928	26,324,511	-
Other post employment benefits	15,626,950	677,100	-	16,304,050	338,501
Notes payable	7,500,000	-	7,500,000	-	-
Right-to-use liability	4,739,302	-	1,585,662	3,153,640	2,647,909
Landfill closure/post-closure	13,145,325	1,152,911	-	14,298,236	-
Unamortized premium/(discounts)	66,772,551	14,256,333	9,207,090	71,821,794	8,528,081
Total business-type activities	1,295,763,522	260,545,783	115,568,683	1,440,740,622	80,458,071
Total long-term liabilities	\$ 2,003,409,479	\$ 397,875,204	\$ 219,154,278	\$ 2,182,130,405	\$ 139,764,804

For Internal Service funds, long-term liabilities are included as part of the above totals for governmental activities. Compensated absences payables and net pension liability balances and payments are based on the assignment of an employee within a fund. Other postemployment benefits are liquidated from the Health Insurance internal service fund with the retiree subsidy amounts paid predominantly by the General Fund. Claims payable represent an estimate of self-insured claims liability outstanding in the Health Insurance and Risk Retention internal service funds as well as one possible litigation payable in the Electric Fund. Subscription-Based IT Arrangements (SBITA) and Lease liabilities represent GASB 96 and GASB 87 entries, respectively.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

General Bonded Debt - General bonded debt at September 30, 2025, is comprised of the following:

General Obligation Bonds and Certificates of Obligation Debt	Interest Rate (%)	Issue Date	Final Maturity	Original Amount of Issue	Gross Principle Outstanding at September 30, 2025
General obligation refunding	2.0 to 3.5	2014	2034	\$ 7,165,000	\$ 2,130,000
General obligation refunding	3.0 to 5.0	2015	2035	36,110,000	6,265,000
General obligation refunding	3.0 to 5.0	2016	2036	27,635,000	14,010,000
General obligation refunding	3.0 to 5.0	2017	2037	27,825,000	11,360,000
General obligation	3.0 to 5.0	2018	2038	19,235,000	14,315,000
General obligation refunding	3.0 to 5.0	2019	2039	18,015,000	14,045,000
General obligation refunding	2.0 to 5.0	2020	2040	27,675,000	21,705,000
General obligation refunding	2.0 to 5.0	2020A	2031	1,415,000	905,000
General obligation	2.0 to 5.0	2021	2041	54,710,000	46,985,000
General obligation	4.0 to 5.0	2022	2042	57,805,000	50,565,000
General obligation	4.0 to 5.0	2023	2043	40,485,000	36,240,000
General obligation	4.0 to 5.0	2024	2044	85,380,000	83,210,000
General obligation	4.0 to 5.0	2025	2045	51,660,000	51,660,000
Total general obligation bonds				\$ 455,115,000	\$ 353,395,000
Certificates of obligation	2.0 to 5.0	2014	2034	\$ 8,635,000	\$ 355,000
Certificates of obligation	2.0 to 5.0	2015	2035	7,420,000	-
Certificates of obligation	3.0 to 5.0	2016	2036	7,190,000	2,325,000
Certificates of obligation	3.0 to 5.0	2017	2037	17,000,000	6,320,000
Certificates of obligation	3.0 to 5.0	2018	2038	9,555,000	4,270,000
Certificates of obligation	3.375 to 5.0	2018	2038	28,170,000	19,595,000
Certificates of obligation	3.0 to 5.0	2019	2039	9,390,000	3,510,000
Certificates of obligation	2.0 to 5.0	2020	2040	24,020,000	17,360,000
Certificates of obligation	2.0 to 5.0	2021	2041	24,735,000	18,670,000
Certificates of obligation	4.0 to 5.0	2022	2044	12,565,000	9,125,000
Certificates of obligation	4.0 to 5.0	2023	2044	31,160,000	27,270,000
Certificates of obligation	4.0 to 5.0	2024	2044	73,270,000	69,445,000
Certificates of obligation	4.0 to 5.0	2025	2045	31,345,000	31,345,000
Total certificates of obligation				284,455,000	209,590,000
Total general bonded debt				\$ 739,570,000	\$ 562,985,000

[These amounts do not include net unamortized premiums/ (discounts) of \$38,949,231 nor net deferred gain/ (loss) on refunding of (\$476,150).]

Proceeds of general obligation bonded debt are restricted to the uses for which they were approved in the bond elections or, in the case of a refunding issuance, to the uses for which the certificates of obligation were originally issued. The City Charter expressly prohibits the use of bond proceeds to fund operating expenses. The general obligations are collateralized by the full faith and credit of the City and, primarily, payable from property taxes.

In August 2025, the City issued \$78,320,000 (\$26,660,000 of which is included as part of business-type activities) in general obligation refunding bonds. Of this amount, \$51,660,000 was issued to pay the costs of bond election capital improvements for streets, parks, and public safety projects in the Capital Projects fund.

In August 2025, the City issued \$232,645,000 (\$201,300,000 of which is included as part of business-type activities) in certificates of obligation. The debt was issued to pay the costs of various capital improvements in the Capital Projects Fund (\$30,145,000), the Electric Fund (\$42,230,000), the Water Fund (\$75,435,000), the Wastewater Fund (\$73,075,000), the Technology Services Fund (\$1,650,000), the Solid Waste Fund (\$10,560,000), and the Fleet Fund (\$925,000).

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

In June 2025, the City issued \$10,135,000 in utility system bonds, all in the Water fund. The debt was issued to acquire, construct, and equip extensions, renovation and improvements to the waterworks system, including the renovation and expansion of the Lake Ray Roberts Treatment Plant.

On September 30, 2025, the City had no general obligation bonds or certificates of obligation considered defeased but still outstanding.

Business-type Revenue Bonds – Revenue bond debt at September 30, 2025, is comprised of the following issues:

Revenue Bonds	Interest Rate (%)	Issue Date	Final Maturity	Original Amount of Issue	Gross Principle Outstanding at September 30, 2025
Utility system	3.25 to 5.0	2017	2037	\$ 214,890,000	\$ 163,165,000
Utility system Refunding	0.27 to 2.7	2021	2051	141,990,000	131,050,000
Utility system	5.27	2024	2028	31,395,000	25,720,000
TWDB	1.99 to 3.54	2025	2050	10,135,000	10,135,000
Total revenue bonds				\$ 398,410,000	\$ 330,070,000

[These amounts do not include net unamortized premiums/ (discounts) of \$12,761,529.]

The revenue bonds are collateralized by the revenue of the Denton utility system funds (System) and the related interest and sinking fund. The ordinance provides that the revenue of the System is to be used first to pay operating and maintenance expenses of the System and second to establish and maintain the revenue bond funds. Any remaining revenues may then be used for any lawful purpose. The ordinance also contains provisions, which among other items restrict the issuance of additional revenue bonds unless certain financial ratios are met. Management believes the City is in compliance with all significant requirements. The interest and sinking fund had a net position balance of \$23,357,305 as of September 30, 2025, and is restricted for debt service. On September 30, 2025, the City had no revenue bonds considered defeased but still outstanding.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

Business-type General Obligation Bonds and Certificates of Obligation – General obligation bonds and certificates of obligation issued for electric, water, wastewater, and solid waste funds at September 30, 2025, is comprised of the following:

General Obligation Bonds and Certificates of Obligation Debt	Interest Rate (%)	Issue Date	Final Maturity	Original Amount of Issue	Gross Principle Outstanding at September 30, 2025
General obligation refunding	3.0 to 5.0	2014A	2025	\$ 27,155,000	\$ -
General obligation refunding	3.0 to 5.0	2015	2035	1,530,000	130,000
General obligation refunding	4.0 to 5.0	2015A	2026	33,945,000	325,000
General obligation refunding	3.0 to 5.0	2016	2028	1,295,000	370,000
General obligation refunding	3.0 to 5.0	2016A	2030	38,425,000	14,365,000
General obligation refunding	3.0 to 5.0	2019	2039	26,325,000	-
General obligation refunding	2.0 to 5.0	2020	2040	34,405,000	15,185,000
General obligation refunding	2.0 to 5.0	2020A	2031	12,735,000	8,120,000
General obligation refunding	4.0 to 5.0	2022	2042	13,480,000	8,315,000
General obligation refunding	4.0 to 5.0	2023	2043	32,140,000	26,560,000
General obligation refunding	4.0 to 5.0	2024	2044	32,250,000	32,250,000
General obligation refunding	4.0 to 5.0	2025	2045	26,660,000	26,660,000
Total general obligation bonds				<u>\$ 280,345,000</u>	<u>\$ 132,280,000</u>
Certificates of obligation	2.0 to 5.0	2014	2044	\$ 80,545,000	\$ 17,750,000
Certificates of obligation	2.0 to 5.0	2015	2045	85,595,000	31,900,000
Certificates of obligation	3.0 to 5.0	2016	2046	76,115,000	54,845,000
Certificates of obligation	3.0 to 5.0	2017	2047	73,800,000	53,260,000
Certificates of obligation	3.375 to 5.0	2018	2028	1,375,000	480,000
Certificates of obligation	3.0 to 5.0	2019	2049	19,365,000	15,770,000
Certificates of obligation	2.0 to 5.0	2020	2050	34,060,000	29,775,000
Certificates of obligation	2.0 to 5.0	2021	2041	72,300,000	64,295,000
Certificates of obligation	4.0 to 5.0	2022	2044	99,590,000	91,975,000
Certificates of obligation	4.0 to 5.0	2023	2044	117,980,000	112,655,000
Certificates of obligation	4.0 to 5.0	2024	2044	169,520,000	165,360,000
Certificates of obligation	4.0 to 5.0	2025	2045	201,300,000	201,300,000
Total certificates of obligation				<u>1,031,545,000</u>	<u>839,365,000</u>
Total business-type G.O./C.O. bonds				<u>\$ 1,311,890,000</u>	<u>\$ 971,645,000</u>

[These amounts do not include net unamortized premiums/ (discounts) of \$59,060,265 nor net deferred gain/ (loss) on refunding of (\$1,393,799)]

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

Schedule of Long-term Debt Maturities

Aggregate maturities of the long-term debt (principal and interest) for the years after September 30, 2025, are shown below:

Governmental Activities:

Fiscal Year	General Obligation		Certificates of Obligation		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 18,825,000	\$ 14,422,481	\$ 16,135,000	\$ 8,887,906	\$ 34,960,000	\$ 23,310,387
2027	19,310,000	13,651,031	15,575,000	8,163,044	34,885,000	21,814,075
2028	18,700,000	12,780,600	14,980,000	7,401,294	33,680,000	20,181,894
2029	18,415,000	11,909,303	13,935,000	6,683,194	32,350,000	18,592,497
2030	19,305,000	11,030,319	12,770,000	6,028,219	32,075,000	17,058,538
2031-2035	104,185,000	42,107,772	57,715,000	22,068,985	161,900,000	64,176,757
2036-2040	98,305,000	21,382,809	49,830,000	10,929,069	148,135,000	32,311,878
2041-2045	56,350,000	4,587,113	28,650,000	2,505,588	85,000,000	7,092,701
2046-2053	-	-	-	-	-	-
Total	\$ 353,395,000	\$ 131,871,428	\$ 209,590,000	\$ 72,667,299	\$ 562,985,000	\$ 204,538,727

Business-Type Activities:

Fiscal Year	General Obligation		Certificates of Obligation		Revenue		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 14,330,000	\$ 6,020,994	\$ 28,670,000	\$ 35,794,565	\$ 20,045,000	\$ 13,111,363	\$ 63,045,000	\$ 54,926,92
2027	16,680,000	5,324,000	26,940,000	34,758,556	20,915,000	12,446,156	64,535,000	52,528,71
2028	16,070,000	4,541,350	27,910,000	33,387,306	21,860,000	11,495,736	65,840,000	49,424,39
2029	15,710,000	3,780,200	28,890,000	31,967,306	22,860,000	10,489,530	67,460,000	46,237,03
2030	16,595,000	3,010,075	29,930,000	30,511,031	16,595,000	9,619,746	63,120,000	43,140,85
2031-2035	43,640,000	6,856,500	167,530,000	129,973,457	94,600,000	36,396,168	305,770,000	173,226,12
2036-2040	9,255,000	960,125	208,500,000	88,686,231	59,715,000	16,883,694	277,470,000	106,530,05
2041-2045	-	-	215,445,000	41,472,497	29,415,000	10,757,919	244,860,000	52,230,41
2046-2050	-	-	68,365,000	13,775,306	34,450,000	5,336,236	102,815,000	19,111,54
2051-2055	-	-	37,185,000	2,967,663	9,615,000	783,564	46,800,000	\$ 3,751,22
Total	\$ 132,280,000	\$ 30,493,244	\$ 839,365,000	\$ 443,293,918	\$ 330,070,000	\$ 127,320,112	\$ 1,301,715,000	\$ 601,107,27

[These amounts do not include net unamortized premiums/ (discounts) of \$110,772,919 nor net deferred gain/ (loss) on refunding of (\$1,869,949).]

Bonds Authorized and Unissued

General obligation bonds authorized but unissued as of September 30, 2025, amounted to \$213,625,000. When issued, the proceeds will be allocated to the applicable street, drainage, public safety, affordable housing, library, and parks projects.

All bonds were issued publicly through negotiated or competitive terms. There is a direct placement of \$10,135,000 through Texas Water Development Board. There is no acceleration of maturity of the bonds in the event of default, and the City has never defaulted on the payment of bonds.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

H. Landfill Closure and Post-Closure Cost

State and federal laws and regulations require the City to place a final cover on its Mayhill Road landfill site upon closure and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only upon anticipated closure, the City reports a portion of these costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. Based on an updated model created by a 2022 engineering study, total landfill closure and post-closure cost as of September 30, 2025, was \$58,239,177. The \$14,298,236 reported as landfill closure and post-closure care liability as of September 30, 2025, is a \$1,152,911 increase from the \$13,145,325 liability reported on September 30, 2024. This liability represents the cumulative amount incurred to date based on the use of 24.55% of the estimated capacity of the entire landfill at September 30, 2025. The change in estimated capacity decreased due to the remaining life increasing from updated Permit 1590B approval in August 2021.

Based on this estimate, the remaining potential estimated liability for closure and post-closure care of the entire landfill \$43,940,941. The City will recognize the remaining estimated cost of closure and post-closure care as the remaining capacity is filled. These amounts are based on what it would cost to perform closure and post-closure care in 2025. Actual cost may fluctuate due to inflation, changes in technology, or changes in regulations. The landfill has a remaining life of 31 years, and the City expects to close the landfill in fiscal year 2056.

The solid waste fund has provided for a reservation and designation of cash and investments of \$16,943,647 at September 30, 2025, and anticipates increasing the reserve in future periods as the closure and post-closure activities are carried out.

I. Leases

The City is a lessor in various non-cancelable leases of land, building, and equipment. During fiscal year 2025, the City recognized \$255,461 in lease revenue and \$50,602 in interest revenue.

As of September 30, 2025, the City's lease receivable balance of \$3,187,515 was comprised of the following:

Governmental Activities

One equipment lease with rents received totaling in \$159,652 during the fiscal year 2025, at an interest rate of .582%, with a remaining lease term of 2 years	159,652
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Four land leases with rents received totaling \$858,211 during the fiscal year 2025, at an interest rate of 1.882% with remaining lease terms of 43 years	858,211
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Business-type Activities

Various land leases with rents received totaling \$141,222 during the fiscal year 2025, at an interest rate of 1.473% to 3.053% to with remaining lease terms ranging from 10 to 45 years	2,169,652
	\$ 3,187,515

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

The lease receivables are expected to be received in subsequent years as follows:

Fiscal Year	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2026	\$ 114,464	\$ 17,556	\$ 176,181	\$ 32,558
2027	67,620	16,966	176,181	30,041
2028	34,160	16,718	176,181	27,477
2029	36,437	16,484	176,181	24,865
2030	36,644	16,220	176,181	22,203
2031-2035	106,562	79,305	859,064	69,683
2036-2040	115,800	76,473	175,603	30,610
2041-2044	506,177	262,215	254,080	19,198
	<u>\$ 1,017,864</u>	<u>\$ 501,937</u>	<u>\$ 2,169,652</u>	<u>\$ 256,635</u>

The City has various aeronautical leasing agreements for land leases (54 agreements, 5 Licenses, 72 buildings) and hangar space (27) at Denton Enterprise Airport. These qualify as regulated leases and are not included in the measurement of lease receivables, in accordance with the requirements of GASB Statement No. 87. The City recognized \$1,001,746 (Land Lease) and \$185,100 (Hangar Lease) in lease revenue during fiscal year 2025 for these leases, which have CPI increases that range from 1-5 years, dependent on the lease terms ranging from 1-30 years, with some leases having additional options that range from 5-20 years. As of October 1, 2025, the minimum payments expected to be received over the next five years is shown in the table below:

Fiscal Year	Amount
2026	\$ 1,231,598
2027	1,262,552
2028	1,344,385
2029	1,377,224
2030	1,418,541
	<u>\$ 6,407,607</u>

Additionally, on January 1, 2023, City of Denton, TX entered a 48-month lease as Lessee for the use of Employee Health Clinic. An initial lease liability was recorded in the amount of \$300,845. As of September 30, 2025, the value of the lease liability is \$95,481. The City of Denton, TX is required to make monthly fixed payments of \$6,018. The lease has an interest rate of 0.2130%. The value of the right to use asset as of September 30, 2025, of \$300,845 with accumulated amortization of \$205,364. The City has one extension option(s), each for 12 months.

J. Subscription-Based Information Technology Agreements (SBITA)

The City entered into SBITA contracts involving various desktop and server software, electronic workflows and document management software along with other departmental specific operations management systems to assist in operations. As of September 30, 2025, all SBITA have fixed, periodic, payments over the subscription periods, which range from 1 to 4 years and expire no later than fiscal year 2029. In addition, some of these agreements are cancelable with 30 or 60-day notice. There are no commitments or

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

outflows of resources related to SBITA that are not yet effective. The short-term portion, due within one year, totals \$4,086,021 for Governmental Funds and \$2,647,909 for Business-type Funds.

The future subscription payments as of September 30, 2025, are as follows:

Fiscal Year	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2026	\$ 4,086,021	\$130,644	\$ 2,647,909	\$ 46,850
2027	1,917,068	130,644	168,577	46,850
2028	1,917,068	130,644	168,577	46,850
2029	1,917,068	130,644	168,577	46,850
	<u>\$ 9,837,225</u>	<u>\$522,576</u>	<u>\$ 3,153,640</u>	<u>\$187,400</u>

V. OTHER INFORMATION

A. Pension Plans

Employee Retirement Plans

The City of Denton participates in two pension plans; Texas Municipal Retirement System (TMRS), an agent multiple-employer, traditional, joint contributory, hybrid, defined benefit pension plan; and the Denton Firemen's Relief and Retirement Fund (FRRF), a single employer, contributory, defined benefit plan. Both plans are described in detail below. Aggregate amounts for the two pension plans are as follows:

	TMRS	FRRF	Total
Pension liability	\$ 726,035,642	\$ 177,904,171	\$ 903,939,813
Pension assets	648,100,639	167,944,509	816,045,148
Net pension liability	\$ 77,935,003	\$ 9,959,662	\$ 87,894,665
Deferred outflows of resources	\$ 30,143,664	\$ 13,428,323	\$ 43,571,987
Deferred inflows of resources	9,074,675	636,846	9,711,521
Pension expense	27,338,796	3,431,009	30,769,805

Texas Municipal Retirement Plan

Plan Description

The City of Denton participates as one of 901 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of the System with a six-member, Governor-appointed board of trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available annual comprehensive financial report obtainable at www.tmr.com. All eligible employees of the city are required to participate in TMRS.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the employee's benefit is calculated based on the sum of the employee's contributions with interest, and the city-financed monetary credits with interest. Employees may choose to receive their

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

retirement benefit in one of seven payment options. Employees may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the employee's deposits and interest.

Upon retirement, the employee's retirement benefits are calculated based on the sum of the employee's contributions, with interest, and the City-financed monetary credits, with interest. City-financed monetary credits are composed of three sources: prior service credits, current service credits, and updated service credits.

- Prior service credit, granted by each city joining TMRS, is a monetary credit equal to the accumulated value of the percentage of prior service credit selected by the City, multiplied by an employee's contributions that would have been made, based on the average salary prior to TMRS participation, for the number of months the employee was employed by the City before joining TMRS, accruing 3% annual interest and including the matching ratio adopted by the City.
- Current Service Credit is a monetary credit for service performed by an employee after the City joined TMRS and is based on a percentage (200%) of the employee's total contributions and interest credits (commonly referred to as the City's matching ratio). Each participating city designates the rate the employee contributions (7% for the City) and interest is credited on contribution balances annually at a guaranteed minimum 5% rate. Any change in the matching ratio would be applied prospectively.
- Updated Service Credits (USC) is an optional monetary credit granted on an annually repeated basis by the City, and it may increase an employee's monthly retirement benefit. In calculating USC, TMRS looks at the changes in the employees' salary over their career and any changes the City has made to its TMRS plan, such as the employee contribution rate or the City's matching ratio. Although USC may increase the employee's retirement benefit, USC does not affect the amount of contributions in an employee's account or the amount an employee will receive if they refund.

The plan provisions also include an annually repeating basis cost of living adjustments for retirees equal to 70% of the change in the consumer price index. If an employee terminates employment and refunds their account, the employee will receive their total contributions, plus credited interest. The employee will not receive any of the city-financed monetary credits. An employee can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after five years.

Employees Covered by Benefit Terms

At the December 31, 2024, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	957
Inactive employees entitled to but not yet receiving benefits	975
Active employees	<u>1,520</u>
Total	3,452

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the City Council. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 18.15% and 18.94% in calendar years 2024 and 2025, respectively. The City's contributions to TMRS for the year ended September 30, 2025, were \$25,761,959 and were equal to the required contributions.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2024, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB (10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the gender-distinct 2021 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate are applied for males and females, respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014, to December 31, 2018. They were adopted in 2019 and first used in December 31, 2019, actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2024 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35%	7.1%
Core Fixed Income	6%	5.0%
Non-Core Fixed Income	6%	6.8%
Hedge Funds	5%	6.4%
Private Equity	13%	8.5%
Private Debt	13%	8.2%
Real Estate	12%	6.7%
Infrastructure	6%	6.0%
Other Private Markets	4%	7.3%
Total	100%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2023	\$ 678,975,184	\$ 583,428,852	\$ 95,546,332
Changes for the year:			
Service cost	25,133,454	-	25,133,454
Interest	45,632,055	-	45,632,055
Change of benefit terms	-	-	-
Difference between expected and actual experience	7,317,890	-	7,317,890
Changes of assumptions	-	-	-
Contributions - employer	-	25,761,959	(25,761,959)
Contributions - employee	-	9,666,319	(9,666,319)
Net investment income	-	60,664,328	(60,664,328)
Benefit payments, including refunds of employee contributions	(31,022,941)	(31,022,941)	-
Administrative expense	-	(388,785)	388,785
Other changes	-	(9,093)	9,093
Net changes	47,060,458	64,671,787	(17,611,329)
Balance at 12/31/2024	\$ 726,035,642	\$ 648,100,639	\$ 77,935,003

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percent-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Current Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 182,263,273	\$ 77,935,003	\$ (7,355,448)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Change in Fiduciary Net Position, by Participating City, separately issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2025, the City recognized pension expense of \$27,338,796. This amount is included as part of personal services expenses.

At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to TMRS pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual investment earnings	\$ -	\$ 6,852,939
Contributions subsequent to the measurement date	19,343,268	-
Differences between expected and actual economic experience	10,800,396	-
Difference in assumption changes	-	2,221,736
Total	<u>\$ 30,143,664</u>	<u>\$ 9,074,675</u>

As reported as deferred outflows of resources, \$19,343,268 is related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the City's fiscal year ending September 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense (income) as follows:

<u>For the Year Ended September 30,</u>	<u>Net Deferred Outflows/Inflows)</u>
2026	\$ 4,683,041
2027	8,712,507
2028	(7,521,397)
2029	(4,148,430)
Total	<u>\$ 1,725,721</u>

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

Denton Firemen's Relief and Retirement Plan

Plan Description

The City contributes to the retirement plan for firefighters in the Denton Fire Department known as the Denton Firemen's Relief and Retirement Fund (the Fund). The Fund is a single employer, contributory, defined benefit plan. The benefit provisions of the Fund are authorized by the Texas Local Fire Fighters' Retirement Act (TLFFRA). TLFFRA provides the authority and procedure to amend benefit provisions. The plan is administered by the Board of Trustees of the Denton Firemen's Relief and Retirement Fund. The City does not have access to nor can it utilize assets within the retirement plan trust. The Fund issues a stand-alone report pursuant to GASB Statement No. 67, which may be obtained by writing the Denton Firemen's Relief and Retirement Fund at P.O. Box 2375, Denton, Texas 76202. See that report for all information about the plan fiduciary net position.

Benefits Provided

Firefighters in the Denton Fire Department are covered by the Denton Firemen's Relief and Retirement Fund which provides service retirement, death, disability, and withdrawal benefits. These benefits are fully vested after 20 years of credited service. Firefighters may retire at age 50 with 20 years of service. A partially vested benefit is provided for firefighters who terminate employment with at least 10 but less than 20 years of service. If a terminated firefighter has a partially vested benefit, the firefighter may retire starting on the date they would have both completed 20 years of service if they had remained a Denton firefighter and attained age 50. The present plan provides a monthly normal service retirement benefit, payable in a Joint and Two-Thirds to Spouse form of annuity, equal to 2.59% of Highest 36-Month Average Salary for each year of service.

A retiring firefighter who is at least age 52 with at least 22 years of service has the option to elect the Retroactive Deferred Retirement Option Plan (RETRO DROP) which will provide a lump sum benefit and a reduced monthly benefit. The reduced monthly benefit is based on the service and Highest 36-Month Average Salary as if the firefighter had terminated employment on their selected RETRO DROP benefit calculation date, which is no earlier than the later of the date the firefighter meets the age 52 and 22 years of service requirements and the date four years prior to the date the firefighter actually retires. Upon retirement, the employee will receive, in addition to the monthly retirement benefit, a lump sum equal to the sum of (1) the amount of monthly contributions the member has made to the Fund after the RETRO DROP benefit calculation date plus (2) the total of the monthly retirement benefits the member would have received between the RETRO DROP benefit calculation date and the date retired under the plan. There are no account balances. The lump sum is calculated at the time of retirement and distributed as soon as administratively possible.

There is no provision for automatic postretirement benefit increases. The Fund has the authority to provide, and has periodically in the past provided, ad hoc post-retirement benefit increases.

Employees Covered by Benefit Terms

In the December 31, 2023, actuarial valuation, the following numbers of members were covered by the Fund:

Inactive employees or beneficiaries currently receiving benefits	96
Inactive employees entitled to but not yet receiving benefits	8
Active employees	236
Total	340

Contributions

The contribution provisions of the Fund are authorized by TLFFRA. TLFFRA provides the authority and procedure to change the amount of contributions determined as a percentage of pay by each firefighter and a percentage of payroll by the City.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

The contribution policy of the Denton Firemen's Relief and Retirement Fund requires contributions equal to 12.6% of pay by the firefighters, the rate elected by the firefighters according to TLFFRA. The City began contributing in December 2017 according to a new City funding policy. The ordinance defining it includes an actuarially determined contribution rate over a closed 25-year amortization period, a contribution rate of 18.5% for several years, a minimum rate standard, and City review and approval of each actuarial valuation. December 31, 2023, actuarial valuation includes the assumption that the City contribution rate will be 18.5% over the unfunded liability amortization period. The costs of administering the plan are paid from the Fund assets. The City's contributions to the Fund for the year ended September 30, 2025, were \$6,136,743.

Ultimately, the funding policy also depends upon the total return of the Fund's assets, which varies from year to year. Investment policy decisions are established and maintained by the board of trustees. For the calendar year ending December 31, 2024, the money-weighted rate of return on pension plan investments was 8.61%. This measurement of the investment performance is net of investment-related expenses, reflecting the effect of the timing of the contributions received and the benefits paid during the year.

While the contribution requirements are not actuarially determined, state law requires that each change in plan benefits adopted by the Fund must first be approved by an eligible actuary, certifying the contribution commitment by the firefighters and the assumed city contribution rate together provide an adequate contribution arrangement. Using the entry age actuarial cost method, the plan's normal cost contribution rate is determined as a percentage of payroll. The excess of the total contribution rate over the normal cost contribution rate is used to amortize the plan's unfunded actuarial accrued liability (UAAL). The number of years needed to amortize the plan's UAAL is actuarially determined using an open, level percentage of payroll method.

Net Pension Liability

The City of Denton's net pension liability was measured as of December 31, 2024, and the total pension liability used to calculate the net pension liability was determined based actuarial valuation as of December 31, 2023, and rolled forward to December 31, 2024.

Total pension liability	\$ 177,904,171
Plan fiduciary net position	<u>167,944,509</u>
City's net pension liability	\$ 9,959,662
 Plan fiduciary net position as a percentage of the total pension liability	 94.4%

Actuarial Assumptions

The total pension liability in December 31, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.00%, plus promotion, step and longevity increases that vary by service
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS-2010 (public safety) total dataset mortality tables employees and for retirees (sex distinct), projected for mortality improvement generationally using the projection scale MP-2019.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

The long-term expected rate of return on pension plan investments is reviewed for each biennial actuarial valuation and was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future net real rates of return by the target asset allocation percentage (currently resulting in 4.96%) and by adding expected inflation (2.5%). In addition, the final 6.75% assumption was selected by rounding down and thereby reflects a reduction of 0.71% for adverse deviation.

The target allocation and expected arithmetic net real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Equities		
Large Cap Domestic	40.0%	6.00%
Small/Mid Cap Domestic	10.0%	6.50%
International Developed	10.0%	6.50%
Alternatives		
Master Limited Partnerships	8.0%	6.50%
Real Estate	15.0%	4.00%
Fixed Income	15.0%	1.00%
Cash	2.0%	0.00%
Total	100.0%	
Weighted Average		4.96%

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. No projection of cash flows was used to determine the discount rate because December 31, 2023, actuarial valuation showed expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in seven years. Because of the seven-year amortization period of the UAAL, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments of 6.75% was applied to all periods of projected benefit payments as the discount rate to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City of Denton, calculated using the discount rate of 6.75%, as well as what the city's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Current Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 32,931,528	\$ 9,959,662	\$ (9,155,259)

Pension Plan Fiduciary Net Position

The plan fiduciary net position reported above is the same as reported by the Fund. Detailed information about the plan fiduciary net position is available in the Fund's separately issued audited financial statements, which are reported using the economic resources measurement focus and the accrual basis of accounting in

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SEPTEMBER 30, 2025

conformity with accounting principles generally accepted in the United States of America. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Investments are reported at fair value, the price that would be recognized to sell an asset in an orderly transaction between market participants at the measurement date.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2024	\$ 167,333,614	\$ 152,072,995	\$ 15,260,619
Changes for the year:			
Service cost	6,063,143	-	6,063,143
Interest	11,469,317	-	11,469,317
Change of benefit terms	-	-	-
Difference between expected and actual experience	-	-	-
Contributions - employer	-	5,846,904	(5,846,904)
Contributions - employee	-	3,889,705	(3,889,705)
Net investment income	-	13,206,709	(13,206,709)
Benefit payments, including refunds of employee contributions	(6,961,903)	(6,961,903)	-
Administrative expense	-	(109,901)	109,901
Net changes	<u>10,570,557</u>	<u>15,871,514</u>	<u>(5,300,957)</u>
Balance at 12/31/2025	<u>\$ 177,904,171</u>	<u>\$ 167,944,509</u>	<u>\$ 9,959,662</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2025, the City recognized a pension expense of \$3,431,009. Amounts recognized in the fiscal year represent changes between the current and prior year measurement dates. On September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to the Fund from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual investment earnings	\$ -	\$ 636,846
Contributions subsequent to the measurement date	4,478,547	-
Differences between expected and actual economic experience	7,682,485	-
Difference in assumption changes	1,267,291	-
Total	<u>\$ 13,428,323</u>	<u>\$ 636,846</u>

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NOTES TO BASIC FINANCIAL STATEMENTS (continued)
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Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$4,478,547 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2025, and the City's fiscal year ending September 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense (income) as follows:

For the Year Ended September 30,	Net Deferred Outflows/(Inflows)
2026	\$ 1,065,863
2027	3,645,280
2028	295,193
2029	734,679
2030	1,048,277
Thereafter	1,523,638
Total	\$ 8,312,930

B. Post-employment Benefits Other than Pensions (OPEB)

The City of Denton provides for two post-employment benefit (OPEB) plans; one provides for post-employment medical care through a single-employer defined benefit medical plan (Medical OPEB), and the other is the Texas Municipal Retirement System Supplemental Death Benefits Fund (TMRS SDBF), a single-employer defined benefit OPEB plan. Both plans are described in detail below.

Aggregate amounts for the two OPEB plans are as follows:

	Medical OPEB	TMRS SDBF	Total
OPEB liability	\$ 46,919,770	\$ 4,113,881	\$ 51,033,651
OPEB assets	-	-	-
Total OPEB liability	\$ 46,919,770	\$ 4,113,881	\$ 51,033,651
Deferred outflows of resources	\$ 6,270,276	\$ 648,252	\$ 6,918,528
Deferred inflows of resources	(11,008,086)	(1,202,444)	(12,210,530)
OPEB expense	3,717,424	183,507	3,900,931

Medical Benefits

Plan Description

The City of Denton provides post-employment medical care (OPEB) for retired employees through a single employer defined benefit medical plan. The plan provides medical benefits for eligible retirees, their spouses, and dependents through the City's group health insurance plans, which covers both active and retired members. The benefits, benefit levels, and contribution rates are recommended annually by the City management as part of the budget process. Any changes in rate subsidies for retirees are approved by the City Council. Since an irrevocable trust has not been established, the plan is not accounted for as a trust fund. The plan does not issue a separate financial report.

Benefits Provided

The City provides post-employment medical, dental, and vision care benefits to its retirees. To be eligible for benefits, an employee must qualify for retirement under the Texas Municipal Retirement System or the Denton Firemen's Relief and Retirement Plan. Retirees must make a one-time irrevocable decision to choose

**CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025**

benefits at the time of retirement, after that their eligibility for the benefits ceases. However, retirees can move between plans and can add and drop dependents based on qualifying events.

All medical care benefits are provided through the City’s self-insured health plan. The benefit levels are the same as those afforded to active employees.

Employees Covered by the Benefit Terms

In the December 31, 2024, actuarial valuation, the following number of employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	247
Active employees	<u>1,689</u>
Total	1,936

Funding Policy

The plan premium rates are recommended annually by City management and approved by the City Council as part of the annual budget. The retiree’s contribution is the full amount of the actuarially determined blended premium rate less a subsidy dependent upon years of service at retirement. By providing retirees with access to the City’s healthcare plans based on the same rates it charges to active employees, the City is in effect providing a subsidy to retirees. This implied subsidy exists because, on average, retiree health care costs are higher than active employee healthcare costs. By not contributing anything toward this plan in advance, the City employs a pay-as-you-go method through paying the higher rate for active employees each year. The City contributes \$40 per month for each five-year increment of service, up to \$200 per month, toward the cost of retiree coverage. The full cost for dental and vision is paid by the retiree. Retirees are required to enroll in Medicare Part B once eligible (age 65) and are moved into a fully insured Medicare Supplement plan at that time. The same City contribution level applies to the supplement.

Medical OPEB Liability

The City’s medical OPEB liability of \$46,919,770 was measured as of December 31, 2024, the same date as the actuarial valuation.

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NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

Actuarial Methods and Assumptions

The medical OPEB liability in the December 31, 2024, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement date, unless otherwise specified.

Significant method and assumptions used for this fiscal year valuation were as follows:

Actuarial Assumptions

Valuation date	December 31, 2023
Actuarial cost method	Individual Entry-Age Normal Method
	4.05% as of December 31, 2022
Discount Rate	3.77% as of December 31, 2023
	4.08% as of December 31, 2024
Inflation rate	2.50% per annum
Projected salary increases	3.60% to 11.85% for TMRS, including inflation 3.00% to 9.18% for Fire, including inflation
Healthcare trend rates	Initial rate of 7.20% declining to an ultimate rate of 4.25% after 15 years
Mortality	<p>TMRS: For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP-2021 table to account for future mortality improvements.</p> <p>Firefighters: The gender-distinct PubS-2010 (safety employees) total data set mortality are used. The rates are projected on a fully generational basis using the projection scale MP-2019.</p>
Participation Rates	65% for employees retiring at age 65 or older; 45% for employees retiring between the ages of 50 and 64; 5% for employees retiring between the ages of 45 and 49; 0% for employees retiring before the age of 45.

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NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

Changes in the Medical OPEB Liability

	<u>Total Medical OPEB Liability</u>
Balance at 12/31/2023	\$ 45,653,463
Changes for the year:	
Service cost	2,882,929
Interest	1,740,446
Difference between expected and actual experience	(105,456)
Changes of assumptions	(1,393,130)
Benefit payments	<u>(1,858,482)</u>
Net changes	1,266,307
Balance at 12/31/2024	<u>\$ 46,919,770</u>

Total OPEB liability as a percentage of covered payroll was 26.86%.

Sensitivity of the Medical OPEB Liability to Changes in the Discount Rate

The following schedule shows the impact of the medical OPEB liability if the discount rate used was 1% less than (3.08%) and 1% greater than (4.08%) the discount rate that was used (5.08%) in measuring the medical OPEB liability:

	1% Decrease <u>(3.08%)</u>	Current Discount Rate <u>(4.08%)</u>	1% Increase <u>(5.08%)</u>
Total medical OPEB liability	\$ 51,619,415	\$ 46,919,770	\$ 42,780,452

Sensitivity of the Medical OPEB Liability to Changes in the Healthcare Cost Trend Rate Assumption

The following schedule shows the impact of the medical OPEB liability if the healthcare trend cost rate used was 1% less or 1% more than the healthcare cost trend rate that was used in measuring the medical OPEB liability:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Total medical OPEB liability	<u>\$ 42,999,140</u>	\$ 46,919,770	<u>\$ 51,543,954</u>

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NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

Medical OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Medical OPEB

For the year ended September 30, 2025, the City recognized medical OPEB expense of \$3,717,424. At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to medical OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 143,622	\$ 2,032,442
Changes in actuarial assumptions	4,606,710	8,975,644
Contributions subsequent to the measurement date	<u>1,519,944</u>	<u>-</u>
Totals	<u>\$ 6,270,276</u>	<u>\$ 11,008,086</u>

Deferred outflows of resources related to OPEB contributions subsequent to the measurement date (\$1,519,944) will be recognized as a reduction of the medical OPEB liability for the City's fiscal year ending September 30, 2026. Other amounts reported as deferred outflows of resources related to the medical OPEB will be recognized in OPEB expense as follows:

<u>Year Ending September 30,</u>	<u>Net Deferred Outflows/(Inflows)</u>
2026	\$ (913,744)
2027	(1,291,494)
2028	(925,126)
2029	(977,147)
2030	(1,319,674)
Thereafter	<u>(992,569)</u>
Total	<u>\$ (6,257,754)</u>

TMRS Supplemental Death Benefit Fund

Plan Description

The City of Denton voluntarily participates in the Texas Municipal Retirement System Supplemental Death Benefits Fund (TMRS SDBF). The SDBF is a defined benefit group-term life insurance Other Postemployment Benefit (OPEB) plan as defined by GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. It is established and administered in accordance with the TMRS Act identically to the City's pension plan.

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NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

Benefits Provided

The SDBF provides group-term life insurance to City employees who are active members in TMRS, including or not including retirees. The City Council opted into this system via an ordinance, and may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1st of any year to be effective the following January 1st.

Payments from this fund are similar to group-term life insurance benefits and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an "other postemployment benefit" (OPEB) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan.

Employees Covered by the Benefit Terms

In the December 31, 2024 actuarial valuation, the following number of employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	732
Inactive employees entitled to but not yet receiving benefits	267
Active employees	<u>1,520</u>
Total	2,519

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. For FY 2024 and FY 2025 the contribution was 0.28% and 0.23% respectively, of which 0.10% represented the retiree-only portion for each year, as a percentage of annual covered payroll. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to ensure that adequate resources are available to meet all the death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. The City's contribution to the SDBF for two years ended September 30, 2025, and 2024 were \$399,190 and \$377,550 respectively, representing contributions for both active and retiree coverage, which equaled the required contribution each year.

Actuarial Methods and Assumptions

The SDBF OPEB liability in the December 31, 2024, actuarial valuation was determined using the following actuarial assumptions:

	<u>12/31/2024</u>
Inflation rate	2.50% per annum
Discount rate	4.08%
Actuarial cost method	Entry Age Normal Method
Projected salary increases	3.60% to 11.85% including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the following:

Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates are projected on a fully generational basis by scale

CITY OF DENTON, TEXAS
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MP-2021 (with immediate convergence) to account for future mortality improvements. For disabled annuitants, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used with a 4-year set forward for males and a 3-year set forward for females. In addition, a 3.5% and 3% minimum mortality rate is applied to reflect the impairment for younger members who became disabled for males and females, respectively. The rates are projected on a fully generational basis by scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor. Administrative expenses for the SDBF are paid through the TMRS Pension Trust Fund and are wholly accounted for under the provisions of GASB Statement No. 68.

The actuarial assumptions used in the December 31, 2024, valuation were based on the results of an actuarial experience study for the period ending December 31, 2022.

Discount Rate

The SDBF program is treated as an unfunded OPEB plan because the SDBF trust covers both actives and retirees, and the assets are not segregated for these groups. As such, a single discount rate of 3.08% was used to measure the SDBF OPEB Liability. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-year Municipal GO AA Index” as of December 31, 2024.

Sensitivity of the SDBF OPEB Liability to Changes in the Discount Rate

The following schedule shows the impact of the SDBF OPEB liability if the discount rate used was 1% less than (4.08%) and 1% greater than (4.08%) the discount rate that was used (5.08%) in measuring the medical OPEB liability:

	1% Decrease (3.08%)	Current Discount Rate (4.08%)	1% Increase (5.08%)
Total SDBF OPEB liability	\$ 4,917,775	\$ 4,113,881	\$ 3,487,733

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources Related to OPEBs

On September 30, 2025, the City reported a liability of \$4,113,881 for its Total SDBF OPEB liability. The total SDBF liability was determined by an actuarial valuation as of December 31, 2024. For the year ended September 30, 2025, the City recognized SDBF OPEB expense of \$183,507. There were no changes of benefit terms that affected measurement of the Total SDBF Liability during the measurement period.

Changes in the SDBF OPEB Liability

	Total SDBF OPEB Liability
Balance at 12/31/2023	\$ 4,146,417
Changes for the year:	
Service cost	179,426
Interest	157,100
Difference between expected and actual experience	(3,170)
Changes of assumptions	(227,872)
Benefit payments	(138,020)
Net changes	(32,536)
Balance at 12/31/2024	\$ 4,113,881

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Total OPEB liability as a percentage of covered payroll was 2.98%.

At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to other SDBF post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 42,184	\$ 58,959
Changes in actuarial assumptions	315,634	1,143,485
Contributions subsequent to the measurement date	290,434	-
Totals	<u>\$ 648,252</u>	<u>\$ 1,202,444</u>

Other amounts reported as deferred outflows of resources related to SDBF OPEB will be recognized in OPEB expense as follows:

Year Ending September 30	Net Deferred Outflows/(Inflows)
2026	\$ (215,156)
2027	(322,718)
2028	(268,453)
2029	(15,787)
2030	(22,512)
Total	<u>\$ (844,626)</u>

C. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. For the calendar years 2024 and 2025 the plan, available to all permanent City employees, permitted them to defer, until future years, up to \$23,000 and \$23,500 respectively. Employees who are age 50 or older may contribute an additional amount of \$7,500, the total not to exceed \$31,000 in 2025. Employees who are within three years of retirement eligibility may elect to participate in a catch-up provision allowed by Section 457, which has an annual maximum contribution amount of \$46,000 in 2024 and \$47,000 in 2025. The withdrawal of deferred compensation funds is only available to employees by loan, termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are, until paid or made available to the employee or other beneficiary, solely the property and rights of the employees. Accordingly, the assets and associated liability of the plan are not included in the City's financial statements.

It is the opinion of the City's legal counsel that the City has no liability for losses under the plan.

D. Self-insurance Plan

The City has established a self-insurance plan for liability and workers' compensation claims in the Risk Retention Fund. Accrued claims payable include provisions for claims reported and claims incurred but not reported. The provision for reported claims is determined by estimating the amount which will ultimately be

CITY OF DENTON, TEXAS
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paid to each claimant. The provision for claims incurred but not yet reported is estimated based on actuarial studies.

It is the policy of the City of Denton not to purchase commercial insurance for workers' compensation claims. Commercial liability insurance coverage is purchased for general liability, aviation ground operations liability, auto liability and physical damage, public officials' liability, professional liability for EMT operations, employment practices liability, law enforcement professional liability, cyber, and commercial crime (employee theft and dishonesty).

Additionally, excess insurance is purchased for general liability, flood (for specific properties), and workers' compensation exposures. The City reports liabilities when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated to meet the deductible for the policy. Liabilities include an amount for claims that have been incurred but not reported. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount.

In January 2008, the City started a self-insured group employee health insurance plan. Claims are paid from the Health Insurance Fund, which has an annually negotiated stop loss provision.

The City's costs associated with the self-insurance plans are interfund transactions. Accordingly, they are treated as operating revenues of the Internal Service Risk Retention Fund and Health Insurance Fund and operating expenditures (expenses) of the other funds and employee payroll deductions.

Claims liabilities are re-evaluated periodically to take into consideration the settlement of claims, new claims, and other factors. As of September 30, 2025, the estimated value of these liabilities was \$9,396,852.

Changes in balances of claims liabilities during fiscal years 2024 and 2025 were as shown as follows:

	Claims Liability Beginning of Fiscal Year	Claims and Change in Estimates	Claim Payments	Claims Liability End of Fiscal Year
Worker's Compensation				
2025	\$3,588,606	\$1,682,200	\$1,082,761	\$4,188,045
2024	\$3,052,113	\$1,656,528	\$1,120,035	\$3,588,606
General Liability				
2025	\$2,265,977	\$ 868,734	\$ 109,011	\$3,025,700
2024	\$1,802,160	\$ 842,957	\$ 379,140	\$2,265,977
Health Insurance				
2025	\$3,346,987	\$27,805,384	\$28,969,263	\$2,183,108
2024	\$3,951,994	\$27,455,602	\$28,060,609	\$3,346,987

On September 30, 2025, the City of Denton had a negative unrestricted net position of \$5,728,618 in the Risk Retention Fund and an additional positive net position of \$791,056 in the Health Insurance Fund for payment of claims, both in addition to the liability balances recorded. There were no significant reductions in insurance coverage from coverage in the prior year, and the amount of settlements did not exceed insurance coverage in the current year or in any of the past three fiscal years.

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E. Commitments and Contingencies

Agreement with TMPA

In 1976, the City, along with the cities of Bryan, Greenville, and Garland, Texas (the Cities) entered into a Power Sales Contract with the Texas Municipal Power Agency (TMPA). TMPA was created through concurrent ordinances of the Cities and is governed by a Board of Directors consisting of eight members, two appointed by the governing body of each city. Under the terms of the agreement, TMPA agreed to construct or acquire electric generating plants to supply energy and power to the Cities for a period of not less than 35 years. The Cities in turn agreed to purchase all future power and energy requirements in excess of the amounts generated by their systems from TMPA at prices intended to cover operating costs and retirement of debt. In the event that revenues were insufficient to cover all costs and retire the outstanding debt, each of the cities guaranteed a portion of the unpaid debt based, generally, upon the pro rata share.

TMPA, a municipal corporation, is governed by a Board of Directors consisting of eight members. The governing body of each of the four Cities appoints two members to the Board. An affirmative vote of five Directors, plus a weighted majority vote based on the respective energy usage of the Cities, is required for major decisions.

The City pays TMPA a pro-rated monthly charge based on the City's contractual portion of TMPA's annual fixed operating costs and debt service payments, which is currently 21.3%. As of September 30, 2025, total TMPA long-term debt outstanding was approximately \$226,534,000, all of which was transmission debt and has no effect on the term of the contract. All outstanding generation debt was paid off on September 1, 2018.

Effective September 1, 2016, TMPA and the Member Cities entered into a Joint Operating Agreement (JOA). In general, the purposes of the JOA include: (i) funding TMPA operations such as mine reclamation, transmission service, and plant decommissioning following expiration of the Power Sales Contract (PSC); (ii) subject to certain exceptions, requiring Member City approval for the issuance of new debt, the execution of certain significant contracts, and the sale of property exceeding \$10 million in value; (iii) specifying provisions for determining how costs of TMPA and proceeds from the sale of assets are to be allocated among the Member Cities; (iv) providing for the establishment by TMPA of reserve funds for the decommissioning of the plant and the indemnification of TMPA Board Members and Member City officials, employees, contractors, and agents; and (v) dividing the operations of TMPA into three business functions (mine, generation, and transmission) and requiring separate budgets and books for each business function.

The PSC provides upon dissolution of TMPA, the assets of TMPA automatically being transferred to the Member Cities, with each Member City receiving an undivided interest in the assets of TMPA in proportion to the amount paid by the Member City to TMPA. The JOA requires TMPA to periodically make this calculation for each business unit and sets out formulas for making these calculations. Under the JOA, these ownership calculations are relevant not only to the allocation of assets upon dissolution of TMPA, but also to the allocation of certain proceeds from the sale of assets, and in some cases, the allocation of TMPA costs.

At the request of a majority of Member Cities, TMPA is required by the JOA to transfer a divided interest in the transmission system to each Member City. Under this partition process, the objective is for each City to receive ownership of transmission facilities in the vicinity of the Member City, and in proportion to the Member City's ownership interest in the transmission business. Any such transfer of transmission assets must be in compliance with relevant bond covenants, including those requiring defeasance of all or a portion of transmission debt.

The JOA included a reclamation plan for the mine, required the development of a decommissioning plan, and set out standards for environmental remediation. TMPA is required to comply with these plans and standards.

Under the JOA, in discharging its contractual obligations, including mine reclamation, decommissioning, transmission service, environmental remediation, indemnification, and other obligations, TMPA is rendering services to the Member Cities. The JOA obligates each Member City to pay the cost of these services, and to collect rates and charges for electric service sufficient to enable it to pay to TMPA all amounts due under the

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JOA for these services. The City's payment obligations under the JOA are payable exclusively from such electric utility revenues and constitute an operating expense of the electric system.

Unless terminated earlier through the mutual consent of all parties, the JOA remains in effect until the dissolution of TMPA and the winding up of its affairs.

Effective September 1, 2016, the JOA was amended (Amendment No. 1). The primary purposes of the amendment were to authorize the sale of Gibbons Creek and the sale of the Southern 345 kV Transmission System and to authorize the issuance of refunding bonds in connection with such sales. As the sale contemplated by Amendment No. 1 did not occur, by its own terms, Amendment No. 1 ceased to have any force or effect. Effective September 22, 2017, the JOA was amended a second time (Amendment No. 2). The purposes of this amendment are to: continue TMPA's authority to issue mine reclamation bonds as had been contemplated in Amendment No. 1; revise the dates on which the separate budgets of the JOA become effective; authorize TMPA to sell certain mining and transmission assets, provided the sales do not exceed in value certain financial thresholds, and provided the sales comply with bond covenants; and allow for an extension to the term of the PSC, applicable only to the cities notifying TMPA of the extension, in order to complete a period of seasonal operation in 2018, or such other period of time as desired by the notifying cities. Pursuant to this provision, the City extended the PSC from September 1, 2018, to September 30, 2018, in order to complete the period of 2018 seasonal operation. As of September 30, 2018, the PSC had expired for all member cities.

On September 17, 2019, the JOA was amended (Amendment No. 3). The amendment defined portions specific to the generation business that had been tied to the expired PSC and clarified all board members may vote on matters involving decommissioning and the sale of the plant. It exempted financial commitments related to bonding from the requirement to obtain approval of all Member Cities relating to certain budget increases. This is to address concerns by the Attorney General of Texas that a potential situation could arise where a Member City could interfere with TMPA's existing bond deposit requirement obligations ("bond reserve equivalent") should that obligation require a 20% increase over the previous year's budget. The amendment also allows for the sale of mine tracts only after the completion of mine reclamation. This would permit the sale of a mine tract subject to bonding provided that the conveyance reserves easements, leases, or other property rights are reserved to enable TMPA to complete reclamation.

On June 28, 2021, the JOA was amended (Amendment No. 4). This amendment modified the agreement to make it unambiguous that in the event that all mining assets are sold, all Member Cities shall remain responsible for the costs of closing the mining operation according to each's percentage share and that these are included: "all obligations are discharged with respect to mine reclamation bonds, surety bonds, banking agreements, letters of credit, and other financial commitments related to providing financial security or assurance for TMPA's mine reclamation responsibilities." Additionally, it modified the agreement by removing the cap on sales of the mining assets and allowed for the sale of the mine as a whole.

Effective September 26, 2017, Gibbons Creek transitioned into a seasonal operations mode, operating during the summer months only (May-September). Due to the significant decline in service utility of the generation assets, such assets were deemed largely impaired as of September 30, 2017. On June 1, 2019, the TMPA Board of Directors voted to permanently retire the generation facility. The City also wholly impaired its TMPA prepaid purchase power due to the retirement which was fully amortized as of March 31, 2025. See note IV.F. for more information.

In 2019, TMPA issued a request for proposal involving only the sale of generation assets. Proposals were received in August 2019, and TMPA entered negotiations with one of the proposers. On December 10, 2020, the TMPA Board of Directors approved a fully negotiated Asset Purchase Agreement (APA) with Gibbons Creek Environmental Redevelopment Group LLC (GCERG). As required by the TMPA Joint Operating Agreement, each TMPA member city was required to approve the APA. On January 26, 2021, the City Council approved of the APA with GCERG. On February 10, 2021, TMPA and GCERG closed on the sale of the Gibbons Creek Steam Generation Plant and property. Through the sale, GCERG acquired 6,200 acres including the plant, CCR (coal combustion residuals) units, and reservoir. GCERG must decommission the

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

plant and remediate all CCR units to TCEQ/EPA standards. GCERG provides independent financial security to TMPA for remediation/decommissioning and post closure activities and certain land use limits imposed on CCR containing parcels. The City's Electric fund had a liability recorded for TMPA's decommissioning obligation of \$21,167,124 as of September 30, 2020. As part of the sale of Gibbons Creek, the City paid \$6,037,368 of this liability in February 2021. The remaining liability of \$15,129,756 was recognized as a gain in other non-operating revenues. This sale to GCERG only includes the generation assets and TMPA retained the approximate 11,000 acres associated with the mine land and all transmission assets.

On July 15, 2021, the TMPA Board of Directors authorized the Gibbons Creek Lignite Mine with approximately 11,000 acres to be sold. The sale finalized in December 2021. The City received its portion of the sale in the amount of \$15,174,089 which was recorded as revenues in the Electric fund for the fiscal year ending September 30, 2022. Following the closing, TMPA will continue to conduct mine reclamation activities pursuant to a reclamation easement that will remain in effect until all bonded areas are released from bond.

Selected financial statement information of TMPA is as follows:

	September 30	
	(Unaudited)	
	2025	2024
	(000s)	(000s)
Operating revenues	\$ 36,392	\$ 36,891
Operating expenses	13,821	15,728
Operating income	22,571	21,163
Other non-operating sources (uses)	1,437	6,664
Current unrestricted assets	22,509	22,509
Total assets and deferred outflows	244,355	225,091
Long-term debt – Noncurrent	218,584	199,737
Total liabilities and deferred inflows	259,124	238,243
Total net position	(14,769)	(13,152)

Financial statements for TMPA are available from the TMPA website www.texasmpa.org.

Power Purchase Agreements

Following is a list of power purchase agreements in effect as of the publication date of these financial statements. The information provided is all that is allowed under the confidentiality provision(s) of the agreements.

Santa Rita Wind - In 2016, the city entered into a 20-year power purchase agreement with Santa Rita Wind, LLC, a subsidiary of Invenergy, LLC. The agreement has been transferred to BHER Santa Rita Investment, LLC, a subsidiary of Berkshire Hathaway Energy Company. Under the agreement, which is scheduled to end April 2038, the city will purchase 150 MW of wind generation and environmental attributes. Commercial operation date was April 1, 2018.

Bluebell Solar Energy - In 2015, the city entered into a 20-year power purchase agreement with Bluebell Solar Energy, LLC, a subsidiary of NextEra Energy, Inc. Under the agreement, which is scheduled to end November 2038, the city will purchase 30 MW of solar energy and environmental attributes. Commercial operation date was November 1, 2018.

Engie Long Draw Solar - In 2018, the city entered into a 15-year power purchase agreement with Engie Long Draw Solar, LLC, a subsidiary of Engie, LLC. Under the agreement, which is scheduled to end June 2035, the city will purchase 75 MW of solar generation and environmental attributes. Commercial operation date was December 29, 2020.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

Bluebell Solar II Energy - In 2018, the city entered into a 15-year power purchase agreement with Bluebell Solar II Energy, LLC, a subsidiary of NextEra Energy, Inc. Under the agreement, which is scheduled to end December 2035, the City will purchase 100 MW of solar generation and environmental attributes. Commercial operation date was December 28, 2020.

Yellow Viking Solar – In 2024, the city entered into a 15-year power purchase agreement with Yellow Viking Development One, LLC, a subsidiary of Osaka Gas USA Corporation. The agreement has been transferred to Lydian Energy. Under the agreement, which is scheduled to end in July 2042, the city will purchase 100 MW of solar generation and environmental attributes. The expected commercial operation date is on or before July 13, 2027.

Blue Summit I Wind - In 2025, the city entered into a 15-year power purchase agreement with Blue Summit I Wind, LLC, a subsidiary of NextEra Energy, Inc. Under the agreement, which is scheduled to end in December 2040, the City will purchase 140 MW of wind generation and environmental attributes. Commercial operation date was November 1, 2025.

Tidwell Prairie IIA - In 2025, the city entered into a 10-year tolling agreement with Tidwell Prairie IIA, LLC, a subsidiary of Jupiter Power, LLC. Under the agreement, which is scheduled to end June 2036, the City will purchase energy storage services from a 100 MW 2-hour battery generator. The expected commercial operation date is on or before June 1, 2026.

Encumbrances

As discussed in note I.D., Budgetary information, encumbrances are utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the total amount encumbered in governmental funds expected to be honored upon performance by the vendor in the next year were as follows:

General Fund	\$ 8,307,642
Capital Projects Fund	\$ 17,402,788
ARPA Fund	\$ 1,304,486
Nonmajor Governmental Funds	<u>\$ 44,445,040</u>
Total	<u>\$ 71,459,956</u>

F. Tax Abatements

The City enters into economic development incentive agreements with entities to promote development and redevelopment within the City, stimulate commercial activity, generate additional sales tax, and enhance the property tax base and economic vitality of the City. Some agreements provide for an abatement of property taxes, while others provide for a rebate of a portion of sales and use tax or a portion of ad valorem (property) tax, as established per the agreements. The incentives are performance-based, and the City generally expects to receive increased revenue because of the agreements. These incentive agreements require approval by a City Council ordinance and are authorized under Chapter 312 (Property Redevelopment and Tax Abatement Act) of the Texas Tax Code and Chapter 380 of the Texas Local Government Code.

Property Tax Abatements

Tax abatements under Chapter 312 of the Texas Tax Code allow the City to designate tax reinvestment zones and negotiate tax abatement agreements with applicants. In 1990, the City Council adopted a resolution setting guidelines and criteria for granting abatements in the reinvestment zones which specifically notes incentives are limited to companies which create new wealth and do not adversely affect existing businesses operating within the City. The City is required to renew/adopt a Tax Abatement Policy every two years in accordance with Chapter 312 of the Texas Tax Code. The last policy was adopted in May of 2024. The abatement agreements authorize the appraisal districts to reduce the assessed value of the taxpayer's property by a percentage specified in the agreement, and the taxpayer will pay taxes on the lower assessed value during the

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

term of the agreement. For the fiscal year ending September 30, 2025, the City abated property taxes totaling \$204,605 under this program, as detailed in the following agreements:

- Peterbilt – In 2016, a 70% tax abatement agreement for a term of eight years was granted to Peterbilt Motors on new capital investments, including the construction of a new stand-alone 102,000 square foot building. In the event of a failure to meet the conditions of the agreement, an increased assessed value of real property of at least \$18.5 million, the agreement provides for a full refund of all abatements previously granted plus interest. Peterbilt met the \$18,500,000 required threshold for tax year 2024. The abatement amounted to \$153,747. This is the final year of the abatement.
- West Gate Business Park (WGBP) – In 2016, a 60% tax abatement agreement for a term of ten years was granted to WGBP on new capital investments only to include Buildings 2 and 3 in the business park. WGBP could receive an additional 10% abatement for the location of a supplier to an existing primary industry and/or an additional 5% for the location of a national headquarters for a total abatement of up to 75%. In the event of a failure to meet the conditions of the agreement, an increased assessed value of real property of at least \$3 million, the agreement provides for a full refund of all abatements previously granted plus interest. The abatement amount for the current fiscal year was \$50,858.

The City has an additional abatement agreement not listed above for Tyson Sales and Distribution. The grantee has contracted their expansions in the current economic climate and did not meet the timely completion requirements in the Agreement for the construction of the facility. The Agreement was terminated.

Chapter 380 Agreements

The City Council has the authority under Chapter 380 of the Texas Local Government Code to grant or loan City funds to accomplish specific economic development goals. These incentives are considered on a case-by-case basis. The City has Strategic Growth Areas organized by the North American Industry Classification System (NAICS) codes and internal target industry sectors for recruitment that will be given priority consideration. Consideration may also be given for projects causing infill redevelopment or other desirable development objectives and/or any other activity which the City Council determines meets a specific public purpose for economic development.

Thirteen agreements are based on the contribution in sales, property (including TIRZ), and/or hotel tax. For the fiscal year ending September 30, 2025, the City rebated sales taxes totaling \$4,023,146, property taxes totaling \$772,271 (\$219,614 of which was paid out of the Westpark TIRZ No. Two), and hotel occupancy taxes totaling \$773,921.

Two active agreements are based on Job-based and Expansion/Relocation/Headquarter grants. For the fiscal year that ended September 30, 2025, the City provided cash grant reimbursements for Job-based grants for Expansion/relocation Grants in the amount of \$54,711 this fiscal year as detailed in the following agreements:

- Unicorn Lake – In 2004, an agreement was approved for Unicorn Lake, an urban-style mixed-use development. The grantee receives one-third of the City sales tax, or 0.5%, generated by the project for a maximum of fifteen years as reimbursement for public improvement costs related to the project not to exceed \$6,664,901 plus accrued interest. The tax rebates initiated in 2010 and terminated in 2025. The tax rebate amount for the current fiscal year was \$12,638. This is the final payment under the agreement.
- Rayzor Ranch – In 2007, an agreement was approved for the Rayzor Ranch mixed-use development. The 410-acre project will have over one million square feet of retail and will be built in two phases. The agreement provides a sales tax reimbursement of one half of the City sales tax, or 0.75%, generated by the project for public improvement costs, which includes the widening of a state highway bisecting the project. The grantee will receive a maximum of \$20 million over a 15-year term for phase

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

one and a maximum of \$48 million over a term of 20 years for phase two. An additional 15% of the City sales tax, or 0.225%, was added to both phases to offset the hotel and convention center costs until \$5 million is reached. In the current fiscal year, the tax rebate amount for phase one was \$1,989,950, and the tax rebate amount for phase two was \$1,553,616.

- Golden Triangle Mall – In 2011, an agreement was approved for a major renovation of the Golden Triangle Mall. A threshold of a minimum \$45 to \$65 million was required as an investment into the property to receive a one-half share of the sales tax resulting from the renovations, less a monthly mall baseline amount established at \$95,898. The total grant payments may not exceed 15.83% of the required investment. GTM Development has invested \$49.5 million in the development. Tenant investments in the property amounted to \$8.8 million, for a total investment of \$58.3 million. Based on this total investment the total grant payment should not exceed \$9.2 million. The tax rebates initiated in 2016 and will terminate in 2035. The tax rebate amount for the current fiscal year was \$19,648.
- West Gate Business Park (WGBP) – In 2015, an agreement was approved for West Gate Business Park (WGBP) for industrial development and provided for a 70% rebate of increased City property tax revenue generated for a period of ten years. WGBP includes three multi-tenant buildings totaling 413,000 square feet of new industrial/manufacturing space in the City. In 2016 the agreement was amended to include a 70% rebate on Building 1 improvements and to add a one-time grant payment in the amount of \$50,000. The tax rebate amount for the current fiscal year was \$58,354.
- WinCo Foods – In 2015, an agreement was approved for WinCo Foods for a \$135 million, 800,000 square foot distribution facility expected to create 165 jobs with an annual payroll of around \$7.2 million. In the event of a failure to meet the conditions of the agreement, the agreement provides for a 20-50% refund of all rebates previously granted, depending on the timing of a failure. WinCo received reimbursement for infrastructure financing from Water and Wastewater funds and a local sale and use tax grant for the construction and equipping of the facility in prior fiscal years, completing those portions of the agreement. The active portion of the agreement provides for the following:
 - A grant equal to 100% of the incremental property tax generated by the property and paid into the Tax Increment Fund by both the City and the County, paid annually until the full reimbursement of the project costs for public improvements is reached. The tax rebate amount out of the Westpark TIRZ No. Two for the current fiscal year was \$219,614 with \$166,259 being the City portion of the tax rebate and \$53,355 being the County portion of the tax rebate.
 - A grant equal to 60% of City property taxes attributable to improvements resulting in an increase of assessed value of real property improvements and tangible personal property, paid annually until full reimbursement of the project costs for public improvements is reached. Once this full reimbursement is reached, the 60% property tax rebate will continue for a period of four years as long as the increase in investment in improvements is \$50 million excluding purchase price of the property. The tax rebate amount for the current fiscal year was \$245,982.
- O'Reilly Hotel Partners Denton – In 2015, an agreement was approved for O'Reilly Hotel Partners Denton for a convention center with a hotel and restaurant located in the Rayzor Ranch Town Center. The agreement includes a 100% rebate of the property tax (excluding land, inventory, vehicles, and supplies), hotel occupancy tax, and sales tax generated by the project. The term is for a maximum of 25 years or a combined principal (\$28 million) and interest (\$26 million) amount of \$54 million is reached, whichever comes first. The agreement also includes 100% rebate of the construction sales

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

tax up to \$850,000, then 50% thereafter. The construction sales tax rebate portion of the agreement was completed in fiscal year 2017-2018. In the event of a failure to meet the conditions of the agreement, the agreement provides for a 100% refund of all rebates granted in the previous year. The sales tax, property tax, and hotel occupancy tax rebate amounts for the current fiscal year were \$59,208, \$248,321, and \$773,921, respectively.

- Buc-ee's Travel Center – In 2015, an agreement was approved for Buc-ee's Travel Center. The agreement provides for a sales tax reimbursement of one half of the City sales tax, or 0.75%, generated from businesses located within the property boundaries for a five-year period. At the conclusion of the sales tax reimbursement term, the City has agreed to a one-time cash grant payment of \$2 million minus the total sales tax previously reimbursed, only if the grantee has not received a full \$2 million in sales tax reimbursements. In addition, at the conclusion of the sales tax reimbursement term, the agreement provides a sales tax reimbursement infrastructure grant of one half of the City sales tax, or 0.75%, generated by the Buc-ee's Travel Center and developed outparcels that contain sit-down restaurants or retail establishments for a period of twenty years. The City has also agreed to pay the grantee one quarter of the City sales tax, or 0.375%, generated by outparcels not included in the previously mentioned infrastructure grant, including fast food restaurants and drive-through uses. The tax rebate amount for the current fiscal year was \$378,072.
- TeamOfDefenders– In 2020 an agreement was approved for TeamOfDefenders. The agreement consists of a performance-based five-year expansion grant up to \$50,000 to be provided as a reimbursement of actual costs. In addition, the company was awarded a stratified Job-based grant based on annual wages of new employees, not to exceed \$29,500. They were awarded an additional \$500 residency bonus for new employees, not to exceed \$27,000. The total incentive package is not to exceed \$106,500. The Job-based grant initiated in 2020. Two jobs were added but will not be reimbursed until the following fiscal year. The final Expansion Grant payment in the amount of \$4,711 was paid in the current fiscal year.
- Safran– In 2021 an agreement was approved for Safran. The agreement consists of a performance-based five-year expansion grant up to \$50,000 to be provided as a reimbursement of actual costs. In addition, the company was awarded a stratified Job-based grant based on annual wages of new employees, not to exceed \$101,500. They were awarded an additional \$300 residency grant for new resident employees and \$700 bonus for new established resident employees, not to exceed \$23,625. The total incentive package is not to exceed \$175,125. No payments were made this fiscal year.
- Southwire Company, LLC-In 2024 an agreement was approved for Southwire. The company is North America's leading manufacturer of wire and cable used in the distribution and transmission of electricity. Southwire was awarded a 10-year performance-based Chapter 380 agreement for a 50% incremental rebate incentive, total not to exceed \$1,955,100, for a 100,000 square foot expansion of their current facility. The company is leveraging \$85.4 million dollars over the next three years and anticipates an increase in valuation of over \$69 million in expansion and modernization efforts. A total of 95-net new jobs will be added at the campus in Denton.
- Fine Arts Theater of Denton, LLC- In 2024 an agreement was approved for Fine Arts Theater of Denton for the rehabilitation and renovation of the 1934 historic Fine Arts Theater that is located on the Denton Downtown Square. The theater's functionality extends beyond film screenings and is envisioned as a multi-use venue, capable of hosting film festivals, concerts, live performances, and private event rentals. The theatre renovation represents a capital investment of \$9.1 million. Two Downtown Tax Increment Reinvestment Zone (TIRZ) No. One grants were approved for a total of \$1.6 million. TIRZ Grant 1 includes a total of \$1,076,366 to pay down the construction loan principal to the required amount for the bank loan. TIRZ Grant 2 is an annual operation grant of \$544,503 for

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

shortfall between net profit and debt service. Fifteen jobs will be created by the project. The theater is expected to open in April 2026.

- Enginotech- In 2024, a global plastic injection manufacturer based in India, selected Denton for their North America Headquarters. Since identifying their new headquarters' location, they have doubled their footprint by developing three new products and obtaining multiple contracts. The Denton location will provide parts to PACCAR (Peterbilt and Kenworth) in Canada, Denton, and Mexico. The company was awarded a five-year 50% rebate of business personal property estimated at \$79,545 and a one-time Headquarters Grant in the amount of \$50,000. In addition, the company was awarded a stratified job-based grant not to exceed \$194,000 and a Residency Grant, not to exceed \$16,000. An Expansion Grant payment in the amount of \$50,000 was paid in the current fiscal year, which completes the Expansion Grant.
- Bloomfield Homes, LP- In 2024, An agreement was awarded to Bloomfield homes for a a ten-year 33% sales and use tax rebate for construction of homes at the Glenwood Meadows and Country Lakes additions. The sales tax rebate amounted to \$10,014 this fiscal year.
- United States Cold Storage (USCS)- In 2025, an agreement was approved for a performance-based ad valorem tax rebate at 60% for 8 years and a sales tax rebate at 75% for the construction and equipping of the facility. USCS currently maintains a cold storage facility in Denton. The company plans on adding on a second phase to its existing refrigerated warehouse facility and estimate that their investment in new building, machinery, and equipment will create approximately \$35 million in new ad-valorem value in Denton. The project involves plans to create 172 jobs with a weighted average salary of \$57,164.
- Mayday Manufacturing Company- In 2025, an agreement was awarded for a performance-based incremental ad-valorem tax rebate at 60% for 10 years for business expansion and an Expansion Grant in the amount of \$25,000. The company currently maintains a manufacturing facility in Denton and employs approximately 400. Mayday plans to expand its existing facility and estimates that its investment in the building, machinery, and equipment will generate \$14.5 million in new capital investment. The project involves plans to create 50 new jobs with an average salary of \$54,020.
- Panel Rey/PR Gypsum- In 2025, an agreement was approved for a five-year performance-based ad valorem tax rebate at 60% estimated at \$170,357 and a one-time Relocation Grant in the amount of \$50,000. In addition, the company was awarded a stratified job-based grant not to exceed \$16,500. This is the first manufacturing expansion into the United States for a company that produces joint compound used in the construction of residential and commercial projects. Panel Rey is seeking to purchase an existing 60,000 square foot building as Phase I of their U.S. expansion. The company's planned investment in the building, machinery, and equipment will be approximately \$15 million. The project involves plans to create 20 jobs with a weighted salary of \$72,733.

The City approved one Chapter 380 sales tax rebate, a Remediation Grant and a job-based grant, as well as one tax abatement agreement that will come online in future fiscal years. Novartis Gene Therapies was awarded both a Chapter 380 and a tax abatement agreement. From the Future did not expand and has not come online. Currently, the City is in the process of terminating the Agreement with DynaGrid, as the company did not locate their principal place of business within the corporate limits of the City of Denton, as required per the Agreement.

G. Litigation

Various claims and lawsuits are pending against the City. In accordance with GAAP, those judgments considered "probable" are accrued, while those claims and judgments considered "reasonably possible" are disclosed but not accrued. In the opinion of City management and legal counsel, the maximum amount of all significant claims considered reasonably possible, excluding condemnation proceedings is approximately \$500,000 as of September 30, 2025. Potential losses after insurance coverage on all probable claims and lawsuits will not have a material effect on the City's financial position as of September 30, 2025.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

H. Subsequent Events

The City has evaluated all events or transactions that occurred after September 30, 2025, up through the date the financial statements were issued.

The Water Utilities Department applied for and received approval for \$195,845,000 in funding from the Texas Water Development Board (TWDB) State Water Implementation Fund for Texas (SWIFT) program. In December 2025, the City received \$11,235,000 which relates to the latest issuance out of the 5-year financing plan.

I. New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) issued the following statement which became effective for the fiscal year ending September 30, 2025.

Statement No. 101 “*Compensated Absences*” - The City of Denton implemented GASB Statement No. 101, Compensated Absences, in fiscal year 2025. The Statement provides updated recognition and measurement guidance for unused leave and for leave that has been used but not yet paid. Under the standard, a liability is recognized when leave is attributable to past service, accumulates, and is more likely than not to be used or paid. The adoption of GASB 101 represents a change in accounting principle; however, its implementation did not result in a material impact on the City's financial statements. As of fiscal year-end, the City's compensated absences liability totaled \$29,820,736, of which \$17,939,440 is current (due within one year) and \$11,881,296 is noncurrent.

Statement No. 102 “*Certain Risk Disclosures*” - The City implemented Governmental Accounting Standards Board (GASB) Statement No. 102, Certain Risk Disclosures, for the fiscal year ended September 30, 2025. This Statement requires governments to evaluate whether certain concentrations or constraints exist that make the government vulnerable to the risk of a substantial impact and to disclose information about those risks if certain criteria are met. Concentration is defined as a lack of diversity related to a significant inflow or outflow of resources, while a constraint is a limitation imposed by external parties or by formal action of the City's highest level of decision-making authority. The Statement further requires an evaluation of whether events associated with such concentrations or constraints have occurred, have begun to occur, or are more likely than not to occur within 12 months of the issuance of the financial statements. After implementing GASB Statement No. 102, the City determined that no concentrations or constraints met the criteria for disclosure as of the issuance date of these financial statements. The implementation of this Statement did not have a material impact on the City's financial position or results of operations.

The following statements for the GASB are effective for future fiscal years ending as listed below. The City is in the process of reviewing and evaluating these statements and their potential impact on the City's financial statements.

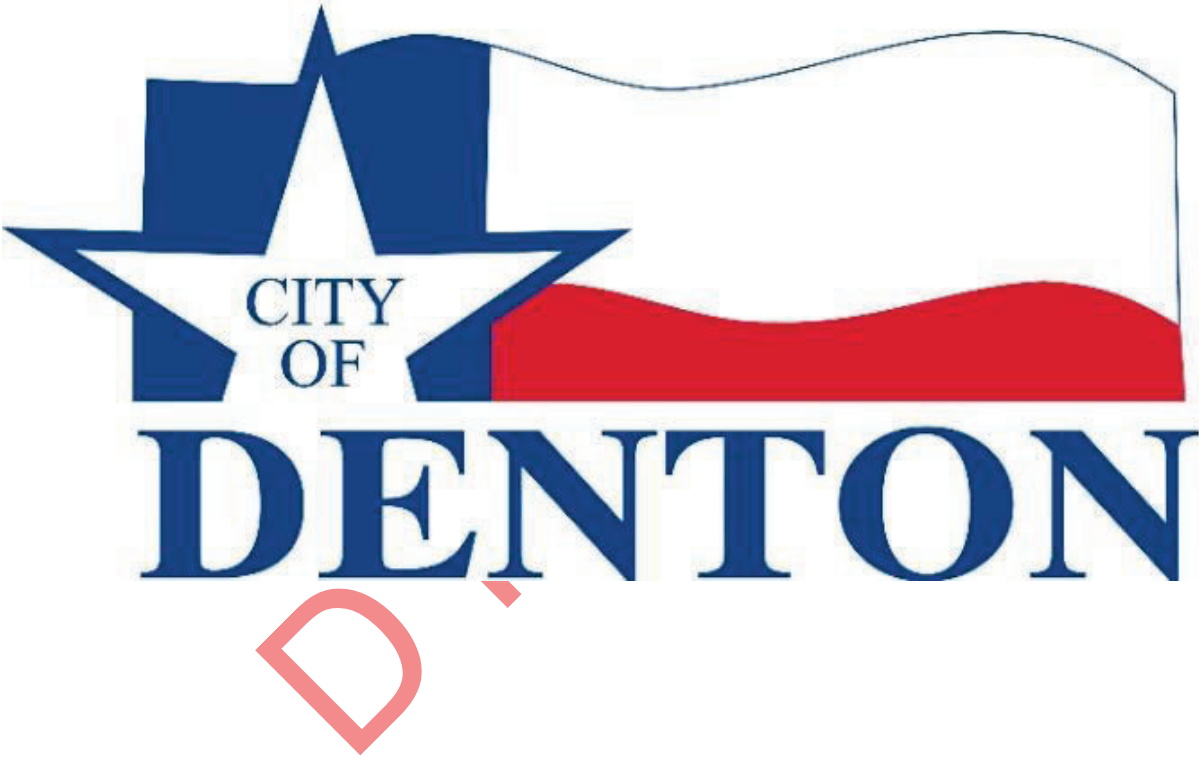
Statement No. 103 “*Financial Reporting Model Improvements*” - will improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The Statement also addresses certain application issues. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.

Statement No. 104 “*Disclosure of Certain Capital Assets*” - will provide users of government financial statements with essential information about certain types of capital assets to be disclosed separately in the capital assets note disclosures, such as lease and subscription assets. The Statement also requires additional disclosures for capital assets held for sale. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

Statement No. 105 “*Subsequent Events*” - will improve financial reporting practices related to subsequent events by promoting consistency in their application and better meeting the information needs of financial statement users. It defines subsequent events as transactions or occurrences that happen after the financial statement date but before the statements are available for issuance, which is when they are complete under GAAP and all necessary approvals have been obtained. The requirements of this Statement are effective for fiscal years beginning after June 15, 2026.

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CITY OF DENTON, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 TEXAS MUNICIPAL RETIREMENT SYSTEM
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
 LAST TEN FISCAL YEARS

Exhibit XIII

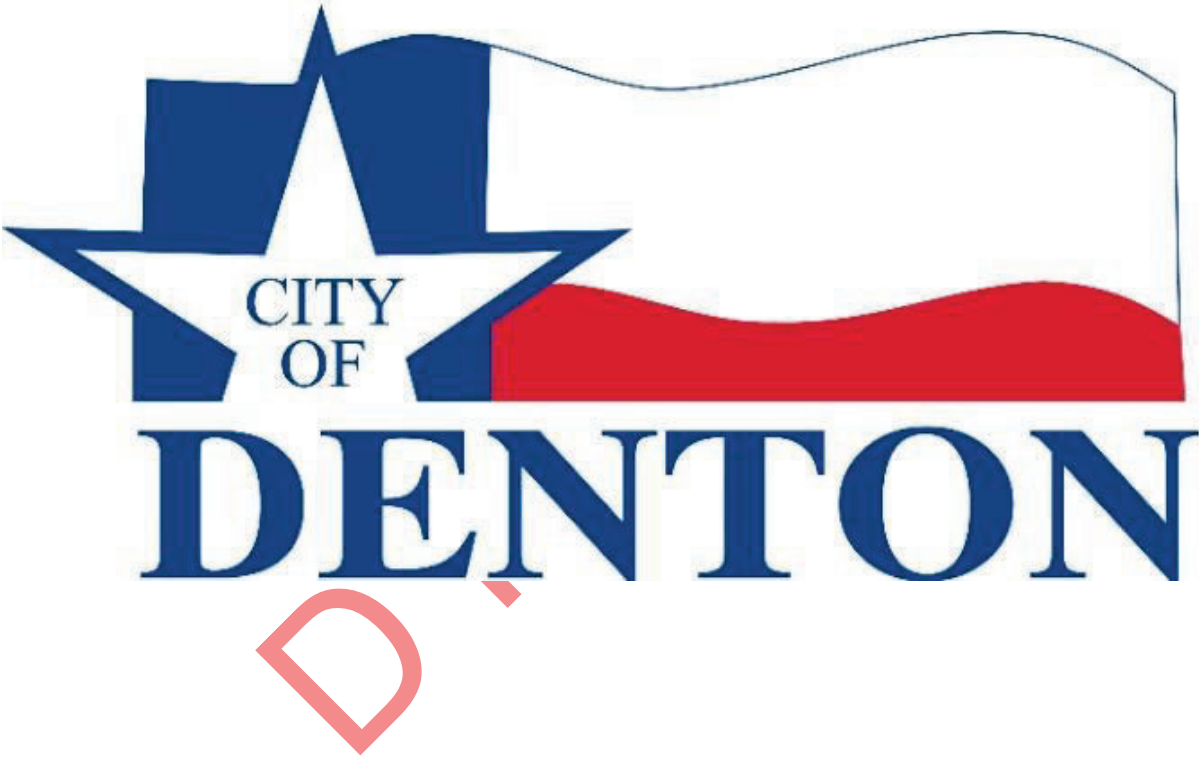
	Measurement Year 2015	Measurement Year 2016	Measurement Year 2017	Measurement Year 2018	Measurement Year 2019
Total pension liability:					
Service Cost	\$ 12,615,957	\$ 13,925,238	\$ 14,514,171	\$ 14,990,529	\$ 16,283,811
Interest (on the total pension liability)	26,905,700	27,656,654	29,543,513	31,468,411	33,434,342
Difference between expected and actual experience	(1,525,911)	763,589	1,514,980	1,255,443	2,005,979
Change of assumptions	(428,789)	-	-	-	1,438,798
Benefit payments, including refunds of employee contributions	(12,697,735)	(13,023,330)	(16,349,644)	(18,238,039)	(20,234,184)
Net change in total pension liability	24,869,222	29,322,151	29,223,020	29,476,344	32,928,746
Total pension liability - beginning	384,408,038	409,277,260	438,599,411	467,822,431	497,298,775
Total pension liability - ending (a)	\$ 409,277,260	\$ 438,599,411	\$ 467,822,431	\$ 497,298,775	\$ 530,227,521
Plan fiduciary net position:					
Contributions - employer	\$ 13,615,410	\$ 14,046,860	\$ 14,821,752	\$ 15,107,443	\$ 16,255,126
Contributions - employee	5,365,231	5,712,464	6,014,227	6,175,407	6,693,287
Net investment income (loss)	469,530	21,947,635	48,954,660	(12,175,765)	61,399,432
Benefit payments, including refunds of employee contributions	(12,697,735)	(13,023,330)	(16,349,644)	(18,238,039)	(20,234,184)
Administrative expense	(285,957)	(247,766)	(253,578)	(235,169)	(346,657)
Other	(14,123)	(13,349)	(12,851)	(12,287)	(10,413)
Net change in plan fiduciary net position	6,452,356	28,422,514	53,174,566	(9,378,410)	63,756,591
Plan fiduciary net position - beginning	318,166,193	324,618,549	353,041,063	406,215,629	396,837,219
Plan fiduciary net position - ending (b)	\$ 324,618,549	\$ 353,041,063	\$ 406,215,629	\$ 396,837,219	\$ 460,593,810
Net pension liability - ending (a) - (b)	\$ 84,658,711	\$ 85,558,348	\$ 61,606,802	\$ 100,461,556	\$ 69,633,711
Plan fiduciary net position as a percentage of total pension liability	79.32%	80.49%	86.83%	79.80%	86.87%
Covered payroll	\$ 76,646,157	\$ 81,481,789	\$ 85,227,078	\$ 88,179,581	\$ 95,618,386
Net pension liability as a percentage of covered payroll	110.45%	105.00%	72.29%	113.93%	72.82%

(continued on the following page)

CITY OF DENTON, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 TEXAS MUNICIPAL RETIREMENT SYSTEM
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
 LAST TEN FISCAL YEARS

Exhibit XIII

	Measurement Year 2020	Measurement Year 2021	Measurement Year 2022	Measurement Year 2023	Measurement Year 2024
Total pension liability:					
Service Cost	\$ 18,685,981	\$ 17,667,234	\$ 19,111,021	\$ 21,408,496	\$ 25,133,454
Interest (on the total pension liability)	35,523,156	37,617,145	40,284,903	43,175,635	45,632,055
Difference between expected and actual experience	2,636,510	8,560,080	8,678,564	3,120,640	7,317,890
Change of assumptions	-	-	-	(4,298,128)	
Benefit payments, including refunds of employee contributions	(26,603,058)	(24,025,384)	(26,062,628)	(26,732,504)	(31,022,941)
Net change in total pension liability	30,242,589	39,819,075	42,011,860	36,674,139	47,060,458
Total pension liability - beginning	530,227,521	560,470,110	600,289,185	642,301,045	678,975,184
Total pension liability - ending (a)	\$ 560,470,110	\$ 600,289,185	\$ 642,301,045	\$ 678,975,184	\$ 726,035,642
Plan fiduciary net position:					
Contributions - employer	\$ 18,613,464	\$ 17,849,684	\$ 19,140,875	\$ 21,790,165	\$ 25,761,959
Contributions - employee	7,536,737	7,095,275	7,670,708	8,535,599	9,666,319
Net investment income (loss)	34,987,709	64,564,009	(40,913,118)	60,236,192	60,664,328
Benefit payments, including refunds of employee contributions	(26,603,058)	(24,025,384)	(26,062,628)	(26,732,504)	(31,022,941)
Administrative expense	(226,230)	(298,515)	(353,785)	(382,866)	(388,785)
Other	(8,826)	2,046	422,171	(2,675)	(9,093)
Net change in plan fiduciary net position	34,299,796	65,187,115	(40,095,777)	63,443,911	64,671,787
Plan fiduciary net position - beginning	460,593,810	494,893,606	560,080,721	519,984,941	583,428,852
Plan fiduciary net position - ending (b)	\$ 494,893,606	\$ 560,080,721	\$ 519,984,944	\$ 583,428,852	\$ 648,100,639
Net pension liability - ending (a) - (b)	\$ 65,576,504	\$ 40,208,464	\$ 122,316,104	\$ 95,546,332	\$ 77,935,003
Plan fiduciary net position as a percentage of total pension liability	88.30%	93.30%	80.96%	85.93%	89.27%
Covered payroll	\$ 107,576,172	\$ 101,361,066	\$ 109,581,543	\$ 121,846,875	\$ 138,020,067
Net pension liability as a percentage of covered payroll	60.96%	39.67%	111.62%	78.42%	56.47% (concluded)



**CITY OF DENTON, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS
LAST TEN FISCAL YEARS (Unaudited)**

Fiscal Year	(a) Actuarially Determined Contributions	(b) Contributions in Relation to the Actuarially Determined Contributions	(c) Contribution Excess (Deficiency) (b) - (a)	(d) Covered Payroll	Contributions as a Percentage of Covered Payroll (b)/(d)
2016	14,435,638	14,435,638	-	83,127,601	17.37%
2017	14,648,606	14,648,606	-	84,753,377	17.28%
2018	14,931,800	14,931,800	-	86,832,074	17.20%
2019	16,035,042	16,035,042	-	94,158,313	17.03%
2020	17,562,597	17,562,597	-	101,964,029	17.22%
2021	17,794,920	17,794,920	-	101,641,023	17.51%
2022	18,471,103	18,471,103	-	105,519,237	17.50%
2023	19,140,875	19,140,875	-	109,581,543	17.47%
2024	21,790,165	21,790,165	-	121,846,875	17.88%
2025	26,591,225	26,591,225	-	142,559,469	18.65%

Notes to Schedule:

Actuarial determined contribution rates are calculated as of December 31st and become effective in January, 13 months later. Contributions above do not include contributions into the supplemental death benefit fund.

Methods and assumptions used to determine contribution rate for 2025:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	21 Years (longest amortization ladder)
Asset Valuation Method	10 Year Smoothed Market; 12% Soft Corridor
Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates vary by age. Last updated for the 2023 valuation pursuant to and experience study of the period ending 2022.
Mortality	<p>Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).</p> <p>Pre-retirement: PUB(10) mortality tables, with the 110% Public Safety table used for males and the 100% General Employees table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).</p>
Other	There were no benefit changes during the year

CITY OF DENTON, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 DENTON FIREMEN'S RELIEF AND RETIREMENT FUND
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
 LAST TEN FISCAL YEARS

Exhibit XV

	Measurement Year 2015	Measurement Year 2016	Measurement Year 2017	Measurement Year 2018	Measurement Year 2019
Total pension liability:					
Service Cost	\$ 2,836,263	\$ 3,089,911	\$ 3,182,608	\$ 3,615,495	\$ 3,723,960
Interest (on the total pension liability)	5,998,959	6,135,588	6,493,255	7,049,261	7,497,583
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	(2,063,421)	-	2,040,716	-	1,526,958
Change of assumptions	2,331,908	-	-	-	3,446,011
Benefit payments, including refunds of employee contributions	(4,048,358)	(4,270,006)	(3,768,829)	(4,055,856)	(4,206,975)
Net change in total pension liability	5,055,351	4,955,493	7,947,750	6,608,900	11,987,537
Total pension liability - beginning	84,887,334	89,942,685	94,898,178	102,845,928	109,454,828
Total pension liability - ending (a)	<u>\$ 89,942,685</u>	<u>\$ 94,898,178</u>	<u>\$ 102,845,928</u>	<u>\$ 109,454,828</u>	<u>\$ 121,442,365</u>
Plan fiduciary net position:					
Contributions - employer	\$ 2,567,219	\$ 2,759,844	\$ 2,979,807	\$ 3,434,007	\$ 3,639,740
Contributions - employee	1,803,064	1,997,155	2,142,990	2,338,837	2,478,958
Net investment income (loss)	(3,287,188)	6,935,215	8,793,234	(183,148)	15,141,275
Benefit payments, including refunds of employee contributions	(4,048,358)	(4,270,006)	(3,768,829)	(4,055,856)	(4,206,975)
Administrative expense	(76,538)	(94,175)	(63,669)	(87,899)	(71,427)
Net change in plan fiduciary net position	(3,041,801)	7,328,033	10,083,533	1,445,941	16,981,571
Plan fiduciary net position - beginning	71,018,518	67,976,717	75,304,750	85,388,283	86,834,224
Plan fiduciary net position - ending (b)	<u>\$ 67,976,717</u>	<u>\$ 75,304,750</u>	<u>\$ 85,388,283</u>	<u>\$ 86,834,224</u>	<u>\$ 103,815,795</u>
OPEB liability - ending (a) - (b)	<u>\$ 21,965,968</u>	<u>\$ 19,593,428</u>	<u>\$ 17,457,645</u>	<u>\$ 22,620,604</u>	<u>\$ 17,626,570</u>
Plan fiduciary net position as a percentage of total pension liability	75.58%	79.35%	83.03%	79.33%	85.49%
Covered payroll	\$ 14,310,032	\$ 15,850,437	\$ 17,007,857	\$ 18,562,198	\$ 19,674,270
OPEB liability as a percentage of covered payroll	153.50%	123.61%	102.64%	121.86%	89.59%

(continued on the following page)

CITY OF DENTON, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
DENTON FIREMEN'S RELIEF AND RETIREMENT FUND
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS

Exhibit XV

	Measurement Year 2020	Measurement Year 2021	Measurement Year 2022	Measurement Year 2023	Measurement Year 2024
Total pension liability:					
Service Cost	\$ 4,252,475	\$ 4,380,049	\$ 4,965,768	\$ 5,114,741	\$ 6,063,143
Interest (on the total pension liability)	8,293,527	8,791,959	9,787,310	10,437,944	11,469,317
Changes of benefit terms	-	1,074,140	-	-	-
Difference between expected and actual experience	-	4,783,943	-	5,114,242	-
Change of assumptions	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(5,655,539)	(4,923,273)	(4,816,472)	(5,709,565)	(6,961,903)
Net change in total pension liability	6,890,463	14,106,818	9,936,606	14,957,362	10,570,557
Total pension liability - beginning	121,442,365	128,332,828	142,439,646	152,376,252	167,333,614
Total pension liability - ending (a)	<u>\$ 128,332,828</u>	<u>\$ 142,439,646</u>	<u>\$ 152,376,252</u>	<u>\$ 167,333,614</u>	<u>\$ 177,904,171</u>
Plan fiduciary net position:					
Contributions - employer	\$ 4,069,311	\$ 4,249,769	\$ 4,545,905	\$ 4,888,426	\$ 5,846,904
Contributions - employee	2,771,532	2,894,437	3,096,130	3,329,414	3,889,705
Net investment income (loss)	12,313,949	21,206,371	(6,446,061)	12,849,568	13,206,709
Benefit payments, including refunds of employee contributions	(5,655,539)	(4,923,273)	(4,816,472)	(5,709,565)	(6,961,903)
Administrative expense	(116,909)	(87,866)	(114,279)	(87,648)	(109,901)
Net change in plan fiduciary net position	13,382,344	23,339,438	(3,734,777)	15,270,195	15,871,514
Plan fiduciary net position - beginning	103,815,795	117,198,139	140,537,577	136,802,800	152,072,995
Plan fiduciary net position - ending (b)	<u>\$ 117,198,139</u>	<u>\$ 140,537,577</u>	<u>\$ 136,802,800</u>	<u>\$ 152,072,995</u>	<u>\$ 167,944,509</u>
OPEB liability - ending (a) - (b)	<u>\$ 11,134,689</u>	<u>\$ 1,902,069</u>	<u>\$ 15,573,452</u>	<u>\$ 15,260,619</u>	<u>\$ 9,959,662</u>
Plan fiduciary net position as a percentage of total pension liability	91.32%	98.66%	89.78%	90.88%	94.40%
Covered payroll	\$ 21,996,287	\$ 22,971,722	\$ 24,572,460	\$ 26,423,921	\$ 30,870,675
OPEB liability as a percentage of covered payroll	50.62%	8.28%	63.38%	57.75%	32.26% (concluded)

CITY OF DENTON, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
FIREMEN'S RELIEF AND RETIREMENT FUND
SCHEDULE OF CONTRIBUTIONS
LAST TEN FISCAL YEARS (Unaudited)

Fiscal Year	(a) Annual Required Contributions	(b) Contributions in Relation to the Annual Required Contributions	(c) Contribution Excess (Deficiency) (b) - (a)	(d) Covered Payroll	Contributions as a Percentage of Covered Payroll (b)/(d)
2016	2,819,046	2,819,046	-	15,540,826	18.14%
2017	2,924,757	2,924,757	-	16,747,217	17.46%
2018	3,310,248	3,310,248	-	18,080,014	18.31%
2019	3,610,711	3,610,711	-	19,517,358	18.50%
2020	3,838,014	3,838,014	-	20,746,026	18.50%
2021	4,158,368	4,158,368	-	22,477,667	18.50%
2022	4,440,025	4,440,025	-	24,000,134	18.50%
2023	4,804,198	4,804,198	-	25,968,636	18.50%
2024	5,530,963	5,530,963	-	29,897,097	18.50%
2025	6,136,743	6,136,743	-	32,400,966	18.94%

Notes to Schedule:

Annual required contributions are not actuarially determined. In accordance with city ordinance since 2017, the City has contributed to the Firemen's Relief and Retirement Fund at the rate of 18.88%, the assumed actuarial valuation rate over the unfunded liability amortization period.

While the contribution requirements are not actuarially determined, state law requires an actuary certify the assumed City contribution rate is adequate. Methods and assumptions used to contribution adequacy in the December 31, 2023 actuarial valuation:

Actuarial Cost Method	Entry Age
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	6.5 Years
Asset Valuation Method	5-year smoothing
Inflation	2.50%
Salary Increases	3.00% annual general compensation increase plus promotion, step, and longevity increases that varies by service
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation
Retirement Age	Average expected age at retirement of 57
Mortality	PubS-2010 (public safety) total dataset mortality tables for employees and for retirees (Sex distinct), projected for mortality improvement generationally using the projection scale MP-2019

CITY OF DENTON, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 MEDICAL OTHER POST-EMPLOYMENT BENEFITS
 SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
 LAST EIGHT FISCAL YEARS (PREVIOUS YEARS ARE NOT AVAILABLE)^{1,2}

	Measurement Year 2017	Measurement Year 2018	Measurement Year 2019	Measurement Year 2020	Measurement Year 2021	Measurement Year 2022	Measurement Year 2023	Measurement Year 2024
Total OPEB liability:								
Service Cost	\$ 1,750,172	\$ 1,995,008	\$ 2,052,606	\$ 2,884,792	\$ 3,554,317	\$ 3,282,530	\$ 2,538,726	\$ 2,882,929
Interest (on the total OPEB liability)	1,360,179	1,329,949	1,507,925	1,186,428	995,640	921,256	1,687,421	1,740,446
Changes of benefit terms	-	-	-	-	-	-	-	-
Difference between expected and actual experience	-	(150,485)	(1,512,289)	329,072	(1,283,436)	(42,650)	(920,557)	(105,456)
Change of assumptions or other inputs	2,067,787	(1,724,923)	1,444,810	3,664,984	(1,091,668)	(10,266,201)	3,039,595	(1,393,130)
Benefit payments	(742,818)	(899,361)	(1,126,992)	(1,695,382)	(1,826,367)	(1,679,015)	(2,174,160)	(1,858,482)
Net change in total OPEB liability	4,435,320	550,188	2,366,060	6,369,894	348,486	(7,784,080)	4,171,025	1,266,307
Total OPEB liability - beginning	35,196,570	39,631,890	40,182,078	42,548,138	48,918,032	49,266,518	41,482,438	45,653,463
Total OPEB liability - ending	\$ 39,631,890	\$ 40,182,078	\$ 42,548,138	\$ 48,918,032	\$ 49,266,518	\$ 41,482,438	\$ 45,653,463	\$ 46,919,770
Covered-employee payroll	104,783,403	\$ 109,480,718	\$ 118,063,295	\$ 130,944,182	\$ 126,595,871	\$ 137,686,788	\$ 152,743,678	\$ 174,682,731
OPEB liability as a percentage of covered-employee payroll	37.82%	36.70%	36.04%	37.36%	38.92%	30.13%	29.89%	26.86%

¹Schedule is intended to present information for ten years. Additional years of information will be presented as they become available.

²There are no assets accumulated in a trust that meets the criteria in Paragraph 4 of GASB Statement No. 75 to pay related benefits.

Methods and assumptions used to determine contribution rate for 2024:

Actuarial cost method	Entry-Age Normal
Discount rate	4.08% as of December 31, 2024 (This was a change of assumption, up from 3.77%, December 31, 2023)
Inflation rate	2.50%
Projected salary increases	3.60% to 11.85% for TMRS and 3.00% to 9.18% for Fire, including inflation
Demographic assumptions	Based on the experience study covering the four-year period ending December 31, 2023 as conducted for the Texas Municipal Retirement System (TMRS) and the assumptions used in the December 31, 2023 actuarial valuation for the Denton Firemen's Relief and Retirement Fund.
Healthcare trend rates	Initial rate of 7.20% declining to an ultimate rate of 4.25% after 15 years.
Mortality	TMRS: For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used, with male rates multiplied by 103% and female rates multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Fire: For healthy retirees, the gender-distinct PubS-2010 (safety employees) total data set mortality tables are used. The rates are projected on a fully generational basis using the project scale MP-2019.
Participation rates	65% for employees retiring at age 65 or older; 45% for employees retiring between the ages of 50 and 64; 5% for employees retiring between the ages of 45 and 49; 0% for employees retiring before the ages of 45.

CITY OF DENTON, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 TEXAS MUNICIPAL RETIREMENT SYSTEM - SUPPLEMENTAL DEATH BENEFIT FUND
 SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
 LAST EIGHT FISCAL YEARS (PREVIOUS YEARS ARE NOT AVAILABLE)^{1,2}

	Measurement Year 2017	Measurement Year 2018	Measurement Year 2019	Measurement Year 2020	Measurement Year 2021	Measurement Year 2022	Measurement Year 2023	Measurement Year 2024
Total OPEB liability:								
Service Cost	\$ 144,886	\$ 176,359	\$ 152,989	\$ 236,668	\$ 233,130	\$ 284,912	\$ 146,216	\$ 179,426
Interest (on the total OPEB liability)	106,885	110,831	130,143	115,434	103,668	100,639	151,640	157,100
Difference between expected and actual experience	-	155,143	(284,991)	(28,782)	(158,830)	46,933	30,281	(3,170)
Change of assumptions or other inputs	270,541	(247,941)	680,198	720,927	172,092	(1,978,189)	208,108	(227,872)
Benefit payments	(17,045)	(17,636)	(28,686)	(32,273)	(81,089)	(98,623)	(121,847)	(138,020)
Net change in total OPEB liability	505,267	176,756	649,653	1,011,974	268,971	(1,644,328)	414,398	(32,536)
Total OPEB liability - beginning	2,763,726	3,268,993	3,445,749	4,095,402	5,107,376	5,376,347	3,732,019	4,146,417
Total OPEB liability - ending	\$ 3,268,993	\$ 3,445,749	\$ 4,095,402	\$ 5,107,376	\$ 5,376,347	\$ 3,732,019	\$ 4,146,417	\$ 4,113,881
Covered-employee payroll	\$ 85,227,078	\$ 88,179,581	\$ 95,618,386	\$ 107,576,172	\$ 101,361,066	\$ 137,686,788	\$ 121,846,875	\$ 138,020,067
OPEB liability as a percentage of covered-employee payroll	3.84%	3.91%	4.28%	4.75%	5.30%	2.71%	3.40%	2.98%

¹Schedule is intended to present information for ten years. Additional years of information will be presented as they become available.

²There are no assets accumulated in a trust that meets the criteria in Paragraph 4 of GASB Statement No. 75 to pay related benefits.

Methods and assumptions used to determine contribution rate for 2024:

Inflation rate	2.50% per annum
Discount rate	4.08% (as of December 31, 2024.) The prior year discount rate was 3.77%.
Actuarial cost method	Entry Age Normal
Projected salary increases	3.60 % to 11.85%, including inflation.
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB No. 68.
Mortality rates - service retirees	For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used, with male rates multiplied by 103% and female rates multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

CITY OF DENTON, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts		Actual Amounts	Adjustments - Budgetary Basis	Actual on a Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final				
REVENUES:						
Taxes	\$ 50,012,675	\$ 50,040,043	\$ 50,087,820	\$ -	\$ 50,087,820	\$ 47,777
Investment revenue (loss)	27,368	27,368	1,071,608	-	1,071,608	1,044,240
Total revenues	50,040,043	50,067,411	51,159,428	-	51,159,428	1,092,017
EXPENDITURES:						
Debt service:						
Principal, interest and fiscal charges	129,462,195	129,462,195	50,729,801	73,014,927	123,744,728	5,717,467
Bond refunding	-	-	-	-	-	-
Bond issuance costs	-	-	56,915	(56,915)	-	-
Total expenditures	129,462,195	129,462,195	50,786,716	72,958,012	123,744,728	5,717,467
Excess (deficiency) of revenues over (under) expenditures	(79,422,152)	(79,394,784)	372,712	(72,958,012)	(72,585,300)	6,809,484
OTHER FINANCING SOURCES (USES):						
Refunding bonds issued	-	-	10,375,000	(10,375,000)	-	-
Payment to refunded bond agent	-	-	(11,400,289)	11,400,289	-	-
Premium on debt issuance	-	-	1,084,796	(1,084,796)	-	-
Transfers in	79,422,152	79,422,152	751,656	73,014,927	73,766,583	(5,655,569)
Total other financing sources (uses)	79,422,152	79,422,152	811,163	72,955,420	73,766,583	(5,655,569)
Net change in fund balance	-	27,368	1,183,875	(2,592)	1,181,283	1,153,915
Fund balance at beginning of year	1,410,137	1,410,137	1,410,137	-	1,410,137	-
Fund balance at end of year	\$ 1,410,137	\$ 1,437,505	\$ 2,594,012	\$ (2,592)	\$ 2,591,420	\$ 1,153,915

Adjustments - Budgetary Basis are pass-through debt service payments budgeted as transfers in from enterprise and internal service funds.

Other Financing Sources (Uses) related to refunding are adjusted out as they are non-budgeted items reducing future debt service payments.

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APPENDIX C

FORMS OF BOND COUNSEL'S OPINIONS

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Proposed Form of Opinion of Bond Counsel

*An opinion in substantially the following form will be delivered by
McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Certificates,
assuming no material changes in facts or law.*

[Issue Date]

**CITY OF DENTON, TEXAS
CERTIFICATES OF OBLIGATION
SERIES 2026
DATED JULY 15, 2026
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$ _____**

AS BOND COUNSEL FOR THE CITY OF DENTON, TEXAS (the “*Issuer*”) in connection with the issuance of the Certificates of Obligation described above (the “*Certificates*”), we have examined into the legality and validity of the Certificates, which bear interest from the dates and mature on the dates, and are subject to redemption, in accordance with the terms and conditions stated in the text of the Certificates. Terms used herein and not otherwise defined shall have the meaning given in the Ordinance of the Issuer authorizing the issuance and sale of the Certificates (the “*Ordinance*”).

WE HAVE EXAMINED the Constitution and laws of the State of Texas, certified copies of the proceedings of the City Council of the Issuer relating to the issuance of the Certificates, including the Ordinance and other documents authorizing and relating to the issuance of the Certificates; and we have examined various certificates and documents executed by officers and officials of the Issuer upon which certificates and documents we rely as to certain matters stated below. We have also examined one of the executed Certificates (Number T-1).

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Certificates have been duly authorized, issued and delivered, all in accordance with law; and that, except as may be limited by laws applicable to the Issuer relating to bankruptcy, reorganization, and other similar matters affecting creditors’ rights generally, or by general principles of equity or governmental immunity of political subdivisions which permit the exercise of judicial discretion, the Certificates will constitute valid and legally binding obligations of the Issuer, and ad valorem taxes sufficient to provide for the payment of the interest on and principal of the Certificates have been levied and pledged for such purpose, within the limit prescribed by law, and that the Certificates are additionally secured by and payable from limited surplus revenues (not to exceed \$1,000) of the Issuer’s Utility System (consisting of the Issuer’s combined waterworks system, sanitary sewer system, drainage system and electric light and power system), remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve, and other requirements in connection with all of the Issuer’s revenue bonds or other obligations (now or hereafter outstanding), which are payable from all or any part of the Net Revenues of the Issuer’s Utility System.

IT IS FURTHER OUR OPINION that, except as discussed below, under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion, for federal income tax purposes, the interest on the Certificates (i) is excludable from the gross income of the owners thereof and (ii) the Certificates will not be treated as “specified private activity bonds” the interest on which would be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the “*Code*”). In expressing the aforementioned opinions, we have relied on certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants regarding the use and investment of the proceeds of the Certificates and the use of the property financed

therewith. We call your attention to the fact that if such representations are determined to be inaccurate or if the Issuer fails to comply with such covenants, interest on the Certificates may become includable in gross income retroactively to the date of issuance of the Certificates.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Certificates, including the amount, accrual or receipt of interest on, the Certificates. Owners of the Certificates should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Certificates.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Certificates, may be includable in a corporation's adjusted financial statement income for purposes of determining the alternative minimum tax imposed on certain corporations by section 55 of the Code.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Certificates, nor as to any such insurance policies issued in the future.

OUR SOLE ENGAGEMENT in connection with the issuance of the Certificates is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Certificates under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Certificates for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the Issuer, or the disclosure thereof in connection with the sale of the Certificates, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Certificates and have relied solely on certificates executed by officials of the Issuer as to the current outstanding indebtedness of, and assessed valuation of taxable property within, and the sufficiency of the pledged surplus net revenues of, the Issuer. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "*Service*"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Certificates. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Certificates as includable in gross income for federal income tax purposes.

Respectfully,

Proposed Form of Opinion of Bond Counsel

*An opinion in substantially the following form will be delivered by
McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Bonds,
assuming no material changes in facts or law.*

[Issue Date]

**CITY OF DENTON, TEXAS
GENERAL OBLIGATION REFUNDING AND IMPROVEMENT BONDS
SERIES 2026
DATED JULY 15, 2026
IN THE PRINCIPAL AMOUNT OF \$ _____**

AS BOND COUNSEL FOR THE CITY OF DENTON, TEXAS (the “*Issuer*”) in connection with the issuance of the bonds described above (the “*Bonds*”), we have examined into the legality and validity of the Bonds, which bear interest from the dates and mature on the dates, and are subject to redemption, in accordance with the terms and conditions stated in the text of the Bonds. Terms used herein and not otherwise defined shall have the meaning given in the Ordinance of the Issuer authorizing the issuance and sale of the Bonds (the “*Ordinance*”).

WE HAVE EXAMINED the Constitution and laws of the State of Texas, certified copies of the proceedings of the City Council of the Issuer relating to the issuance of the Bonds, including the Ordinance and other documents authorizing and relating to the issuance of the Bonds; and we have examined various certificates and documents executed by officers and officials of the Issuer upon which certificates and documents we rely as to certain matters stated below. We have also examined one of the executed Bonds (Number T-1).

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been duly authorized, issued and delivered, all in accordance with law; and that, except as may be limited by laws applicable to the Issuer relating to bankruptcy, reorganization and other similar matters affecting creditors’ rights generally, or by general principles of equity or governmental immunity of political subdivisions which permit the exercise of judicial discretion, the Bonds will constitute valid and legally binding obligations of the Issuer, and ad valorem taxes sufficient to provide for the payment of the interest on and principal of the Bonds have been levied and pledged for such purpose, within the limit prescribed by law.

IT IS FURTHER OUR OPINION that, except as discussed below, under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion, for federal income tax purposes, the interest on the Bonds (i) is excludable from the gross income of the owners thereof and (ii) the Bonds will not be treated as “specified private activity bonds” the interest on which would be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the “*Code*”). In expressing the aforementioned opinions, we have relied on certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants regarding the use and investment of the proceeds of the Bonds and the use of the property financed and refinanced therewith. We call your attention to the fact that if such representations are determined to be inaccurate or if the Issuer fails to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds, including the amount, accrual or receipt of interest on, the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Bonds, may be includable in a corporation's adjusted financial statement income for purposes of determining the alternative minimum tax imposed on certain corporations by section 55 of the Code.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the Issuer, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the Issuer as to the current outstanding indebtedness of, and assessed valuation of taxable property within, the Issuer. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

Respectfully,

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Municipal Advisory Services
Provided By



Dated July 1, 2026

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "Tax Matters" herein, including the alternative minimum tax on certain corporations.

THE BONDS WILL NOT BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.



\$133,055,000*
CITY OF DENTON, TEXAS
(Denton County)
GENERAL OBLIGATION REFUNDING BONDS,
SERIES 2026A

Dated Date: August 1, 2026
Interest Accrues from Delivery Date

Due: February 15, as shown on page 4

PAYMENT TERMS . . . Interest on the \$133,055,000* City of Denton, Texas General Obligation Refunding Bonds, Series 2026A (the "Bonds") will accrue from the delivery date (the "Delivery Date"), will be payable February 15 and August 15 of each year, commencing February 15, 2027, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "The Bonds - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas (see "The Bonds - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas, (the "State") including particularly Texas Government Code, Chapters 1207 and 1371, as amended, and are direct obligations of the City of Denton, Texas (the "City"), payable from an annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, as provided in the Bond Ordinance (defined herein) authorizing the Bonds (see "The Bonds - Authority for Issuance" and "The Bonds - Security and Source of Payment").

PURPOSE . . . Proceeds of the Bonds are expected to be used for (i) refunding the bonds described in Schedule I – Schedule of Refunded Bonds (the "Refunded Bonds") for debt service savings, and (ii) paying the costs associated with the issuance of the Bonds. (see "Plan of Financing").

MATURITY SCHEDULE

See page 4

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the Initial Purchaser of the Bonds subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, Dallas, Texas (see Appendix C, "Form of Bond Counsel's Opinion").

DELIVERY . . . It is expected that the Bonds will be available for delivery through The Depository Trust Company on September 3, 2026.

SEALED BIDS DUE AUGUST 6, 2026, AT 10:00 AM, CDT**

* Preliminary, subject to change. See "Adjustment of Principal Amount and/or Types of Bids" in the Notice of Sale for the Bonds.

** Place and Time of Bid Opening . . . The City will accept bids for the sale of the Bonds on a day during the period beginning August 6, 2026 and initially ending August 20, 2026. At least 12 hours prior to the sale of the Bonds, Hilltop Securities Inc., as Municipal Advisor to the City, will communicate, through Parity and Bloomberg, the date and time for submission of bids. The Municipal Advisor, acting on behalf of the City, shall accept bids up to the time specified in the notice as hereinbefore described.

MATURITY SCHEDULE*

CUSIP Prefix: 248867⁽¹⁾

<u>Principal Amount</u>	<u>15-Feb Maturity</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Suffix⁽¹⁾</u>
\$ 10,515,000	2028			
11,055,000	2029			
11,620,000	2030			
12,220,000	2031			
12,845,000	2032			
13,500,000	2033			
14,195,000	2034			
14,920,000	2035			
15,690,000	2036			
16,495,000	2037			

(1) CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services ("CGS") managed on behalf of the American Bankers Association by FactSet Research Systems Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the City, the Municipal Advisor, or the Initial Purchaser take any responsibility for the accuracy of such numbers.

REDEMPTION . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2036, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "The Bonds – Optional Redemption").

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* Preliminary, subject to change. See "Adjustment of Principal Amount and/or Types of Bids" in the Notice of Sale for the Bonds.

This Official Statement, which includes the cover pages, the Schedule and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation, or sale.

No dealer, broker, salesperson, or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon.

For purposes of compliance with Rule 15c 2-12 of the Securities and Exchange Commission (the "Rule"), this document constitutes an Official Statement of the City with respect to the Bonds that has been "deemed final" by the City as of its date except for the omission of no more than the information permitted by the Rule.

The information set forth herein has been obtained from the City and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the representation, promise, or guarantee of the Municipal Advisor. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein since the date hereof. See "Other Information - Continuing Disclosure of Information" for a description of the City's undertaking to provide certain information on a continuing basis.

Neither the City nor its Municipal Advisor make any representation as to the accuracy, completeness, or adequacy of the information supplied by The Depository Trust Company for use in this Official Statement.

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES, AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE, AND ACHIEVEMENTS TO BE DIFFERENT FROM FUTURE RESULTS, PERFORMANCE, AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTION IN WHICH THE BONDS HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

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The cover pages hereof, this page and the appendices included herein and any addenda, supplement or amendment hereto, are part of the Preliminary Official Statement.

PRELIMINARY OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Preliminary Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Preliminary Official Statement. No person is authorized to detach this summary from this Preliminary Official Statement or to otherwise use it without the entire Preliminary Official Statement.

THE CITY	The City of Denton (the "City") is a political subdivision and municipal corporation of the State of Texas (the "State"), located in Denton County, Texas. The City covers approximately 97.411 square miles (see "Introduction - Description of the City").
THE BONDS	The City's \$133,055,000* General Obligation Refunding Bonds, Series 2026A are to mature on February 15 in the years 2028 through 2037 (see "The Bonds - Description of the Bonds").
PAYMENT OF INTEREST	Interest on the Bonds accrues from the Delivery Date (defined herein) and is payable February 15, 2027 and each August 15 and February 15 thereafter until maturity or prior redemption (see "The Bonds - Description of the Bonds" and "The Bonds - Optional Redemption").
AUTHORITY FOR ISSUANCE	The Bonds are issued pursuant to the Constitution and general laws of the State, including particularly Texas Government Code, Chapters 1207 and 1371, as amended, and an ordinance (the "Bond Ordinance") of the City in which the City Council delegated to a Pricing Officer authority to complete the sale of the Bonds. The terms of the sale will be included in a "Pricing Certificate," which will complete the sale of the Bonds (the Bond Ordinance and the Pricing Certificate for the Bonds are jointly referred to as the "Ordinance") (see "The Bonds - Authority for Issuance").
SECURITY FOR THE BONDS	The Bonds constitute direct obligations of the City, payable from a direct annual ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the City (see "The Bonds - Security and Source of Payment").
REDEMPTION	The City reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2036, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "The Bonds - Optional Redemption").
TAX EXEMPTION	In the opinion of Bond Counsel, the interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "Tax Matters" herein.
USE OF PROCEEDS	Proceeds of the Bonds are expected to be used for (i) refunding the bonds described in Schedule I – Schedule of Refunded Bonds (the "Refunded Bonds") for debt service savings, and (ii) paying the costs associated with the issuance of the Bonds. (see "Plan of Financing").
RATINGS	The Bonds and the presently outstanding general obligation debt of the City are rated "AA+" by Fitch Ratings ("Fitch") and "AA+" by S&P Global Ratings ("S&P"), a division of S&P Global Inc. See "Other Information – Ratings" herein.
BOOK-ENTRY-ONLY SYSTEM	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "The Bonds - Book-Entry-Only System").
PAYMENT RECORD	The City has never defaulted on the payment of its tax-supported indebtedness.

* Preliminary, subject to change.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated Population ⁽¹⁾	Net Taxable Assessed Valuation ⁽²⁾	Net Taxable Assessed Valuation Per Capita	Net Tax Debt Outstanding at End of Fiscal Year ⁽⁸⁾	Per Capita Net Funded Tax Debt	Ratio Net Tax Debt to Net Taxable Assessed Valuation	% of Total Tax Collections
2022	146,950	\$ 14,403,105,063 ⁽³⁾	98,014	\$ 354,343,240	2,411	2.46%	99.75%
2023	150,624	16,721,123,624 ⁽⁴⁾	111,012	392,635,000	2,607	2.35%	99.55%
2024	150,842	19,219,843,947 ⁽⁵⁾	127,417	522,720,000	3,465	2.72%	99.38%
2025	155,375	21,110,331,781 ⁽⁶⁾	135,867	524,460,000	3,375	2.48%	99.30%
2026	158,933	22,409,601,039 ⁽⁷⁾	141,000	770,170,000 ⁽⁹⁾	4,846	3.44%	In Process ⁽¹⁰⁾

- (1) Source: City Officials.
- (2) Valuations shown are certified taxable assessed values reported by the Denton Central Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records. Source: Denton Central Appraisal District as of July 25, 2025.
- (3) Excludes tax incremental value of approximately \$236,666,283 that is not available for the City's general obligations and debt of City.
- (4) Excludes tax incremental value of approximately \$263,821,022 that is not available for the City's general obligations and debt of City.
- (5) Excludes tax incremental value of approximately \$321,617,493 that is not available for the City's general obligations and debt of City.
- (6) Excludes tax incremental value of approximately \$644,341,698 that is not available for the City's general obligations and debt of City.
- (7) Excludes tax incremental value of approximately \$720,242,092 that is not available for the City's general obligations and debt of City.
- (8) Excludes self-supported general obligation debt.
- (9) Projected. Includes a portion of the \$281,260,000 Certificates of Obligation, Series 2026 and \$62,715,000 General Obligation Refunding and Improvement Bonds, Series 2026 anticipated to close on August 20, 2026. Excludes the Bonds and other self-supporting debt. Preliminary, subject to change.
- (10) In process of collection.

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CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

<u>City Council</u>	<u>Term Expires</u>
Chris Watts Mayor	May, 2028
Jordan E. Villarreal Councilmember, District 1	May, 2027
Nick Stevens Mayor Pro Tem, District 2	May, 2027
Suzi Rumohr Councilmember, District 3	May, 2027
Joe Holland Councilmember, District 4	May, 2027
George Ferrie Councilmember, At Large Place 5	May, 2028
Jill Jester Councilmember, At Large Place 6	May, 2028

SELECTED ADMINISTRATIVE STAFF

<u>Name</u>	<u>Position</u>
Cassandra Ogden	Interim City Manager
Frank Dixon	Assistant City Manager
Christine Taylor	Assistant City Manager
Kenneth Hedges	Interim Assistant City Manager
Matt Hamilton	Chief Financial Officer
Randee Klingele	Treasury Manager
Kristi Fogle	Interim City Secretary
Mack Reinwand	City Attorney

CONSULTANTS AND ADVISORS

Auditors Weaver and Tidwell, L.L.P.
Dallas, Texas

Bond Counsel McCall, Parkhurst & Horton L.L.P.
Dallas, Texas

Municipal Advisor Hilltop Securities Inc.
Fort Worth, Texas

For additional information regarding the City, please contact:

Matt Hamilton, Chief Financial Officer	Laura Alexander
Mack Reinwand-City Attorney	Steven Murray
City of Denton	Hilltop Securities Inc.
215 E. McKinney Street	777 Main Street, Suite 1525
Denton, Texas 76201	Fort Worth, Texas 76102
(940) 349-8244	or (817) 332-9710

PRELIMINARY OFFICIAL STATEMENT

RELATING TO

CITY OF DENTON, TEXAS

\$133,055,000*

GENERAL OBLIGATION REFUNDING BONDS, SERIES 2026A

INTRODUCTION

This Preliminary Official Statement, which includes the Schedule and Appendices hereto, provides certain information regarding the issuance of \$133,055,000* City of Denton, Texas General Obligation Refunding Bonds, Series 2026A (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance adopted on July 14, 2026 authorizing the issuance of the Bonds (the "Bond Ordinance") except as otherwise indicated herein. In the Bond Ordinance, as permitted by the provisions of Chapters 1207 and 1371, Texas Government Code, as amended (the "Act"), the City Council delegated the authority to a designated officer of the City to establish the terms and details of the Bonds and to effect the sale of the Bonds pursuant to a "Pricing Certificate" (the Bond Ordinance and the Pricing Certificate are jointly referred to as the "Ordinance").

There follows in this Preliminary Official Statement descriptions of the Bonds and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Municipal Advisor, Hilltop Securities Inc., Fort Worth, Texas.

DESCRIPTION OF THE CITY . . . The City of Denton, Texas (the "City") is a political subdivision located in Denton County operating as a home-rule city under the laws of the State of Texas (the "State") and a charter approved by the voters in 1959. The City operates under the Council/Manager form of government where the Mayor and six Councilmembers are elected for staggered two-year terms. The City Council formulates operating policy for the City while the City Manager is the chief administrative officer. The City is approximately 97.411 square miles in area.

PLAN OF FINANCING

PURPOSE . . . Proceeds of the Bonds are expected to be used for (i) refunding the bonds described in Schedule I – Schedule of Refunded Bonds (the "Refunded Bonds") for debt service savings, and (ii) paying the costs associated with the issuance of the Bonds.

REFUNDED BONDS . . . The principal and interest due on the Refunded Bonds are to be paid on the scheduled redemption dates of such Refunded Bonds, from funds to be deposited pursuant to an escrow agreement (the "Escrow Agreement") between the City and BOKF, NA (the "Escrow Agent"). The Ordinance provides that from a portion of proceeds of the sale of the Bonds received from the Purchaser of the Bonds together with other funds of the City, if any, the City will deposit with the Escrow Agent the amount necessary to accomplish the discharge and final payment of the Refunded Bonds on their respective redemption dates as described in "Schedule I - Schedule of Refunded Bonds". Such funds will be held by the Escrow Agent in an escrow fund (the "Escrow Fund") irrevocably pledged to the payment of principal of and interest on the Refunded Bonds and will be used to purchase certain obligations of the United States of America and obligations of agencies or instrumentalities of the United States of America, including obligations that are unconditionally guaranteed by such agency or instrumentality, that are noncallable and that were, on the date the Bond Ordinance was adopted, rated as to investment quality by a nationally recognized rating firm not less than "AAA" (the "Escrowed Securities"). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal and interest on the Refunded Bonds and amounts therein will not be available to pay the Bonds.

Public Finance Partners LLC (the "Verification Agent") will verify at the time of delivery of the Bonds to the Purchaser of the Bonds, the mathematical accuracy of the schedules that demonstrate that the Escrowed Securities will mature and pay interest in such amounts which, together with uninvested funds in the Escrow Fund, will be sufficient to pay, when due, the amount necessary to accomplish the discharge and final payment of principal of and interest on the Refunded Bonds on their respective redemption dates (see "Other Information - Verification of Arithmetical and Mathematical Computations").

By the deposit of the Escrowed Securities and cash, if any, with the Escrow Agent pursuant to the Escrow Agreement, the City will have effected the legal defeasance of the Refunded Bonds, pursuant to Chapter 1207 and the ordinance authorizing the issuance of the Refunded Bonds. It is the opinion of Bond Counsel that, as a result of such defeasance, and in reliance upon the report of the Verification Agent, the Refunded Bonds will no longer be payable from utility system revenues and other sources of security, if any, but will be payable solely from the principal of and interest on the Escrowed Securities and cash, if any, on deposit in the Escrow Fund and held for such purpose by the Escrow Agent, and that the Refunded Bonds will be defeased and are not to be included in or considered to be indebtedness of the City for the purpose of a limitation of indebtedness or for any other purpose. See "APPENDIX C - Forms of Bond Counsel's Opinions" herein.

* Preliminary, subject to change.

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds are dated August 1, 2026, and mature on February 15 in each of the years and in the amounts shown on page 2 hereof. Interest will accrue from the date of initial delivery thereof (the "Delivery Date"), will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15 and August 15 of each year, commencing February 15, 2027 until maturity or prior redemption. The definitive Bonds will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "The Bonds - Book-Entry-Only System" herein.

AUTHORITY FOR ISSUANCE . . . The Bonds are being issued pursuant to the Constitution and general laws of the State, particularly Chapters 1207 and 1371, Texas Government Code, as amended, and the Ordinance.

SECURITY AND SOURCE OF PAYMENT . . . The Bonds constitute direct obligations of the City and the principal thereof and interest thereon are payable from an annual ad valorem tax levied by the City, within the limits prescribed by law, upon all taxable property in the City, as provided in the Bond Ordinance.

TAX RATE LIMITATION . . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt, including the Bonds, within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$2.50 per \$100 Taxable Assessed Valuation for all City purposes. The Home Rule Charter of the City adopts the constitutionally authorized maximum tax rate of \$2.50 per \$100 Taxable Assessed Valuation. Administratively, the Attorney General of the State will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all general obligation debt, as calculated at the time of issuance and based on 90% tax collection factor.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem the Bonds having stated maturities on and after February 15, 2036 in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2035 or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the City may select the maturities of Bonds, to be redeemed. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds, are in Book-Entry-Only form) shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Ordinance have been met and money sufficient to pay the principal of and premium, if any, and interest on the Bonds, to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption will, at the option of the City, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the City will not redeem such Bonds, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that the Bonds, have not been redeemed.

NOTICE OF REDEMPTION . . . Not less than 30 days prior to a redemption date for the Bonds, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bonds to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. IF AN OBLIGATION (OR ANY PORTION OF ITS PRINCIPAL SUM) SHALL HAVE BEEN DULY CALLED FOR REDEMPTION AND NOTICE OF SUCH REDEMPTION DULY GIVEN, THEN UPON THE REDEMPTION DATE SUCH OBLIGATION (OR THE PORTION OF ITS PRINCIPAL SUM TO BE REDEEMED) SHALL BECOME DUE AND PAYABLE, AND, IF MONIES FOR THE PAYMENT OF THE REDEMPTION PRICE ARE HELD FOR THE PURPOSE OF SUCH PAYMENT BY THE PAYING AGENT/REGISTRAR AND ALL OTHER CONDITIONS TO REDEMPTION ARE SATISFIED, INTEREST SHALL CEASE TO ACCRUE AND BE PAYABLE FROM AND AFTER THE REDEMPTION DATE ON THE PRINCIPAL AMOUNT REDEEMED.

DEFEASANCE . . . The Ordinance provides that any Bond and the interest thereon shall be deemed to be paid, retired, and no longer outstanding (a "Defeased Bond") within the meaning of such Ordinance when payment of the principal of such Bond, plus interest thereon to the due date either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar in accordance with an escrow agreement or other instrument (a "Future Escrow Agreement") for such payment (1) lawful money of the United States of America sufficient to make such payment or (2) Government Obligations which mature as to principal and interest in such amounts and at such times as will ensure the availability, without reinvestment, of sufficient money to provide for such payment, and when proper arrangements have been made by the City with the Paying Agent/Registrar for the payment of its services until all Defeased Bonds shall have become due and payable, and thereafter the City will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased bonds, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Government Obligations. At such time as a Bond shall be deemed to be a Defeased Bond hereunder, as aforesaid, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes herein levied and pledged as provided in the Ordinance, and such principal and interest shall be payable solely from such money or Government Obligations.

Any moneys so deposited with or made available to the Paying Agent/Registrar may at the written direction of the City also be invested in Government Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from such Government Obligations received by the Paying Agent/Registrar which is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, shall be turned over to the City, or deposited as directed in writing to the City. Any Future Escrow Agreement pursuant to which the money and/or Government Obligations are held for the payment of Defeased Bonds may contain provisions permitting the investment or reinvestment of such moneys in Government Obligations or the substitution of other Government Obligations upon the satisfaction of the requirements specified in (1) or (2) above.

The Ordinance provides that "Government Obligations" means any securities and obligations now or hereafter authorized by state law that are eligible to discharge obligations such as the Bonds. The Pricing Officer may restrict such eligible securities and obligations as deemed appropriate. In the event the Pricing Officer restricts such eligible securities and obligations, the final Official Statement will reflect the new authorized Government Obligations. Current State law permits defeasance with the following types of securities: (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the Issuer adopts or approves the proceedings authorizing the financial arrangements, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the Issuer adopts or approves the proceedings authorizing the financial arrangements, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. There is no assurance that current State law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Ordinance does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Government Obligations or those for any other Government Obligations will be maintained at any particular rating category.

Upon such deposit as described above, such Defeased Bonds shall no longer be regarded to be outstanding obligations payable from ad valorem taxes levied by the City or from the other revenues pledged to their payment in the Ordinance, but will be payable only from the funds and Government Obligations deposited in escrow and will not be considered debt of the City for any purpose. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the City to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; and (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

BOOK-ENTRY-ONLY SYSTEM . . . *This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and accredited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each maturity of the Bonds in the aggregate principal amount thereof and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owners entered into the transaction. Transfers of ownership interest in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participant to whose account such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as in the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to DTC is the responsibility of the City, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City and the Paying Agent/Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered.

Use of Certain Terms in Other Sections of this Official Statement. In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the City, the Municipal Advisor or the Initial Purchaser.

EFFECT OF TERMINATION OF BOOK-ENTRY-ONLY SYSTEM . . . In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the City, printed Bonds will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "The Bonds - Transfer, Exchange and Registration" below.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar for the Bonds is BOKF, NA, Dallas, Texas. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a commercial bank, trust company, financial institution or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds, by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

In the event the use of the Book-Entry-Only system is discontinued, principal of the Bonds is payable to the registered holder appearing on the registration books of the Paying Agent/Registrar (the "Registered Owner") at the designated corporate trust office of the Paying Agent/Registrar upon surrender of the Bonds for payment; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Bonds, all payments will be made as described under "The Bonds - Book-Entry-Only System" herein. Interest on the Bonds is payable to the Register Owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (identified below) and such interest shall be paid by the Paying Agent/Registrar by check mailed, first class postage prepaid, to the Register Owner or by such other arrangement, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of the Registered Owner. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the designated corporate office of the Paying Agent/Registrar is located is authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, printed Bonds will be delivered to the Registered Owners and thereafter the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender of such printed Bonds to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the Registered Owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new Registered Owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the Registered Owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the Registered Owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See "The Bonds—Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the Registered Owner of the uncalled balance of an Bond.

RECORD DATE FOR INTEREST PAYMENT . . . The record date ("Record Date") for the interest payable on the Bonds on any interest payment date means the close of business on the last business day of the month next preceding such interest payment date.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Registered Owner of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

AMENDMENTS . . . In the Ordinance, the City has reserved the right to amend the Ordinance without the consent of any holder of the Bonds for the purpose of amending or supplementing the Ordinance to (i) cure any ambiguity, defect or omission therein that does not materially adversely affect the interests of the holders, (ii) grant additional rights or security for the benefit of the holders, (iii) add events of default as shall not be inconsistent with the provisions of the Ordinance that do not materially adversely affect the interests of the holders, (iv) qualify the Ordinance under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect or (v) make such other provisions in regard to matters or questions arising under the Ordinance that are not inconsistent with the provisions thereof and which, in the opinion of Bond Counsel for the City, do not materially adversely affect the interests of the holders.

The Ordinance further provides that the holders of the Bonds, aggregating in principal amount a majority of the outstanding Bonds, shall have the right from time to time to approve any amendment not described above to the Ordinance if it is deemed necessary or desirable by the City; provided, however, that without the consent of 100% of the holders in original principal amount of the then outstanding Bonds, no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Bonds; (ii) reducing the rate of interest borne by any of the outstanding Bonds; (iii) reducing the amount of the principal of, or redemption premium, if any, payable on any outstanding Bonds; (iv) modifying the terms of payment of principal or of interest or redemption premium on outstanding Bonds, or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Bonds necessary for consent to such amendment. Reference is made to the Ordinance for further provisions relating to the amendment thereof.

REMEDIES . . . The Ordinance establishes specific events of default with respect to the Bonds. If the City defaults in the payment of the principal of or interest on the Bonds when due or the City defaults in the observance or performance of any of the covenants, conditions, or obligations of the City, the failure to perform which materially, adversely affects the rights of the owners thereof, including but not limited to, their prospect or ability to be repaid in accordance with the Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the City, the Ordinance provides that any registered owner of a respective Bond is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Bonds or Ordinance and the City's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the owners of the Bonds upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. The Texas Supreme Court has ruled in *Tooke v. City of Mexia* 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Furthermore, *Tooke*, and subsequent jurisprudence, held that a municipality is not immune from suit for torts committed in the performance of its proprietary functions, as it is for torts committed in the performance of its governmental functions (the "Proprietary-Governmental Dichotomy"). Governmental functions are those that are enjoined on a municipality by law and are given by the State as a part of the State's sovereignty, to be exercised by the municipality in the interest of the general public, while proprietary functions are those that a municipality may, in its discretion, perform in the interest of the inhabitants of municipality. In *Wasson Interests, Ltd., V. City of Jacksonville*, No. 489 S.W.3d 427 (Tex. 2016), ("Wasson") the Texas Supreme Court (the "Court") addressed whether the distinction between governmental and proprietary acts (as found in tort-based causes of action) applies to the breach of contract claims against municipalities. The Court analyzed the rationale behind the Proprietary-Governmental Dichotomy to determine that "a city's proprietary functions are not done pursuant to the "will of the people" and protecting such municipalities "via the State's immunity is not an efficient way to ensure efficient allocation of State resources". While the Court recognized that the distinction between government and proprietary functions is not clear, the Wasson opinion held the Proprietary-Governmental Dichotomy applies in contract-claims context. Therefore, in regard to municipal contract cases (as in tort claims), it is incumbent on the courts to determine whether a function is proprietary or governmental based upon the statutory guidance and definitions found in the Texas Civil Practice and Remedies Code. Notwithstanding the foregoing new case law issued by the Court, such sovereign immunity issues have not been adjudicated in relation to bond matters (specifically, in regard to the issuance of municipal debt). Each situation will be prospectively evaluated based on the facts and circumstances surrounding the contract in question to determine if a suit, and subsequently, a judgment, is justiciable against a municipality. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, owners of Bonds may not be able to bring such a suit against the City for breach of the Bonds or Ordinance covenants in the absence of City action. Chapter 1371, Texas Government Code ("Chapter 1371"), which pertains to the issuance of public securities by issuers such as the City, permits the City to waive sovereign immunity in the proceedings authorizing its debt, but in connection with the issuance of the Bonds, the City has not waived sovereign immunity. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the Registered Owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the

principal of and interest on the Bonds. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinions of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors, by principles of governmental immunity, and by general principles of equity which permit the exercise of judicial discretion.

Initially, the only Registered Owner of the Bonds will be Cede & Co., as DTC's nominee. See "The Bonds - Book-Entry-Only System" herein for a description of the duties of DTC with regard to ownership of the Bonds.

TAX INFORMATION

AD VALOREM TAX LAW . . . The appraisal of property within the City is the responsibility of the Denton Central Appraisal District (the "Appraisal District"). Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, the Appraisal District is required under V.T.C.A., Title I, Tax Code, as amended (the "Property Tax Code") to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining the market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. State law requires the appraised value of a residence homestead to be based solely on the property's value as a residence homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a residence homestead for a tax year to an amount that would not exceed the lesser of (1) the market value of the property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of (a) 10% of the property's appraised value in the preceding tax year, plus (b) the property's appraised value in the preceding tax year, plus (c) the market value of all new improvements to the property. The value placed upon property within the Appraisal District is subject to review by an Appraisal Review Board, consisting of members appointed by the Board of Directors of the Appraisal District. The Appraisal District is required to review the value of property within the Appraisal District at least every three years. The City may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the City by petition filed with the Appraisal Review Board.

Reference is made to the Property Tax Code, for identification of property subject to taxation; property exempt or which may be exempted from taxation, if claimed; the appraisal of property for ad valorem taxation purposes; and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Article VIII of the State Constitution ("Article VIII") and State law provide for certain exemptions from property taxes, the valuation of agricultural and open-space lands at productivity value, and the exemption of certain personal property from ad valorem taxation.

Under Section 1-b, Article VIII, and State law, the governing body of a political subdivision, at its option, may grant an exemption of not less than \$3,000 of the market value of the residence homestead of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision. Once authorized, such exemption may be repealed or decreased or increased in amount (i) by the governing body of the political subdivision or (ii) by a favorable vote of a majority of the qualified voters at an election called by the governing body of the political subdivision, which election must be called upon receipt of a petition signed by at least 20% of the number of qualified voters who voted in the preceding election of the political subdivision. In the case of a decrease, the amount of the exemption may not be reduced to less than \$3,000 of the market value.

The surviving spouse of an individual who qualifies for the foregoing exemption for the residence homestead of a person 65 or older (but not the disabled) is entitled to an exemption for the same property in an amount equal to that of the exemption for which the deceased spouse qualified if (i) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (ii) the surviving spouse was at least 55 years of age at the time of the death of the individual's spouse and (iii) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse.

In addition to any other exemptions provided by the Property Tax Code, the governing body of a political subdivision, at its option, may grant an exemption of up to 20% of the market value of residence homesteads, with a minimum exemption of \$5,000.

In the case of residence homestead exemptions granted under Section 1-b, Article VIII, ad valorem taxes may continue to be levied against the value of homesteads exempted where ad valorem taxes have previously been pledged for the payment of debt if cessation of the levy would impair the obligation of the contract by which the debt was created.

Under Article VIII and State law, the governing body of a county, municipality or junior college district may provide for a freeze on total amount of ad valorem taxes levied on the residence homestead of a disabled person or persons 65 years of age or older above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon receipt of a petition signed by five percent of the registered voters of the county, municipality or junior college district, an election must be held to determine by majority vote whether to establish such a limitation on taxes paid on residence homesteads of persons 65 years of age or who are disabled. Upon providing for such exemption, the total amount of taxes imposed on such homestead cannot be increased except for improvements (other than maintenance, repairs or improvements required to comply with governmental requirements) and such freeze is transferable to a different residence homestead. Also, a surviving spouse of a taxpayer who qualifies for the freeze on ad valorem taxes is entitled to the same exemption so long as the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse and the spouse was at least 55 years of age at the time of the death of the individual's spouse. Once established such freeze cannot be repealed or rescinded.

State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from \$5,000 to a maximum of \$12,000, dependent upon the degree of disability or whether the exemption is applicable to a surviving spouse or children; provided, however, that beginning in the 2009 tax year, a disabled veteran who receives from the United States Department of Veterans Affairs or its successor 100 percent disability compensation due to a service-connected disability and a rating of 100 percent disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead. In addition, effective January 1, 2012, and subject to certain conditions, surviving spouses of a deceased veteran who had received a disability rating of 100% will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries.

Article VIII provides that eligible owners of both agricultural land (Section 1-d) and open-space land (Section 1-d-1), including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified under both Section 1-d and 1-d-1.

Nonbusiness personal property, such as automobiles or light trucks, are exempt from ad valorem taxation unless the governing body of a political subdivision elects to tax this property. Boats owned as nonbusiness property are exempt from ad valorem taxation.

Article VIII, Section 1-j, provides for "freeport property" to be exempted from ad valorem taxation. Freeport property is defined as goods detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Notwithstanding such exemption, counties, school districts, junior college districts and cities may tax such tangible personal property provided official action to tax the same was taken before April 1, 1990. Decisions to continue to tax may be reversed in the future; decisions to exempt freeport property are not subject to reversal.

Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of "goods-in-transit." "Goods-in-transit" is defined by Section 11.253 of the Property Tax Code, as personal property acquired or imported into Texas and transported to another location in the State or outside of the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory. Section 11.253 permits local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax "goods-in-transit" during the following tax year. After taking such official action, the goods-in-transit remain subject to taxation by the local governmental entity until the governing body of the governmental entity rescinds or repeals its previous actions to tax goods-in-transit. A taxpayer may only receive either the freeport exemption or the "goods-in-transit" exemption for items of personal property.

The City or Denton County may create one or more tax increment financing districts ("TIF") within the City or Denton County, as applicable, and freeze the taxable values of property in the TIF at the value at the time of its creation. Other overlapping taxing units levying taxes in the TIF may agree to contribute all or part of future ad valorem taxes levied and collected against the value of property in the TIF in excess of the "frozen values" to pay or finance the costs of certain public improvements in the TIF. Taxes levied by the City against the values of real property in the TIF in excess of the "frozen" value are not available for general city use but are restricted to paying or financing "project costs" within the TIF. The City also may enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The City in turn agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. The City has active reinvestment zones for tax abatements and tax increment financing zones for tax increment financing purposes. See "Tax Information - Tax Incentive Policy, - Property Tax Abatement" and "- Tax Increment Financing and Public Improvement District" and "Table 1 - Valuation, Exemptions and General Obligation Debt".

The City is also authorized, pursuant to Chapter 380, Texas Local Government Code, as amended ("Chapter 380"), to establish programs to promote state or local economic development and to stimulate business and commercial activity in the City. In accordance with a program established pursuant to Chapter 380, the City may make loans or grants of public funds such as ad valorem taxes or sales taxes for economic development purposes, however no obligations secured by ad valorem taxes may be issued for such purposes unless approved by voters of the City. The City has entered into several Chapter 380 Agreements. See "Tax Information - Chapter 380 Agreements".

NO-NEW-REVENUE TAX RATE AND VOTER-APPROVAL TAX RATE . . . The Following terms as used in this section have the meanings provided below:

"adjusted" means lost values are not included in the calculation of the prior year's taxes and new values are not included in the current year's taxable values.

"de minimis rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted), plus the rate that produces an additional \$500,000 in tax revenue when applied to the current year's taxable value, plus the debt service tax rate.

"foregone revenue amount" means the greater of zero or the amount expressed in dollars calculated according to the following formula: the voter-approval tax rate less the actual tax rate, then multiplied by the taxing unit's current total value in the applicable preceding tax year.

"no-new-revenue tax rate" means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year's total tax levy (adjusted) from the current year's total taxable values (adjusted).

"special taxing unit" means a city for which the maintenance and operations tax rate proposed for the current tax year is 2.5 cents or less per \$100 of taxable value.

"unused increment rate" means the greater of (i) zero; or (ii) the sum of the foregone revenue amount for each of the tax years 2022 foregone revenue amount, the 2023 foregone revenue amount, and 2025 foregone revenue amount divided by the current total value..

"voter-approval tax rate" mean the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted) multiplied by 1.035, plus the debt service tax rate, plus the "unused increment rate".

The City's tax rate consists of two components: (1) a rate for funding of maintenance and operations expenditures in the current year (the "maintenance and operations tax rate"), and (2) a rate for funding debt service in the current year (the "debt service tax rate"). Under State law, the assessor for the City must submit an appraisal roll showing the total appraised, assessed, and taxable values for all property in the City to the City Council by August 1 of each year, or as soon as practicable thereafter.

A city must annually calculate its "voter-approval tax rate" and "no-new-revenue tax rate" (as such terms are defined above) in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the city and the county tax assessor-collector for each county in which all or part of the city is located. A city must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year.

As described below, the Property Tax Code provides that if a city adopts a tax rate that exceeds its voter-approval tax rate or, in certain cases, its "de minimis rate", an election must be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

A city may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such city participates has delivered notice to each taxpayer of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase.

For cities with a population of 30,000 or more as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the voter-approval tax rate, that city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

For cities with a population less than 30,000 as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the greater of (i) the voter-approval tax rate or (ii) the de minimis rate, the city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate. However, for any tax year during which a city has a population of less than 30,000 as of the most recent federal decennial census and does not qualify as a special taxing unit, if a city's adopted tax rate is equal to or less than the de minimis rate but greater than both (a) the no-new-revenue tax rate, multiplied by 1.08, plus the debt service tax rate or (b) the city's voter-approval tax rate, then a valid petition signed by at least three percent of the registered voters in the city would require that an election be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

Any city located at least partly within an area declared a disaster area by the Governor of the State or the President of the United States during the current year may calculate its "voter-approval tax rate" using a 1.08 multiplier, instead of 1.035, until the earlier of (i) the second tax year in which such city's total taxable appraised value exceeds the taxable appraised value on January 1 of the year the disaster occurred, or (ii) the third tax year after the tax year in which the disaster occurred.

State law provides cities and counties in the State the option of assessing a maximum one-half percent (1/2%) sales and use tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional sales and use tax for ad valorem tax reduction is approved and levied, the no-new-revenue tax rate and voter-approval tax rate must be reduced by the amount of the estimated sales tax revenues to be generated in the current tax year.

The calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact the City's ability to set a debt service tax rate in each year sufficient to pay debt service on all of the City's tax-supported debt obligations, including the Bonds.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

PROPERTY ASSESSMENT AND TAX PAYMENT . . . Property within the City is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process that uses pricing information contained in the most recently published Early Release Overview of the Annual Energy Outlook published by the United States Energy Information Administration, as well as appraisal formulas developed by the State Comptroller of Public Accounts. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and the final installment due on August 1.

PENALTIES AND INTEREST . . . Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

Month	Cumulative Penalty	Cumulative Interest	Total
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July	12	6	18

After July, the penalty remains at 12%, and interest accrues at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid. A delinquent tax continues to incur the penalty interest as long as the tax remains unpaid, regardless of whether a judgment for the delinquent tax has been rendered. The purpose of imposing such interest is to compensate the taxing unit for revenue lost because of the delinquency. In addition, if an account is delinquent in July, an attorney's collection fee of up to 20% may be added to the total tax penalty and interest charge. Under certain circumstances, taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed. In general, property subject to the City's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

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CITY APPLICATION OF TAX CODE . . . The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of \$50,000. Disabled taxpayers also receive a \$50,000 exemption.

The City grants an additional one-half of one percent, or a minimum of \$5,000 exemption of the market value of residence homesteads.

See Table 1 for a listing of the amounts of the exemptions described above.

Ad valorem taxes are not levied by the City against the exempt value of residence homesteads for the payment of debt.

The City does not tax nonbusiness personal property.

Denton County began collecting taxes for the City during the fiscal year 2006-07.

The City does not allow split payments, and discounts are not allowed.

The City does not tax freeport property.

The City collects the additional one-half cent sales tax for reduction of ad valorem taxes.

The City does tax "goods-in-transit".

The City has adopted the tax freeze (limitation) for citizens who are disabled or are 65 years of age or older.

The City has adopted a tax abatement policy.

The City participates in two tax increment reinvestment zones, which were created in 2010 and 2012.

TAX INCREMENT FINANCING AND PUBLIC IMPROVEMENT DISTRICT . . . The City participates in two tax increment reinvestment zones, Reinvestment Zone Number One, City of Denton, Texas (the "Downtown TIRZ"), and Reinvestment Zone Number Two, City of Denton, Texas (the "Westpark TIRZ"), which were created in 2010 and 2012, respectively.

- Grant agreements committing funds in an aggregate amount not to exceed \$250,000 of Downtown TIRZ funds have been approved in this Fiscal Year 2025-26.
- On December 17, 2024, the Denton City Council amended Ordinance No. 2010-316 by expanding the boundaries and extending the term of the Downtown TIRZ. The life of the zone was extended to December 31, 2040, or when the budget of \$50.2 million is collected. The 2025 tax year (FY 2025-2026) is the first year to capture incremental revenue above the 2024 base tax year for the expanded boundaries (TIRZ 1A).

The City participates in two Public Improvement Districts ("PIDs"), Rayzor Ranch Public Improvement District No. 1 and the Denton Tourism Public Improvement District. These PIDs, created in 2014 and 2024 respectively, are authorized by Chapter 372 of the Texas Local Government Code.

Additional information on the tax increment reinvestment zones and the PIDs can be found in the Annual Comprehensive Financial Report, Notes to Basic Financial Statements, IV. Detailed Notes on All Funds, B. Property Tax Revenue.

TAX INCENTIVE POLICY . . . The City enters into economic development incentive agreements consisting of property tax abatement agreements and Chapter 380 agreements with entities to promote development and redevelopment within the City, stimulate commercial activity, generate additional sales tax, and enhance the property tax base and economic vitality of the City. A summary of newly initiated agreements and terminated agreements follows.

PROPERTY TAX ABATEMENTS . . . One property tax abatement was approved December 16, 2025 for Novartis Gene Therapies. Novartis is a Swiss pharmaceutical corporation, formed in 1996, which selected Denton for an expansion of its radiopharmaceutical manufacturing operations. The Tax Abatement Agreement includes a 50% abatement on new improvements up to \$2,337,960 for a period of ten years.

CHAPTER 380 AGREEMENTS . . . Three Chapter 380 Agreements have been approved in this Fiscal Year 2025-26.

- Novartis Gene Therapies was awarded a 50% sales tax rebate up to \$199,688 for the construction and equipping of the facility, a stratified job-based grant up to \$300,000 on qualified jobs and an environmental remediation grant up to \$395,000. The company will produce pharmaceuticals for radioligand therapy (RLT), a cancer treatment, targeting prostate and advanced gastroenteropancreatic cancer. The facility will undergo environmental remediation and renovations of approximately 40,000 square feet to suit the manufacturing process. The company estimates the investment in the building, machinery, equipment, and improvements to the land will be \$280 million. The project plans to create 150 jobs with an average salary of greater than \$124,000
- Panel Rey/PR Gypsum was granted a five-year performance-based ad valorem tax rebate at 60% estimated at \$170,357 and a one-time relocation grant in the amount of \$50,000. In addition, the company was awarded a stratified job-based grant not to exceed \$16,500. This is the first manufacturing expansion into the United States for a company that produces joint compound used in the construction of residential and commercial projects. Panel Rey is seeking to purchase an existing 60,000 square foot building as Phase I of their U.S. expansion. The company's planned investment in the building, machinery, and equipment will be approximately \$15 million. The project involves plans to create 20 jobs with a weighted salary of \$72,733.
- KratoeSky was awarded an eight-year performance-based ad valorem tax rebate at 65% estimated at \$498,564, a 50% sales tax rebate up to \$94,500 for the construction and equipping of the facility, a headquarters grant of \$50,000 and a job-based grant up to \$227,000 on qualified jobs with residency bonus. KratoeSky is an autonomous Unmanned Aircraft Systems (UAS) manufacturing company focused on building the foundational infrastructure for large-scale autonomy. The company plans to inject \$23.5 Million in capital investment into the project with \$12.6 million in improvements and \$10.9 in business personal property. Additionally, the company plans on creating 258 jobs with an average salary of \$78,787 within a five-year period.
- Additional information on all of the tax abatement and Chapter 380 agreements may be found in Appendix B – Excerpts from the City of Denton, Texas Annual Comprehensive Financial Report, Notes to Basic Financial Statements, V. Other Information. F Tax Abatements.

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TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2025/26 Market Valuation Established by Denton Central Appraisal District		\$ 29,460,030,190
Less Exemptions/Reductions at 100% Market Value:		
Residence Homestead Exemptions	\$ 114,305,042	
Over 65 Exemptions	489,296,202	
Disabled Persons Exemptions	10,740,171	
Disabled Veterans Exemptions	270,463,697	
Agricultural Land Use Productivity	615,875,116	
Historical/Other Exemptions	7,001,241	
Freeport Exemptions	485,263,098	
Abatement Exemptions	7,644,389	
Pollution Exemptions	21,227,105	
Charitable Organization Exemptions	108,195,755	
Homestead Cap Adjustment	297,286,423	
Circuit Breaker Limitation	173,940,132	
Misc and Personal Property	6,115,647	
Totally Exempt Property	<u>3,722,833,041</u>	<u>6,330,187,059</u>
2025/26 Taxable Assessed Valuation (as of 7-25-2025)		\$ 23,129,843,131
2025/26 Incremental Taxable Assessed Value of Real Property within Reinvestment Zones		(720,242,092)
2025/26 Net Taxable Assessed Valuation available for General Obligations and Debt of City (as of 7-25-2025)		<u>\$ 22,409,601,039</u>
City Funded Debt Payable from Ad Valorem Taxes ⁽¹⁾		
General Obligation Bonds (as of 5-31-26)	\$ 515,235,000 ⁽²⁾	
Certificates of Obligation (as of 5-31-26)	1,285,410,000 ⁽²⁾	
The Bonds	133,055,000 ⁽³⁾	
Funded Debt Payable from Ad Valorem Taxes		\$ 1,933,700,000
Less Self-Supporting General Obligation Debt ⁽⁴⁾		
Utility System General Obligation Debt	\$ 1,094,470,000 ⁽⁵⁾⁽⁷⁾	
Airport System General Obligation Debt	5,645,000	
Solid Waste System General Obligation Debt	<u>63,415,000 ⁽⁶⁾</u>	<u>1,163,530,000</u>
Net Tax Supported Debt Payable from Ad Valorem Taxes		<u>\$ 770,170,000</u>
Interest and Sinking Fund as of 4-30-26 (estimated)		\$ 21,120,235
Ratio Total Funded Debt to Net Taxable Assessed Valuation		8.63%
Ratio Net Funded Debt to Net Taxable Assessed Valuation		3.44%
2026 Estimated Population - 158,933		
Per Capita Net Taxable Assessed Valuation - \$141,000		
Per Capita Total Funded Debt - \$12,167		
Per Capita Net Funded Debt - \$4,846		

- (1) The above statement of indebtedness does not include \$174,120,000 Utility System Revenue Bonds (a portion of which will be refunded with the Bonds) , \$127,350,000 Utility System Revenue Refunding Bonds, \$300,000,000 Utility System Revenue Extendable Commercial Paper Notes, Series A, or \$19,790,000 Utility System Revenue Notes as these bonds and notes are payable solely from the net revenues of the Utility System (the "System"), as defined in the ordinances authorizing such bonds and notes.
- (2) Includes the \$281,260,000 Certificates of Obligation, Series 2026 and \$62,715,000 General Obligation Refunding and Improvement Bonds, Series 2026 anticipated to close on August 20, 2026. Preliminary, subject to change.
- (3) Preliminary, subject to change.
- (4) As a matter of policy, the City pays debt service on its general obligation debt issued to fund improvements to its Utility System and Solid Waste System from surplus revenues of these Systems (see "Table 7 – General Obligation Debt Service Requirements" and "Table 9 – Computation of Self-Supporting Debt"). This policy may be subject to change in the future.
- (5) The City's Utility System is comprised of the City's entire existing electric, light and power system and the waterworks and sewer system. Drainage is managed under the waterworks and wastewater system. The City's Utility System General Obligation Debt has been issued to finance or refinance Utility System improvements and contractual obligations and is paid, or is expected to be paid, from Utility System revenues. In addition, the City has \$174,120,000 Utility System Revenue Bonds (a portion of which will be refunded with the Bonds), \$127,350,000 Utility System Revenue Refunding Bonds, and \$19,790,000 Utility System Revenue Notes outstanding payable from a pledge of Utility System revenues.
- (6) The City's Solid Waste System General Obligation Debt has been issued to finance or refinance Solid Waste System improvements and is paid, or is expected to be paid, from Solid Waste System revenues. The City has no outstanding Solid Waste System Revenue Bonds.
- (7) Includes the Bonds. Preliminary, subject to change.

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY ⁽¹⁾

Category	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2026		2025		2024	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single Family	\$ 13,463,031,079	45.70%	\$ 13,235,361,992	49.04%	\$ 12,640,265,177	55.07%
Real, Residential, Multi-Family	3,611,192,084	12.26%	3,246,994,776	12.03%	3,010,316,741	13.12%
Real, Vacant Lots/Tracts	378,223,670	1.28%	330,248,139	1.22%	382,596,204	1.67%
Real, Acreage (Land Only)	621,048,215	2.11%	559,319,855	2.07%	576,294,402	2.51%
Real, Farm and Ranch Improvements	244,345,357	0.83%	253,790,382	0.94%	215,962,158	0.94%
Real, Commercial and Industrial	4,630,614,465	15.72%	4,254,925,028	15.77%	3,803,222,853	16.57%
Real, Oil, Gas, and Other Mineral Reserves	55,965,402	0.19%	48,857,763	0.18%	120,209,519	0.52%
Real and Tangible Personal, Utilities	215,844,160	0.73%	194,805,531	0.72%	178,025,520	0.78%
Tangible Personal, Commercial and Industrial	2,165,102,582	7.35%	2,040,653,199	7.56%	1,703,709,612	7.42%
Tangible Personal, Other	37,810,994	0.13%	34,036,056	0.13%	23,932,876	0.10%
Real and Special Property, Inventory	317,525,853	1.08%	233,176,418	0.86%	298,489,803	1.30%
Totally Exempt	3,719,326,329	12.62%	2,556,714,515	9.47%	-	0.00%
Total Appraised Value Before Exemptions	\$ 29,460,030,190	100.00%	\$ 26,988,883,654	100.00%	\$ 22,953,024,865	100.00%
Less: Total Exemptions/Reductions	(6,330,187,059)		(5,234,210,175)		(3,077,816,211)	
Less: Tax Increment Value	(720,242,092)		(644,341,698)		(655,364,707)	
Net Taxable Assessed Value	<u>\$ 22,409,601,039</u>		<u>\$ 21,110,331,781</u>		<u>\$ 19,219,843,947</u>	

Category	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2023		2022	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single Family	\$ 10,290,861,945	53.71%	\$ 8,179,274,977	30.31%
Real, Residential, Multi-Family	2,581,359,659	13.47%	2,192,401,019	8.12%
Real, Vacant Lots/Tracts	423,344,124	2.21%	314,300,099	1.16%
Real, Acreage (Land Only)	429,021,486	2.24%	361,523,875	1.34%
Real, Farm and Ranch Improvements	182,206,679	0.95%	157,873,244	0.58%
Real, Commercial and Industrial	3,299,538,286	17.22%	3,032,461,538	11.24%
Real, Oil, Gas, and Other Mineral Reserves	87,640,017	0.46%	48,516,939	0.18%
Real and Tangible Personal, Utilities	152,340,178	0.80%	142,991,907	0.53%
Tangible Personal, Commercial and Industrial	1,507,941,787	7.87%	1,425,520,232	5.28%
Tangible Personal, Other	23,831,628	0.12%	23,969,949	0.09%
Real Property, Inventory	181,149,319		137,388,170	0.51%
Totally Exempt	-	0.00%	-	0.00%
Total Appraised Value Before Exemptions	\$ 19,159,235,108	99.05%	\$ 16,016,221,949	59.34%
Less: Total Exemptions/Reductions	(2,177,190,370)		(1,376,450,603)	
Less: Tax Increment Value	(260,921,114)		(236,666,283)	
Net Taxable Assessed Value	<u>\$ 16,721,123,624</u>		<u>\$ 14,403,105,063</u>	

(1) Valuations shown are certified taxable assessed values reported by the Denton Central Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records. For the Fiscal Year ended 2026, the values were reported on July 25, 2025 based on information as of January 1, 2025.

TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population ⁽¹⁾	Net Taxable Assessed Valuation ⁽²⁾	Net Taxable Assessed Valuation Per Capita	Net Tax Debt Outstanding at End of Year ⁽⁸⁾	Ratio Net Tax Debt to Net Taxable Assessed Valuation	Net Funded Tax Debt Per Capita
2022	146,950	\$ 14,403,105,063 ⁽³⁾	\$ 98,014	\$ 354,343,240	2.46%	\$ 2,411
2023	150,624	16,721,123,624 ⁽⁴⁾	111,012	392,635,000	2.35%	2,607
2024	150,842	19,219,843,947 ⁽⁵⁾	127,417	522,720,000	2.72%	3,465
2025	155,375	21,110,331,781 ⁽⁶⁾	135,867	524,460,000	2.48%	3,375
2026	158,933	22,409,601,039 ⁽⁷⁾	141,000	770,170,000 ⁽⁹⁾	3.44%	4,846

- (1) Source: City Officials.
- (2) Valuations shown are certified taxable assessed values reported by the Denton Central Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records. Source: Denton Central Appraisal District as of July 25, 2025.
- (3) Excludes tax incremental value of approximately \$236,666,283 that is not available for the City's general obligations and debt of City.
- (4) Excludes tax incremental value of approximately \$263,821,022 that is not available for the City's general obligations and debt of City.
- (5) Excludes tax incremental value of approximately \$321,617,493 that is not available for the City's general obligations and debt of City.
- (6) Excludes tax incremental value of approximately \$644,341,698 that is not available for the City's general obligations and debt of City.
- (7) Excludes tax incremental value of approximately \$720,242,092 that is not available for the City's general obligations and debt of City.
- (8) Excludes self-supported general obligation debt.
- (9) Projected. Includes a portion of the Bonds and the \$281,260,000 Certificates of Obligation, Series 2026 and \$62,715,000 General Obligation Refunding and Improvement Bonds, Series 2026 anticipated to close on August 20, 2026. Excludes the Bonds and self-supporting debt. Preliminary, subject to change.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	Distribution		Tax Levy ⁽¹⁾	% Current Collections	% Total Collections
		General Fund	Interest and Sinking Fund			
2022	\$ 0.56582	\$ 0.35044	\$ 0.21538	\$ 79,382,757	99.68%	99.75%
2023	0.56068	0.35643	0.20425	91,758,521	99.44%	99.55%
2024	0.56068	0.35478	0.20590	106,515,412	99.54%	99.38%
2025	0.58542	0.33478	0.25064	120,022,186	99.30%	99.30%
2026	0.59542	0.33478	0.26064	130,611,877	In Process of Collection	

- (1) Tax levy for the year 2026 is based on the adjusted certified value. Prior years represent adjusted values that include all supplements through July 25, 2025. Includes tax incremental reinvestment zone revenues.

TABLE 5 - TEN LARGEST TAXPAYERS ⁽¹⁾

Name of Taxpayer	Nature of Property	2025/26 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Paccar Inc.	Diesel Truck Manufacturing	\$153,971,503	0.67%
RR Town Center Associates LLC	Retail	103,453,509	0.45%
Denton ICC 35 LLC	Business Park	93,054,752	0.40%
Southwire Company, LLC	Manufacturing	85,175,168	0.37%
TRDWind Timberlinks Borrower LLC	Apartments	81,000,000	0.35%
Exeter Denton Land LP	Distribution	78,469,221	0.34%
Atmos Energy Mid-Tex Distribution	Gas Utility	76,435,710	0.33%
GEP XI Denton 2 LP	Apartments	75,000,000	0.32%
Epic Development Inc.	Apartments	73,362,019	0.32%
DIN1 Land LTD	Distribution	73,173,402	0.32%
		<u>\$ 893,095,284</u>	<u>3.86%</u>

- (1) Source: Denton Central Appraisal District.

GENERAL OBLIGATION DEBT LIMITATION . . . No general obligation debt limitation is imposed on the City under current State law or the City's Home Rule Charter (see "The Bonds – Tax Rate Limitation" for a description of the limitations on ad valorem tax rates).

TABLE 6 - ESTIMATED OVERLAPPING TAX DEBT

Expenditures of the various taxing entities within the territory of the City are paid out of ad valorem taxes levied by such entities on properties within the City. Such entities are independent of the City and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax debt ("Tax Debt") was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the City, the City has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain entities listed may have issued additional Tax Debt since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional Tax Debt, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the City.

Taxing Jurisdiction	2025/26	2025/26	Total	Estimated	City's	Authorized
	Taxable				Tax	Funded
	Assessed	Rate	Debt	%	Funded Debt	Debt As Of
	Value			Applicable	As of 5-31-26	5-31-26
City of Denton	\$22,409,601,039 ⁽¹⁾	\$ 0.59542	\$ 770,170,000 ⁽²⁾	100.00%	\$ 770,170,000 ⁽²⁾	\$ 169,402,000 ⁽³⁾
Argyle Independent School District	5,816,552,187	1.17300	655,515,923	6.53%	42,805,190	205,565,000
Denton County	207,352,205,545	0.18600	787,916,036	11.99%	94,471,133	324,090,625
Denton Independent School District	31,328,814,917	1.20700	2,317,774,209	57.01%	1,321,363,077	-
Krum Independent School District	2,118,376,515	1.19500	206,870,995	4.85%	10,033,243	46,200,000
Ponder Independent School District	1,142,270,556	1.27700	60,521,894	8.85%	5,356,188	294,640,000
Sanger Independent School District	2,129,420,106	1.14300	135,981,559	0.32%	435,141	-
Total Direct and Overlapping Funded Debt					<u>\$2,244,633,971</u>	
Ratio of Direct and Overlapping Funded Debt to Taxable Assessed Valuation					10.02%	
Per Capita Overlapping Funded Debt					\$ 5,738.76	

- (1) Excludes tax incremental value of approximately \$720,242,092 that is not available for the City's general obligations and debt of City.
- (2) Includes a portion of the \$281,260,000 Certificates of Obligation, Series 2026 and \$62,715,000 General Obligation Refunding and Improvement Bonds, Series 2026 anticipated to close on August 20, 2026. Excludes the Bonds and other self-supporting debt. See Tables 1 and 9 herein for more detailed information on the City's general obligation self-supporting debt. Preliminary, subject to change.
- (3) Reflects remaining authorization after the issuance of the \$62,715,000 General Obligation Refunding and Improvement Bonds, Series 2026 anticipated to close on August 20, 2026. Preliminary, subject to change.

TABLE 7 – PRO FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ended 9/30	Outstanding Debt Service ⁽¹⁾			The Bonds ⁽²⁾			Total Outstanding Debt Service	Less: Self-Supporting Solid Waste Debt Service	Less: Self-Supporting Utility Debt Service ⁽³⁾	Less: Self-Supporting Airport Debt Service	Total Net Debt Service Requirements	% of Principal Retired
	Principal	Interest	Total	Principal	Interest	Total						
2026	\$ 77,960,000	\$ 65,125,946	\$ 143,085,946	\$ -	\$ -	\$ -	\$ 143,085,946	\$ 6,507,026	\$ 78,287,033	\$ 745,650	\$ 57,546,237	
2027	86,755,000	77,114,657	163,869,657	-	6,320,113	6,320,113	170,189,769	7,982,321	91,023,132	682,900	70,501,417	
2028	86,025,000	73,145,944	159,170,944	10,515,000	6,389,875	16,904,875	176,075,819	7,846,563	89,675,731	651,025	77,902,500	
2029	85,750,000	68,946,272	154,696,272	11,055,000	5,850,625	16,905,625	171,601,897	7,519,338	88,439,681	640,950	75,001,928	
2030	87,835,000	64,735,038	152,570,038	11,620,000	5,283,750	16,903,750	169,473,788	7,112,463	88,530,781	641,100	73,189,444	22.99%
2031	83,460,000	60,663,010	144,123,010	12,220,000	4,687,750	16,907,750	161,030,760	6,072,088	83,312,506	645,550	71,000,616	
2032	85,270,000	56,750,731	142,020,731	12,845,000	4,061,125	16,906,125	158,926,856	5,136,388	83,668,981	644,203	69,477,284	
2033	86,090,000	52,815,166	138,905,166	13,500,000	3,402,500	16,902,500	155,807,666	5,079,588	81,155,881	651,550	68,920,647	
2034	85,540,000	48,935,522	134,475,522	14,195,000	2,710,125	16,905,125	151,380,647	4,480,638	78,294,856	520,800	68,084,353	
2035	84,635,000	45,209,503	129,844,503	14,920,000	1,982,250	16,902,250	146,746,753	4,167,188	76,771,206	405,528	65,402,831	47.76%
2036	83,940,000	41,577,347	125,517,347	15,690,000	1,217,000	16,907,000	142,424,347	3,926,138	74,608,531	402,713	63,486,966	
2037	84,875,000	37,929,453	122,804,453	16,495,000	412,375	16,907,375	139,711,828	3,457,038	73,913,544	404,238	61,937,009	
2038	86,855,000	34,185,278	121,040,278	-	-	-	121,040,278	3,390,288	73,933,994	395,375	43,320,622	
2039	87,150,000	30,386,810	117,536,810	-	-	-	117,536,810	3,388,763	73,941,338	71,900	40,134,809	
2040	88,775,000	26,610,566	115,385,566	-	-	-	115,385,566	3,387,863	73,300,050	69,200	38,628,453	71.07%
2041	88,990,000	22,828,775	111,818,775	-	-	-	111,818,775	3,382,894	72,712,113	71,700	35,652,069	
2042	85,425,000	19,070,485	104,495,485	-	-	-	104,495,485	3,450,550	70,337,703	69,100	30,638,131	
2043	79,145,000	15,487,163	94,632,163	-	-	-	94,632,163	2,950,625	65,704,806	71,400	25,905,331	
2044	74,840,000	12,179,272	87,019,272	-	-	-	87,019,272	1,826,891	63,160,669	-	22,031,713	
2045	55,610,000	9,400,800	65,010,800	-	-	-	65,010,800	1,663,934	51,477,156	-	11,869,709	90.37%
2046	36,430,000	7,455,891	43,885,891	-	-	-	43,885,891	1,124,131	35,885,584	-	6,876,175	
2047	20,160,000	6,305,466	26,465,466	-	-	-	26,465,466	-	26,465,466	-	-	
2048	17,385,000	5,547,947	22,932,947	-	-	-	22,932,946	-	22,932,947	-	-	
2049	18,105,000	4,827,278	22,932,278	-	-	-	22,932,278	-	22,932,278	-	-	
2050	18,465,000	4,080,213	22,545,213	-	-	-	22,545,212	-	22,545,213	-	-	95.92%
2051	18,075,000	3,318,066	21,393,066	-	-	-	21,393,065	-	21,393,066	-	-	
2052	16,980,000	2,553,088	19,533,088	-	-	-	19,533,087	-	19,533,088	-	-	
2053	15,755,000	1,815,206	17,570,206	-	-	-	17,570,206	-	17,570,206	-	-	
2054	12,380,000	1,167,675	13,547,675	-	-	-	13,547,675	-	13,547,675	-	-	
2055	9,695,000	639,166	10,334,166	-	-	-	10,334,166	-	10,334,166	-	-	99.59%
2056	8,240,000	200,850	8,440,850	-	-	-	8,440,850	-	8,440,850	-	-	100.00%
	<u>\$1,856,595,000</u>	<u>\$901,008,581</u>	<u>\$2,757,603,581</u>	<u>\$133,055,000</u>	<u>\$42,317,488</u>	<u>\$175,372,488</u>	<u>\$2,932,976,067</u>	<u>\$93,852,709</u>	<u>\$ 1,753,830,233</u>	<u>\$ 7,784,881</u>	<u>\$1,077,508,245</u>	

DEBT INFORMATION

- (1) "Outstanding Debt" does not include lease/purchase obligations, however, it does include self-supporting debt and the \$281,260,000 Certificates of Obligation, Series 2026 and \$62,715,000 General Obligation Refunding and Improvement Bonds, Series 2026 anticipated to close on August 20, 2026. Preliminary, subject to change.
- (2) Average life of the issue - 6.361 years. Interest on the Bonds has been calculated at the rate of 3.38% for purposes of illustration. Preliminary, subject to change.
- (3) Includes the Bonds. Preliminary, subject to change.

TABLE 8 - INTEREST AND SINKING FUND BUDGET PROJECTION ⁽¹⁾

Budgeted Tax Supported Debt Service Requirements and Fiscal Charges, Fiscal Year Ending 9/30/2026	\$ 143,561,695	
Interest and Sinking Fund Balance as of 9/30/25	\$ 2,594,012	
Budgeted Interest and Sinking Fund Tax Levy	55,556,965	
Budgeted From Revenue Supported Sources	87,852,998	
Budgeted Interest Income	151,732	<u>146,155,707</u>
Estimated Balance, 9/30/26		<u><u>\$ 2,594,012</u></u>

(1) Source: City's Annual Program of Services for Fiscal Year 2025/26.

TABLE 9 - COMPUTATION OF SELF-SUPPORTING DEBT

Net Revenue from Solid Waste System, Fiscal Year Ended 9-30-25	\$ 10,843,590 ⁽¹⁾
Less: Solid Waste System Revenue Bond Requirements, 2026 Fiscal Year	<u>-</u>
Balance Available for Other Purposes	\$ 10,843,590
Solid Waste System General Obligation Bond Requirements, 2026 Fiscal Year	<u>(6,507,026)</u>
Balance	<u>\$ 4,336,564</u>
Net Revenue from Utility System (Electric System and Waterworks and Wastewater System), Fiscal Year Ended 9-30-25	\$ 139,717,993 ⁽¹⁾
Less: Utility System Revenue Bond Requirements, 2026 Fiscal Year	<u>(33,156,363)</u>
Balance Available for Other Purposes	\$ 106,561,630
Utility System General Obligation Bond Requirements, 2026 Fiscal Year	<u>(78,287,033)</u>
Balance	<u>\$ 28,274,597</u>
Net Revenue from Airport, Fiscal Year Ended 9-30-25	\$ 809,767 ⁽¹⁾
Less: Airport Revenue Bond Requirements, 2026 Fiscal Year	<u>-</u>
Balance Available for Other Purposes	\$ 809,767
Airport General Obligation Bond Requirements, 2026 Fiscal Year	<u>(745,650)</u>
Balance	<u>\$ 64,117</u>

(1) Does not deduct franchise fees and/or return on investment paid to the General Fund.

TABLE 10 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

Purpose	Date Authorized	Amount Authorized	Amount Heretofore Issued ⁽¹⁾	Amount Being Issued	Unissued Balance
Street	11/7/2023	\$ 45,125,000	\$ 25,125,000	\$ -	\$ 20,000,000
Drainage & Flood Control	11/7/2023	58,860,000	41,863,000	-	16,997,000
Parks	11/7/2023	33,450,000	10,450,000	-	23,000,000
Public Safety Facilities	11/7/2023	42,015,000	42,015,000	-	-
Affordable Housing	11/7/2023	15,000,000	-	-	15,000,000
Active Adult Center	11/7/2023	47,360,000	-	-	47,360,000
Library	11/7/2023	49,545,000	2,500,000	-	47,045,000
		<u>\$291,355,000</u>	<u>\$121,953,000</u>	<u>\$ -</u>	<u>\$169,402,000</u>

(1) Includes the \$62,715,000 General Obligation Refunding and Improvement Bonds, Series 2026 anticipated to close on August 20, 2026. Preliminary, subject to change.

ANTICIPATED ISSUANCE OF ADDITIONAL GENERAL OBLIGATION DEBT . . . As shown in Table 10 above, after the anticipated issuance of the \$62,715,000 General Obligation Refunding and Improvement Bonds, Series 2026 the City will have \$169,402,000 voted but unissued debt remaining from the November 7, 2023 authorization. In June of 2020, the City established a commercial paper note program which allows for the issuance, at one time, or from time to time, of up to \$100,000,000 aggregate principal amount of commercial paper notes (the "CP Notes") in order to finance public improvements authorized in the November 7, 2023 bond election. The CP Notes are secured by ad valorem taxes and proceeds from "rolls" of CP Notes and from bonds issued under the November 7, 2023 authorization. As of May 1, 2026, no CP Notes are outstanding. The City may also issue tax-supported debt other than voter approved general obligation bonds to fund public improvements, such as certificates of obligation or tax anticipation notes, without submitting a measure to the voters, but in certain instances, subject to voter petition rights for a referendum. Further, the City may issue tax-supported debt other than voter approved general obligation bonds to refund bonds or other obligations not currently payable from or supported by ad valorem taxes, such as the City's Utility System revenue bonds. The City anticipates the issuance of approximately \$69.927 million in tax supported debt in fiscal year 2027.

TABLE 11 - OTHER OBLIGATIONS

The City is a lessor in various noncancelable leases of land, building, and equipment. During fiscal year 2025, the City recognized \$255,461 in lease revenue and \$50,602 in interest revenue.

As of September 30, 2024, the City's lease receivable balance of \$3,541,476 was comprised of the following:

Governmental Activities		
One equipment lease with rents received totaling \$159,652 during the fiscal year 2025, at an interest rate of 0.582%, with a remaining lease term of 2 years		159,652
Four land leases with rents received totaling \$858,211 during the fiscal year 2025, at an interest rate of 1.882%, with a remaining lease term of 43 years		858,211
Business-type Activities		
Various land leases with rents received totaling \$141,222 during the fiscal year 2025, at an interest rate of 1.473% to 3.053% to with remaining lease terms ranging from 10 to 45 years		2,169,652
		<u>\$ 3,187,515</u>

The lease receivables are expected to be received in subsequent years as follows:

Fiscal Year	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2026	\$ 114,464	\$ 17,556	\$ 176,181	\$ 32,558
2027	67,620	16,966	176,181	30,041
2028	34,160	16,718	176,181	27,477
2029	36,437	16,484	176,181	24,865
2030	36,644	16,220	176,181	22,203
2031-2035	106,562	79,305	859,064	69,683
2036-2040	115,800	76,473	175,603	30,610
2041-2044	506,177	262,215	254,080	19,198
	<u>\$ 1,017,864</u>	<u>\$ 501,937</u>	<u>\$ 2,169,652</u>	<u>\$ 256,635</u>

The City has various aeronautical leasing agreements for land leases (54 agreements, 5 Licenses, 72 buildings) and hangar space (27) at Denton Enterprise Airport. These qualify as regulated leases and are not included in the measurement of lease receivables, in accordance with the requirements of GASB Statement No. 87. The City recognized \$1,001,746 (Land Lease) and \$185,100 (Hangar Lease) in lease revenue during fiscal year 2025 for these leases, which have CPI increases that range from 1-5 years, dependent on the lease terms ranging from 1-30 years, with some leases having additional options that range from 5-20 years. As of October 1, 2025, the minimum payments expected to be received over the next five years is shown in the table below:

<u>Fiscal Year</u>	<u>Amount</u>
2026	\$ 1,231,598
2027	1,262,552
2028	1,344,385
2029	1,377,224
2030	1,418,541
	<u>\$ 6,634,301</u>

Additionally, on January 1, 2023, City of Denton, TX entered a 48-month lease as Lessee for the use of Employee Health Clinic. An initial lease liability was recorded in the amount of \$300,845. As of September 30, 2025, the value of the lease liability is \$95,481. The City of Denton, TX is required to make monthly fixed payments of \$6,018. The lease has an interest rate of 0.2130%. The value of the right to use asset as of September 30, 2025, of \$300,845 with accumulated amortization of \$205,364. The City has one extension option(s), each for 12 months.

SUBSCRIPTION-BASED INFORMATION TECHNOLOGY AGREEMENTS (SBITA) . . . The City entered into SBITA contracts involving various desktop and server software, electronic workflows and document management software along with other departmental specific operations management systems to assist in operations. As of September 30, 2025, all SBITA have fixed, periodic, payments over the subscription periods, which range from 1 to 4 years and expire no later than fiscal year 2029. In addition, some of these agreements are cancelable with 30 or 60-day notice. There are no commitments or outflows of resources related to SBITA that are not yet effective. The short-term portion, due within one year, totals \$4,086,021 for Governmental Funds and \$2,647,909 for Business-type Funds.

The future subscription payments as of September 30, 2025, as follows:

Fiscal Year	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 4,086,021	\$ 130,644	\$ 2,647,909	\$ 46,850
2027	1,917,068	130,644	168,577	46,850
2028	1,917,068	130,644	168,577	46,850
2029	1,917,068	130,644	168,577	46,850
	<u>\$ 9,837,225</u>	<u>\$ 522,576</u>	<u>\$ 3,153,640</u>	<u>\$ 187,400</u>

PENSION FUND . . . The City of Denton participates as one of 901 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of the System with a six-member, Governor-appointed board of trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly-available annual comprehensive financial report obtainable at www.tmrs.com.

All eligible employees of the city are required to participate in TMRS.

Benefits Provided . . . TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the employee's benefit is calculated based on the sum of the employee's contributions with interest, and the city-financed monetary credits with interest. Employees may choose to receive their retirement benefit in one of seven payment options. Employees may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the employee's deposits and interest.

Upon retirement, the employee's retirement benefits are calculated based on the sum of the employee's contributions, with interest, and the City-financed monetary credits, with interest. City-financed monetary credits are composed of three sources: prior service credits, current service credits, and updated service credits.

- Prior service credit, granted by each city joining TMRS, is a monetary credit equal to the accumulated value of the percentage of prior service credit selected by the City, multiplied by an employee's contributions that would have been made, based on the average salary prior to TMRS participation, for the number of months the employee was employed by the City before joining TMRS, accruing 3% annual interest and including the matching ratio adopted by the City.
- Current Service Credit is a monetary credit for service performed by an employee after the City joined TMRS and is based on a percent (200%) of the employee's total contributions and interest credits (commonly referred to as the City's matching ratio). Each participating city designates the rate the employee contributions (7% for the City) and interest is credited on contribution balances annually at a guaranteed minimum 5% rate. Any change in the matching ratio would be applied prospectively.
- Updated Service Credits (USC) is an optional monetary credit granted on an annually repeated basis by the City, and it may increase an employee's monthly retirement benefit. In calculating USC, TMRS looks at the changes in the employee's salary over their career and any changes the City has made to its TMRS plan, such as the employee contribution rate or the City's matching ratio. Although USC may increase the employee's retirement benefit, USC does not affect the amount of contributions in an employee's account or the amount an employee will receive if they refund.

The plan provisions also include an annually repeating basis cost of living adjustments for retirees equal to 70% of the change in the consumer price index. If an employee terminates employment and refunds their account, the employee will receive their total contributions, plus credited interest. The employee will not receive any of the city-financed monetary credits. An employee can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after five years.

Employees covered by benefit terms . . . At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	957
Inactive Employees Entitled to But Not Yet Receiving Benefits	75
Active Employees	<u>1,520</u>
	<u>2,552</u>

Contributions . . . The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the City Council. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 18.15% and 18.94% in calendar years 2024 and 2025, respectively. The City's contributions to TMRS for the year ended September 30, 2025, were \$25,761,959 and were equal to the required contributions.

Net Pension Liability . . . The City's Net Pension Liability ("NPL") was measured as of December 31, 2024, and the Total Pension Liability ("TPL") used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial Assumptions . . . The TPL in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB (10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the gender-distinct 2021 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate are applied for males and females, respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014, to December 31, 2018. They were adopted in 2019 and first used in December 31, 2019, actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	7.10%
Core Fixed Income	6.0%	5.00%
Non-Core Fixed Income	6.0%	6.80%
Hedge Funds	5.0%	6.40%
Private Equity	13.0%	8.50%
Private Debt	13.0%	8.20%
Real Estate	12.0%	6.70%
Infrastructure	6.0%	6.00%
Other Private Markets	4.0%	7.30%
Total	100.0%	

Discount Rate . . . The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2023	\$ 678,975,184	\$ 583,428,852	\$ 95,546,332
Changes for the year:			
Service cost	25,133,454	-	25,133,454
Interest	45,632,055	-	45,632,055
Change of benefit terms	-	-	-
Difference between expected and actual experience	7,317,890	-	7,317,890
Changes of assumptions	-	-	-
Contributions - employer	-	25,761,959	(25,761,959)
Contributions - employee	-	9,666,319	(9,666,319)
Net investment income	-	60,664,328	(60,664,328)
Benefit payments, including refunds of employee contributions	(31,022,941)	(31,022,941)	-
Administrative expense	-	(388,785)	388,785
Other changes	-	(9,093)	9,093
Net changes	47,060,458	64,671,787	(17,611,329)
Balance at 12/31/2024	\$ 726,035,642	\$ 648,100,639	\$ 77,935,003

Sensitivity of the Net Pension Liability to changes in the Discount Rate . . . The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Current Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability	\$ 192,754,710	\$ 95,546,332	\$ 15,975,192

Pension Plan Fiduciary Net Position . . . Detailed information about the pension plan’s Fiduciary Net Position is available in the Schedule of Change in Fiduciary Net Position, by Participating City, separately issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions . . . For the year ended September 30, 2025, the City recognized pension expense of \$27,338,796. This amount is included as part of personal services expenses.

At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to TMRS pension from the following sources:

	Deferred Outflow of Resources	Deferred Inflows of Resources
Differences between projected and actual investment earnings	\$ -	\$ 6,852,939
Contributions subsequent to the measurement date	19,343,268	-
Differences between expected and actual economic experience	10,800,396	-
Difference in assumption changes	-	2,221,736
Total	<u>\$ 30,143,664</u>	<u>\$ 9,074,675</u>

As reported as deferred outflows of resources, \$19,343,268 is related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the City’s fiscal year ending September 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense (income) as follows:

For the Year Ended September 30,	
2026	\$ 4,683,041
2027	8,712,507
2028	(7,521,397)
2029	(4,148,430)
Total	<u>\$ 1,725,721</u>

FIREMEN’S RELIEF AND RETIREMENT FUND

Plan Description . . . The City contributes to the retirement plan for firefighters in the Denton Fire Department known as the Denton Firemen’s Relief and Retirement Fund (the Fund). The Fund is a single employer, contributory, defined benefit plan. The benefit provisions of the Fund are authorized by the Texas Local Fire Fighters’ Retirement Act (TLFFRA). TLFFRA provides the authority and procedure to amend benefit provisions. The plan is administered by the Board of Trustees of the Denton Firemen’s Relief and Retirement Fund. The City does not have access to nor can it utilize assets within the retirement plan trust. The Fund issues a stand-alone report pursuant to GASB Statement No. 67, which may be obtained by writing the Denton Firemen’s Relief and Retirement Fund at P.O. Box 2375, Denton, Texas 76202. See that report for all information about the plan fiduciary net position.

Benefits Provided . . . Firefighters in the Denton Fire Department are covered by the Denton Firemen’s Relief and Retirement Fund which provides service retirement, death, disability, and withdrawal benefits. These benefits are fully vested after 20 years of credited service. Firefighters may retire at age 50 with 20 years of service. A partially vested benefit is provided for firefighters who terminate employment with at least 10 but less than 20 years of service. If a terminated firefighter has a partially vested benefit, the firefighter may retire starting on the date they would have both completed 20 years of service if they had remained a Denton firefighter and attained age 50. The present plan provides a monthly normal service retirement benefit, payable in a Joint and Two-Thirds to Spouse form of annuity, equal to 2.59% of Highest 36-Month Average Salary for each year of service.

A retiring firefighter who is at least age 52 with at least 22 years of service has the option to elect the Retroactive Deferred Retirement Option Plan (RETRO DROP) which will provide a lump sum benefit and a reduced monthly benefit. The reduced monthly benefit is based on the service and Highest 36-Month Average Salary as if the firefighter had terminated employment on their selected RETRO DROP benefit calculation date, which is no earlier than the later of the date the firefighter meets the age 52

and 22 years of service requirements and the date four years prior to the date the firefighter actually retires. Upon retirement, the employee will receive, in addition to the monthly retirement benefit, a lump sum equal to the sum of (1) the amount of monthly contributions the member has made to the Fund after the RETRO DROP benefit calculation date plus (2) the total of the monthly retirement benefits the member would have received between the RETRO DROP benefit calculation date and the date retired under the plan. There are no account balances. The lump sum is calculated at the time of retirement and distributed as soon as administratively possible.

There is no provision for automatic postretirement benefit increases. The Fund has the authority to provide, and has periodically in the past provided, ad hoc postretirement benefit increases.

Employees Covered by Benefit Terms . . . In the December 31, 2023 actuarial valuation, the following numbers of members were covered by the Fund:

Inactive Employees or Beneficiaries Currently Receiving Benefits	96
Inactive Employees Entitled to But Not Yet Receiving Benefits	8
Active Employees	<u>236</u>
	340

Contributions . . . The contribution provisions of the Fund are authorized by TLFRA. TLFRA provides the authority and procedure to change the amount of contributions determined as a percentage of pay by each firefighter and a percentage of payroll by the City.

The contribution policy of the Denton Firemen’s Relief and Retirement Fund requires contributions equal to 12.6% of pay by the firefighters, the rate elected by the firefighters according to TLFRA. The City began contributing in December 2017 according to a new City funding policy. The ordinance defining it includes an actuarially determined contribution rate over a closed 25-year amortization period, a contribution rate of 18.5% for several years, a minimum rate standard, and City review and approval of each actuarial valuation. The December 31, 2023 actuarial valuation includes the assumption the City contribution rate will be 18.5% over the unfunded liability amortization period. The costs of administering the plan are paid from the Fund assets. The City’s contributions to the Fund for the year ended September 30, 2025 were \$6,136,743.

Ultimately, the funding policy also depends upon the total return of the Fund’s assets, which varies from year to year. Investment policy decisions are established and maintained by the board of trustees. For the calendar year ending December 31, 2024, the money-weighted rate of return on pension plan investments was 8.61%. This measurement of the investment performance is net of investment-related expenses, reflecting the effect of the timing of the contributions received and the benefits paid during the year.

While the contribution requirements are not actuarially determined, state law requires that each change in plan benefits adopted by the Fund must first be approved by an eligible actuary, certifying the contribution commitment by the firefighters and the assumed city contribution rate together provide an adequate contribution arrangement. Using the entry age actuarial cost method, the plan’s normal cost contribution rate is determined as a percentage of payroll. The excess of the total contribution rate over the normal cost contribution rate is used to amortize the plan’s unfunded actuarial accrued liability (UAAL). The number of years needed to amortize the plan’s UAAL is actuarially determined using an open, level percentage of payroll method.

Net Pension Liability . . . The City of Denton’s net pension liability was measured as of December 31, 2024, and the total pension liability used to calculate the net pension liability was determined based actuarial valuation as of December 31, 2023, and rolled forward to December 31, 2024..

Total Pension Liability	\$ 177,904,171
Plan fiduciary net position	<u>167,944,509</u>
City's net pension liability	9,959,662
Plan fiduciary net position as a percentage of the total pension liability	94.4%

Actuarial Assumptions . . . The total pension liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50% per year
Overall payroll growth	3.00% per year, plus promotion, step and longevity increases that vary by service
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS-2010 (public safety) total dataset mortality tables employees and for retirees (sex distinct), projected for mortality improvement generationally using the projection scale MP-2019.

The long-term expected rate of return on pension plan investments is reviewed for each biennial actuarial valuation and was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future net real rates of return by the target asset allocation percentage (currently resulting in 4.96%) and by adding expected inflation (2.5%). In addition, the final 6.75% assumption was selected by rounding down and thereby reflects a reduction of 0.71% for adverse deviation.

The target allocation and expected arithmetic net real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Equities		
Large Cap Domestic	40.0%	6.00%
Small/Mid Cap Domestic	10.0%	6.50%
International Developed	10.0%	6.50%
Alternatives		
Master Limited Partnerships	8.0%	6.50%
Real Estate	15.0%	4.00%
Fixed Income	15.0%	1.00%
Cash	2.0%	0.00%
Total	100.0%	
Weighted Average		4.96%

Discount Rate . . . The discount rate used to measure the total pension liability was 6.75%. No projection of cash flows was used to determine the discount rate because the December 31, 2023 actuarial valuation showed expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in seven years. Because of the seven-year amortization period of the UAAL, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments of 6.75% was applied to all periods of projected benefit payments as the discount rate to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate . . . The following presents the net pension liability of the City of Denton, calculated using the discount rate of 6.75%, as well as what the city's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Current Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability	\$32,931,528	\$ 9,959,662	\$ (9,155,259)

Pension Plan Fiduciary Net Position . . . The plan fiduciary net position reported above is the same as reported by the Fund. Detailed information about the plan fiduciary net position is available in the Fund's separately issued audited financial statements, which are reported using the economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Investments are reported at fair value, the price that would be recognized to sell an asset in an orderly transaction between market participants at the measurement date.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at 12/31/2024	\$ 167,333,614	\$ 152,072,995	\$ 15,260,619
Changes for the year:			
Service cost	6,063,143	-	6,063,143
Interest	11,469,317	-	11,469,317
Change of benefit terms	-	-	-
Difference between expected and actual experience	-	-	-
Contributions - employer	-	5,846,904	(5,846,904)
Contributions - employee	-	3,889,705	(3,889,705)
Net investment income	-	13,206,709	(13,206,709)
Benefit payments, including refunds of employee contributions	(6,961,903)	(6,961,903)	-
Administrative expense	-	(109,901)	109,901
Net changes	<u>10,570,557</u>	<u>15,871,514</u>	<u>(5,300,957)</u>
Balance at 12/31/2025	<u>\$ 177,904,171</u>	<u>\$ 167,944,509</u>	<u>\$ 9,959,662</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions . . . For the year ended September 30, 2025, the City recognized a pension expense of \$3,431,009. Amounts recognized in the fiscal year represent changes between the current and prior year measurement dates. At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to the Fund from the following sources:

	Deferred Outflow of Resources	Deferred Inflows of Resources
Differences between projected and actual investment earnings	\$ -	\$ 636,846
Contributions subsequent to the measurement date	4,478,547	-
Differences between expected and actual economic experience	7,682,485	-
Difference in assumption changes	1,267,291	-
Total	<u>\$ 13,428,323</u>	<u>\$ 636,846</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$4,478,547. will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2025, and the City's fiscal year ending September 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense (income) as follows:

For the Year Ended September 30,	
2026	\$ 1,065,863
2027	3,645,280
2028	295,193
2029	734,679
2030	1,048,277
Thereafter	<u>1,523,638</u>
Total	<u>\$ 8,312,930</u>

OTHER POST EMPLOYMENT BENEFITS . . . The City of Denton provides for two post-employment benefit (OPEB) plans; one provides for postemployment medical care through a single-employer defined benefit medical plan (Medical OPEB), and the other is the Texas Municipal Retirement System Supplemental Death Benefits Fund (TMRS SDBF), a single-employer defined benefit OPEB plan. Both plans are described in detail following.

Aggregate amounts for the two OPEB plans are as follows:

	<u>Medical OPEB</u>	<u>TMRS SDBF</u>	<u>Total</u>
OPEB Liability	\$ 46,919,770	\$ 4,113,881	\$ 51,033,651
Deferred outflows of resources	\$ 6,270,276	\$ 648,252	6,918,528
Deferred inflows of resources	(11,008,086)	(1,202,444)	(12,210,530)
OPEB expense	3,717,424	183,507	3,900,931

Plan Description . . . The City of Denton provides post-employment medical care (OPEB) for retired employees through a single-employer defined benefit medical plan. The plan provides medical benefits for eligible retirees, their spouses and dependents through the City’s group health insurance plans, which covers both active and retired members. The benefits, benefit levels, and contribution rates are recommended annually by the City management as part of the budget process. Any changes in rate subsidies for retirees are approved by the City Council. Since an irrevocable trust has not been established, the plan is not accounted for as a trust fund. The plan does not issue a separate financial report.

Benefits Provided . . . The City provides post-employment medical, dental, and vision care benefits to its retirees. To be eligible for benefits, an employee must qualify for retirement under the Texas Municipal Retirement System or the Denton Firemen’s Relief and Retirement Plan. Retirees must make a one-time irrevocable decision to choose benefits at the time of retirement, after that their eligibility for the benefits ceases. However, retirees can move between plans and can add and drop dependents based on qualifying events.

All medical care benefits are provided through the City’s self-insured health plan. The benefit levels are the same as those afforded to active employees.

In the December 31, 2024 actuarial valuation, the following number of employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	247
Active Employees	<u>1,689</u>
	1,936

Funding Policy . . . The plan premium rates are recommended annually by City management and approved by the City Council as part of the annual budget. The retiree’s contribution is the full amount of the actuarially determined blended premium rate less a subsidy dependent upon years of service at retirement. By providing retirees with access to the City’s healthcare plans based on the same rates it charges to active employees, the City is in effect providing a subsidy to retirees. This implied subsidy exists because, on average, retiree health care costs are higher than active employee healthcare costs. By the City not contributing anything toward this plan in advance, the City employs a pay-as-you-go method through paying the higher rate for active employees each year. The City contributes \$40 per month for each five-year increment of service, up to \$200 per month, toward the cost of retiree coverage. The full cost for dental and vision is paid by the retiree. Retirees are required to enroll in Medicare Part B once eligible (age 65) and are moved into a fully-insured Medicare Supplement plan at that time. The same City contribution level applies to the supplement.

Medical OPEB Liability. . . The City’s medical OPEB liability of \$46,919,770 was measured as of December 31, 2024, the same date as the actuarial valuation.

The medical OPEB liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement date, unless otherwise specified

Significant method and assumptions used for this fiscal year valuation were as follows:

Valuation Date	December 31, 2023
Actuarial cost method	Individual Entry-Age Normal Method
	4.05% as of December 31, 2022
Discount Rate	3.77% as of December 31, 2023
	4.08% as of December 31, 2024
Inflation Rate	2.50% per annum
Projected salary increases	3.60% to 11.85% for TMRS, including inflation
	3.00% to 9.18% for Fire, including inflation
Healthcare trend rates	Initial rate of 7.20% declining to an ultimate rate of 4.25% after 15 years
Mortality	TMRS: For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP-2021 table to account for future mortality improvements.
	Firefighters: The gender-distinct PubS-2010 (safety employees) total data set mortality are used. The rates are projected on a fully generational basis using the projection scale of MP-2019.
Participation Rates	65% for employees retiring at age 65 or older; 45% for employees retiring between the ages 50 and 64; 5% for employees retiring between the ages of 45 and 49; 0% for retirees under the age 50 at retirement

Changes in the Medical OPEB Liability

	Total Medical OPEB Liability
Balance at 12/31/2023	\$45,653,463
Changes for the year:	
Service cost	2,882,929
Interest	1,740,446
Difference between expected and actual experience	(105,456)
Changes of assumptions	(1,393,130)
Benefit payments	(1,858,482)
Net Changes	<u>1,266,307</u>
Balance at 12/31/2024	<u><u>\$46,919,770</u></u>

Total OPEB liability as a percentage of covered payroll was 26.86%.

Sensitivity of the Medical OPEB Liability to Changes in the Discount Rate

The following schedule shows the impact of the medical OPEB liability if the discount rate used was 1% less than (3.08%) and 1% greater than (4.08%) the discount rate that was used (5.08%) in measuring the medical OPEB liability:

	1% Decrease (3.08%)	Current Discount Rate (4.08%)	1% Increase (5.08%)
Total medical OPEB Liability	\$51,619,415	\$46,919,770	\$42,780,452

Sensitivity of the Medical OPEB Liability to Changes in the Healthcare Cost Trend Rate Assumption

The following schedule shows the impact of the medical OPEB liability if the healthcare trend cost rate used was 1% less or 1% more than the healthcare cost trend rate that was used in measuring the medical OPEB liability:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Total medical OPEB Liability	\$42,999,140	\$46,919,770	\$51,543,954

Medical OPEB Expense and Deferred outflows of Resources and Deferred Inflows of Resources Related to Medical OPEB

For the year ended September 30, 2025, the City recognized medical OPEB expense of \$3,717,424. At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to medical OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 143,622	\$ 2,032,442
Changes in actuarial assumptions	4,606,710	8,975,644
Contribution subsequent to the measurement date	1,519,944	-
Totals	<u>\$ 6,270,276</u>	<u>\$ 11,008,086</u>

Deferred outflows of resources related to OPEB contributions subsequent to the measurement date of (\$1,519,944) will be recognized as a reduction of the medical OPEB liability for the City’s fiscal year ending September 30, 2026. Other amounts reported as deferred outflows of resources related to the medical OPEB will be recognized in OPEB expense as follows:

Year Ending September 30,	
2026	\$ (913,744)
2027	(1,291,494)
2028	(925,126)
2029	(977,147)
2030	(1,319,674)
Thereafter	<u>(992,569)</u>
Total	\$ (6,419,754)

Supplemental Death Benefit Fund . . . The City of Denton voluntarily participates in the Texas Municipal Retirement System Supplemental Death Benefits Fund (TMRS SDBF). The SDBF is a defined benefit group-term life insurance Other Postemployment Benefit (OPEB) plan as defined by GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. It is established and administered in accordance with the TMRS Act identically to the City’s pension plan.

Benefits provided . . . The SDBF provides group-term life insurance to City employees who are active members in TMRS, including retirees. The City Council opted into this system via an ordinance, and may terminate coverage under and discontinue participation in, the SDBF by adopting an ordinance before November 1st of any year to be effective the following January 1st .

Payments from this fund are similar to group-term life insurance benefits and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an “other postemployment benefit” (OPEB) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan.

In the December 31, 2024 actuarial valuation, the following number of employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	732
Inactive Employees entitled to but not yet receiving benefits	267
Active Employees	<u>1,520</u>
	2,519

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. For FY 2024 and FY 2025 the contribution was 0.28% and 0.23% respectively, of which 0.10% represented the retiree-only portion for each year, as a percentage of annual covered payroll. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to ensure that adequate resources are available to meet all the death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees’ entire careers. The City’s contribution to the SDBF for two years ended September 30, 2025, and 2024 were \$399,190 and \$377,550 respectively, representing contributions for both active and retiree coverage, which equaled the required contribution each year.

FINANCIAL INFORMATION

TABLE 12 - CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES

	Fiscal Year Ended September 30,				
	2025	2024	2023	2022	2021
Revenues:					
Program Revenue:					
Charges for Services	\$ 29,670,653	\$ 23,487,878	\$ 23,704,503	\$ 25,203,727	\$ 18,751,972
Operating Grants and Contributions	13,398,515	13,042,489	10,623,546	9,545,392	8,607,304
Capital Grants and Contributions	31,369,812	35,255,951	27,351,806	34,406,757	23,945,640
General Revenue:					
Property Tax	119,835,095	106,555,772	92,185,668	79,552,638	78,243,553
Sales Tax	58,972,691	57,074,842	55,906,340	53,264,724	45,404,857
Other Taxes/Fees	39,821,437	38,667,030	43,582,046	42,503,178	35,648,023
Miscellaneous	30,006,799	22,670,126	17,283,086	7,125,797	5,876,421
Total Revenue	<u>\$ 323,075,002</u>	<u>\$ 296,754,088</u>	<u>\$ 270,636,995</u>	<u>\$ 251,602,213</u>	<u>\$ 216,477,770</u>
Expenditures:					
General Government	\$ 64,602,853	\$ 57,475,453	\$ 53,383,319	\$ 40,369,454	\$ 37,401,990
Public Safety	119,030,615	112,543,358	104,695,335	87,970,791	93,415,418
Public Works	27,465,600	27,466,868	39,086,849	25,489,369	14,063,366
Parks and Recreation	30,703,498	29,842,466	28,096,065	22,787,282	19,295,206
Interest on Long-Term Debt	17,359,096	12,698,504	10,198,425	8,571,877	7,380,293
Total Expenses	<u>\$ 259,161,662</u>	<u>\$ 240,026,649</u>	<u>\$ 235,459,993</u>	<u>\$ 185,188,773</u>	<u>\$ 171,556,273</u>
Increase in Net Position before Transfers	\$ 63,913,340	\$ 56,727,439	\$ 35,177,002	\$ 66,413,440	\$ 44,921,497
Transfers	2,645,642	(870,190)	4,017,015	2,913,731	1,975,432
Increase (Decrease) in Net Position	\$ 66,558,982	\$ 55,857,249	\$ 39,194,017	\$ 69,327,171	\$ 46,896,929
Prior Period Adjustment	-	-	-	9,072,792 ⁽²⁾	-
Net Position at Beginning of Year	502,144,527	446,287,278	407,093,261	328,693,298	281,796,369
Net Position at End of Year	<u>\$ 568,703,509 ⁽¹⁾</u>	<u>\$ 502,144,527</u>	<u>\$ 446,287,278</u>	<u>\$ 407,093,261</u>	<u>\$ 328,693,298</u>

(1) Unrestricted net position, that part of the net position that may be used to meet the City's ongoing obligations, was \$13,474,505 as of September 30, 2025. This table refers to governmental activities only and does not include enterprise funds such as solid waste or utility activities.

(2) An adjustment has been recorded to account for the recognition of intergovernmental revenues received in advance and held as an unearned revenue liability.

TABLE 12A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Year Ended September 30,				
	2025	2024	2023	2022	2021
<u>Revenues:</u>					
Taxes	\$ 126,828,879	\$ 123,923,215	\$ 113,955,253	\$ 102,491,584	\$ 95,276,289
Licenses and Permits	6,853,283	5,561,811	6,049,752	9,058,717	5,939,320
Franchise Fee	19,461,375	17,534,987	22,851,663	19,910,133	17,961,984
Fines and Forfeitures	2,749,785	2,525,000	1,961,982	1,875,399	1,572,587
Fees for Service	13,863,902	12,420,160	9,662,872	9,630,662	9,354,890
Interest Revenue	2,539,720	3,567,702	2,587,602	(127,267)	160,094
Intergovernmental	2,848,052	3,530,952	2,961,572	2,508,006	4,166,856
Miscellaneous	6,420,575	304,245	342,941	322,173	385,998
Total Revenues	<u>\$ 181,565,571</u>	<u>\$ 169,368,072</u>	<u>\$ 160,373,637</u>	<u>\$ 145,669,407</u>	<u>\$ 134,818,018</u>
<u>Expenditures:</u>					
General Government	\$ 38,881,766	\$ 36,294,711	\$ 33,498,179	\$ 26,563,210	\$ 26,460,924
Public Safety	111,125,738	104,782,629	96,317,917	86,682,395	80,847,727
Public Works	3,799,305	3,614,951	3,454,541	2,956,465	2,919,114
Parks and Recreation	25,304,356	24,836,184	15,781,789	13,308,304	11,259,612
Capital Outlay	490,351	635,578	475,410	540,289	476,296
Debt Service:					
Principal Retirement	-	-	-	-	-
Total Expenditures	<u>\$ 179,601,516</u>	<u>\$ 170,164,053</u>	<u>\$ 149,527,836</u>	<u>\$ 130,050,663</u>	<u>\$ 121,963,673</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,964,055	\$ (795,981)	\$ 10,845,801	\$ 15,618,744	\$ 12,854,345
<u>Other Financing Sources (Uses):</u>					
Transfers In	\$ 7,887	\$ -	\$ 25,750	\$ 2,728	\$ 33,964
Sale of Capital Assets	344,186	384,737	198,474	568,128	326,682
Transfers (Out)	(1,567,660)	(2,140,604)	(11,929,049)	(9,230,186)	(8,497,210)
Total Other Financing Sources (Uses)	<u>\$ (1,215,587)</u>	<u>\$ (1,755,867)</u>	<u>\$ (11,704,825)</u>	<u>\$ (8,659,330)</u>	<u>\$ (8,136,564)</u>
Net Changes in Fund Balances	\$ 748,468	\$ (2,551,848)	\$ (859,024)	\$ 6,959,414	\$ 4,717,781
Prior Period Adjustment	-	28,550 ⁽¹⁾	-	-	-
Fund Balances at Beginning of Year	<u>42,077,084</u>	<u>44,628,932</u>	<u>45,459,406</u>	<u>38,499,992</u>	<u>33,782,211</u>
Fund Balances at End of Year	<u>\$ 42,825,552</u>	<u>\$ 42,077,084</u>	<u>\$ 44,600,382</u>	<u>\$ 45,459,406</u>	<u>\$ 38,499,992</u>

(1) The Recreation Fund was absorbed into the General Fund.

TABLE 13 - MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, Texas Tax Code, Chapter 321, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Bonds. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly. In January 1994, the voters of the City approved the imposition of an additional one-half of one percent (½ of 1%) for property tax reduction. In September 2003, the voters of the City approved the imposition of an additional one-half of one percent (½ of 1%) for the Denton County Transportation Authority. The implementation of this tax began January 2004, and is allocated directly to the Denton County Transportation Authority.

Fiscal Year Ended 9/30	Total Collected ⁽¹⁾	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2022	\$ 53,264,724	67.10%	\$ 0.3698	\$ 362
2023	55,906,340	60.93%	0.3343	371
2024	57,074,842	53.58%	0.2970	378
2025	58,972,691	49.13%	0.2794	380
2026 ⁽²⁾	30,624,925	23.45%	0.1367	193

(1) Source: City of Denton Annual Comprehensive Financial Report.

(2) Collections through April 30, 2026.

The sales tax breakdown for the City is as follows:

Property Tax Relief	0.50¢
Denton County Transportation Authority	0.50¢
City Sales & Use Tax	1.00¢
State Sales & Use Tax	6.25¢
Total	8.25¢

FINANCIAL POLICIES

Basis of Accounting . . . The accounting policies of the City conform to generally accepted accounting principles of the Governmental Accounting Standards Board and program standards adopted by the Government Finance Officers Association of the United States and Canada. The GFOA has awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Denton for each fiscal year since 1983. The City's current report will be submitted to GFOA to determine its eligibility for another Certificate.

The City has also received the GFOA's award for Distinguished Budget Presentation each year since 1986.

The measurement focuses for the Enterprise Funds, Internal Service Funds and Nonexpendable Trust Funds are income determination and cost of service, respectively. Accordingly, the accrual basis, whereby revenues and expenses are identified in the accounting period in which they are earned and incurred and net income, is utilized for these funds. The modified accrual basis, whereby revenues are recognized when they become both measurable and available for use during the year and expenditures are recognized when the related fund liability is incurred, is used for all other funds.

Fund Balance Policy . . . The City strives to achieve and maintain an unassigned fund balance in the General Fund equal to 20% of budgeted expenditures. An additional 5% resiliency reserve (25% combined total) may be maintained to safeguard against unusual financial circumstances or economic downturns.

Budgetary Procedures . . . As prescribed by City Charter, the City Manager, within the time period required by law, submits to the City Council a proposed budget for the fiscal year beginning the following October 1. The budget includes proposed expenditures and revenues required to fund the expenditures. Following Council considerations, amendments and refinements, a public hearing is ordered and conducted for the purpose of obtaining taxpayer comments. The budget is finally approved and adopted by passage of an ordinance by the City Council prior to the beginning of the fiscal year. The budget is adopted on a basis consistent with generally accepted accounting principles. It is the goal of the City to achieve and maintain an unassigned fund balance in the general fund equal to 20% of budgeted expenditures. An additional 5% resiliency reserve (25% combined total) may be maintained to safeguard against unusual financial circumstances and/or economic downturns.

INVESTMENTS

The City invests its investable funds in investments authorized by Texas law in accordance with investment policies approved by the City Council. Both Texas law and the City's investment policies are subject to change.

LEGAL INVESTMENTS . . . Under State law, the City is authorized to invest in: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund (the "NCUSIF") or their respective successors; (8) interest-bearing banking deposits, other than those described in clause (7), that (i) are invested through a broker or institution with a main office or branch office in this state and selected by the City in compliance with the PFIA, (ii) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the City's account, (iii) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States, and (iv) the City appoints as its custodian of the banking deposits, in compliance with the PFIA, the institution in clause (8)(i) above, a bank, or a broker-dealer; (9) certificates of deposit and share certificates meeting the requirements of the PFIA (i) that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8), above, or secured in accordance with Chapter 2257, Texas Government Code, or in any other manner and amount provided by law for City deposits, or (ii) where (a) the funds are invested by the City through a broker or institution that has a main office or branch office in the State and selected by the City in compliance with the PFIA, (b) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the account of the City, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (d) the City appoints, in compliance with the PFIA, the institution in clause (9)(ii)(a) above, a bank, or broker-dealer as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described by clauses (1) or (12), which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with a stated maturity of 270 days or less, if the short-term obligations of the accepting bank, or of the holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less that is rated at least A-1 or P-1 or an equivalent by either (i) two nationally recognized credit rating agencies, or (ii) one nationally recognized credit rating agency if the commercial paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (13) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission and complies with Securities and Exchange Commission Rule 2a-7; (14) no-load mutual funds that are registered and regulated by the Securities and Exchange Commission that have a weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations approved in this paragraph, or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset backed securities; (15) guaranteed investment contracts that have a defined termination date and are secured by obligations described in clause (1), excluding obligations which the City is explicitly prohibited from investing in, and in an amount at least equal to the amount of bond proceeds invested under such contract; and (16) securities lending programs if (i) the securities loaned under the program are 100% collateralized, including accrued income, (ii) a loan made under the program allows for termination at any time, (iii) a loan made under the program is either secured by (a) obligations described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent, or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (12) through (14) above, or an authorized investment pool, (iv) the terms of a loan made under the program require that the securities being held as collateral be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party designated by the City, (v) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State, and (vi) the agreement to lend securities has a term of one year or less.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAA-m" or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution.

The City is specifically prohibited from investing in (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

INVESTMENT POLICIES . . . Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Public Funds Investment Act. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the City shall submit an investment report detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value and the fully accrued interest during the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest City funds without express written authority from the City Council.

Effective September 1, 2019, the investment officer of a local government is allowed to invest bond proceeds or pledged revenue only to the extent permitted by the PFIA and in accordance with (i) statutory provisions governing the debt issuance (or lease, installment sale, or other agreement) and (ii) the local government's investment policy regarding the debt issuance or the agreement.

ADDITIONAL PROVISIONS . . . Under Texas law the City is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the registered principal of firms seeking to sell securities to the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment training for the Treasurer, Chief Financial Officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the entity's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

TABLE 14- CURRENT INVESTMENTS ⁽¹⁾

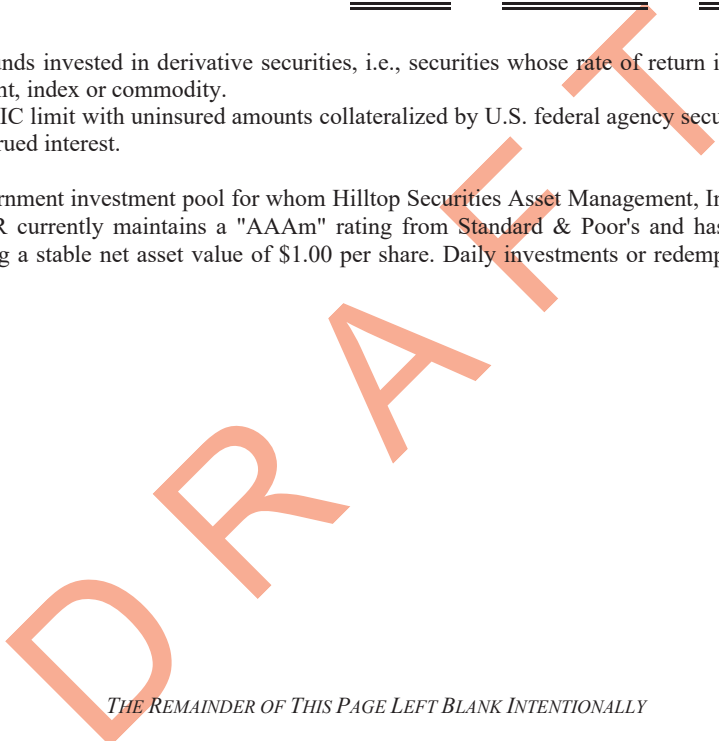
As of April 30, 2026, the City's available funds were invested as follows:

Description	Market Value Percent	Market Value	Book Value
Treasury Securities	62.94%	\$ 590,936,015	\$ 591,497,701
Federal Agency Issues - Coupon	5.83%	54,694,505	54,673,665
Federal Agency Issues - Callable	2.12%	19,918,060	19,968,754
Municipal Bonds	0.48%	4,519,463	4,508,839
Commercial Paper	7.36%	69,109,055	69,126,232
Local Government Inv. Pool- TexSTAR	7.53%	70,690,166	70,690,166
Local Government Inv. Pool- TexPool	10.65%	100,000,000	100,000,000
Demand Deposits/Wells Fargo ⁽²⁾	2.10%	19,712,725	19,712,725
Demand Deposits SLGS	0.99%	9,262,244	9,262,244
	100.00%	\$938,842,233	\$939,440,326

(1) There are no City funds invested in derivative securities, i.e., securities whose rate of return is determined by reference to some other instrument, index or commodity.

(2) Insured up to the FDIC limit with uninsured amounts collateralized by U.S. federal agency securities at a minimum of 102% of principal plus accrued interest.

TexSTAR is a local government investment pool for whom Hilltop Securities Asset Management, Inc. provides customer service and marketing. TexSTAR currently maintains a "AAAm" rating from Standard & Poor's and has an investment objective of achieving and maintaining a stable net asset value of \$1.00 per share. Daily investments or redemptions of funds is allowed by the participants.



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TAX MATTERS

OPINION . . . On the date of initial delivery of the Bonds, Bond Counsel to the City, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel to the City will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See Appendix C – Form of Bond Counsel's Opinion.

In rendering its opinion, Bond Counsel to the City will rely upon (a) certain information and representations of the City, including information and representations contained in the City's federal tax certificate with respect to the Bonds, and (b) covenants of the City contained in the Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith. Failure by the City to observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel to the City is conditioned on compliance by the City with the covenants and other requirements described in the preceding paragraph, and Bond Counsel to the City has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. The Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the City with respect to the Bonds or the projects being financed or refinanced therewith. Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the representations of the City that it deems relevant to render such opinion and is not a guarantee of a result. No assurances can be given as to whether or not the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the City as the taxpayer and the holders of the Bonds may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

FEDERAL INCOME TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT

The initial public offering price to be paid for one or more maturities of the Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

COLLATERAL FEDERAL INCOME TAX CONSEQUENCES

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law, all of which are subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with subchapter C earnings and profits, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT BONDS BEFORE DETERMINING WHETHER TO PURCHASE THE OBLIGATIONS.

Interest on the Bonds may be includable in certain corporation's "adjusted financial statement income" determined under section 56A of the Code to calculate the alternative minimum tax imposed by section 55 of the Code.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

STATE, LOCAL AND FOREIGN TAXES

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

INFORMATION REPORTING AND BACKUP WITHHOLDING

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

FUTURE AND PROPOSED LEGISLATION

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the respective series of Bonds. The City is required to observe each agreement while it remains obligated to advance funds to pay such Bonds. Under each agreement, the City will be obligated to provide certain updated financial information and operating data annually, and the timely notice of specified events to the Municipal Securities Rulemaking Board ("MSRB"). This information will be available free of charge from the MSRB via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

ANNUAL REPORTS . . . The City shall provide annually to the MSRB, in the electronic format prescribed by the MSRB, financial information and operating data (the "Annual Operating Report") with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 5 and 7 through 14. The City will additionally provide financial statements of the City (the "Financial Statements"), that will be (i) prepared in accordance with the accounting principles described in the City's annual audited financial statements or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation and shall be in substantially the form included in this Official Statement and (ii) audited, if the City commissions an audit of such Financial Statements and the audit is completed within the period during which they must be provided. The City will update and provide the Annual Operating Report within six months after the end of each fiscal year and the Financial Statements within 12 months of the end of each fiscal year, in each case beginning with the fiscal year ending in and after 2026. The City may provide the Financial Statements earlier, including at the time it provides its Annual Operating Report, but if the audit of such Financial Statements is not complete within 12 months after any such fiscal year end, then the City shall file unaudited Financial Statements within such 12-month period and audited Financial Statements for the applicable fiscal year, when and if the audit report on such Financial Statements becomes available.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule").

The City's current fiscal year end is September 30. Accordingly, it must provide the Annual Operating Report by March 31 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

NOTICE OF CERTAIN EVENTS . . . The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a Financial Obligation, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any Financial Obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any Financial Obligation of the City, any of

which reflect financial difficulties. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under "Annual Reports". For purposes of clauses (15) and (16) above, "Financial Obligation" means (i) a debt obligation, (ii) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of (i) or (ii). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

For these purposes, any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

LIMITATIONS AND AMENDMENTS . . . The City has agreed to update information and to provide notices of specified events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreement for either or both of the Bonds from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds, as the case may be, in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds, as the case may be, consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds, as the case may be. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . During the last five years, the City believes it has complied in all material respects with all continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12.

OTHER INFORMATION

RATINGS

The Bonds and the presently outstanding tax supported debt of the City are rated "AA+" by Fitch and "AA+" by S&P. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Bonds.

LITIGATION

Various claims and lawsuits are pending against the City. In accordance with GAAP, those judgments considered "probable" are accrued, while those claims and judgments considered "reasonably possible" are disclosed but not accrued. In the opinion of City management and legal counsel, the maximum amount of all significant claims considered reasonably possible, excluding condemnation proceedings is approximately \$500,000 as of September 30, 2025. Potential losses after insurance coverage on all probable claims and lawsuits will not have a material effect on the City's financial position as of September 30, 2025, see Appendix B, Notes to Basic Financial Statements G., page 86.

At the time of the initial delivery of the Bonds, the City will provide the Initial Purchaser with a certificate to the effect that, except as disclosed herein, no litigation of any nature has been filed or is then pending challenging the issuance of the Bonds or that affects the payment and security of the Bonds or in any other manner questioning the issuance, sale or delivery of the Bonds.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital, and savings and loan associations.

For political subdivisions in Texas that have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the Bonds may have to be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. The City has made no investigation of other laws, rules, regulations, or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes. The City has made no review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

LEGAL OPINIONS AND NO-LITIGATION CERTIFICATE

The City will furnish a complete transcript of proceedings had incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinions of the Attorney General of Texas approving the Initial Bond and to the effect that the Bonds are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinions of Bond Counsel, to like effect and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "Tax Matters" herein. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds, or which would affect the provision made for their payment or security or in any manner questioning the validity of said Bonds will also be furnished. Though it represents the Municipal Advisor and purchasers of debt from governmental issuers from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by and only represents the City in connection with the issuance of the Bonds. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds in the Official Statement to verify that such description conforms to the provisions of the Ordinance. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. The legal opinion will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System.

The legal opinion to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS

Public Finance Partners LLC, will deliver to the City, on or before the settlement date of the Bonds, its verification report indicating that it has verified the mathematical accuracy of the mathematical computations of the adequacy of the cash, if any, and the maturing principal of and interest on the Escrowed Securities, to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Bonds.

Public Finance Partners LLC relied on the accuracy, completeness and reliability of all information provided to it by, and on all decisions and approvals of, the City. In addition, Public Finance Partners LLC has relied on any information provided to it by the City's retained advisors, consultants or legal counsel.

The report will be relied upon by Bond Counsel in rendering its opinion with respect to the defeasance of the Refunded Bonds.

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

The financial data and other information contained herein have been obtained from City records, audited financial statements, and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents, and ordinances contained in this Official Statement are made subject to all of the provisions of such statutes, documents, and ordinances. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

MUNICIPAL ADVISOR

Hilltop Securities Inc., ("HilltopSecurities") is employed as Municipal Advisor to the City in connection with the issuance of the Bonds. The Municipal Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. HilltopSecurities, in its capacity as Municipal Advisor, has relied on the opinion of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants, and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending, or future actions taken by any legislative or judicial bodies.

The Municipal Advisor to the City has provided the following sentence for inclusion in this Official Statement. The Municipal Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Municipal Advisor does not guarantee the accuracy or completeness of such information.

INITIAL PURCHASER

After requesting competitive bids for the Bonds, the City accepted the bid of _____ (the "Initial Purchaser") to purchase the Bonds at the interest rates shown on page 2 of the Official Statement at a price of par plus a cash premium of \$_____. The Initial Purchaser can give no assurance that any trading market will be developed for the Bonds after their sale by the City to the Initial Purchaser. The City has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the sole responsibility of the Initial Purchaser.

CERTIFICATION OF THE OFFICIAL STATEMENT

At the time of payment for and delivery of the Bonds, the City will furnish to the Initial Purchaser a certificate, executed by a proper City officer, acting in such officer's official capacity, to the effect that to the best of such officer's knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in the Official Statement, and any addenda, supplement, or amendment thereto, on the date of the Official Statement, on the date of sale of the Bonds, and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, the Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in the Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City since the date of the last audited financial statements of the City.

CYBERSECURITY

The unauthorized access, use, disclosure, disruption, modification, or destruction of the City's information or information systems could negatively impact the operations of the City and its ability to provide services to its citizens. The City uses a risk-based approach, least privileged access where possible, and "best practices" to protect the confidentiality, integrity and availability of the information and information systems that it is entrusted with. Employees are required to take annual security training which is re-enforced with continuous phishing email tests. The City uses the NIST-CSF framework to assure compliance with multiple standards, regulations, and other obligations. In addition, to help protect the City against claims and expenses due to a cybersecurity incident, the City maintains cyber insurance.

FORWARD LOOKING STATEMENTS DISCLAIMER

The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements. The City's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

LINKS TO WEBSITES

The City has provided links to websites in this Official Statement to allow investors independent access to information or expertise that may be of value. INFORMATION ON SUCH WEBSITES IS NOT INCORPORATED INTO THIS OFFICIAL STATEMENT BY REFERENCE OR OTHERWISE. The inclusion of any links does not imply a recommendation or endorsement of the information or views expressed within a website. The City has not participated in the preparation, compilation or selection of information or views in any website referenced in this Official Statement, and assumes no responsibility or liability for the information or views, or accuracy or completeness thereof, in any website referenced herein.

MISCELLANEOUS

The Ordinance authorizing the issuance of the Bonds will approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and will authorize its further use in the reoffering of the Bonds by the Initial Purchaser.

PRICING OFFICER
City of Denton, Texas

SCHEDULE OF REFUNDED BONDS*

Utility System Revenue Bonds, Series 2017

<u>Original Dated Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal Amount Outstanding</u>	<u>Principal Amount Refunded</u>	<u>CUSIPs</u>
1/1/2017	12/1/2027	5.000%	\$ 11,245,000	\$ 11,245,000	249015B98
	12/1/2028	5.000%	11,820,000	11,820,000	249015C22
	12/1/2029	5.000%	12,425,000	12,425,000	249015C30
	12/1/2030	5.000%	13,065,000	13,065,000	249015C48
	12/1/2031	5.000%	13,735,000	13,735,000	249015C55
	12/1/2032	5.000%	14,435,000	14,435,000	249015C63
	12/1/2033	5.000%	15,180,000	15,180,000	249015C71
	12/1/2034	5.000%	15,955,000	15,955,000	249015C89
	12/1/2035	5.000%	16,775,000	16,775,000	249015C97
	12/1/2036	5.000%	<u>17,635,000</u>	<u>17,635,000</u>	249015D21
			<u>\$ 142,270,000</u>	<u>\$ 142,270,000</u>	

The 2027 – 2036 maturities will be redeemed prior to original maturity on December 1, 2026* at par.

* Preliminary, subject to change.

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APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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Finance Department

215 E. McKinney St., Denton, TX 76201 • (940) 349-8244

March 17, 2026

The Honorable Mayor, Members of the City Council and Citizens
City of Denton
Denton, Texas

It is with great pleasure that we present to you a copy of the Annual Comprehensive Financial Report (ACFR) of the City of Denton (the City) for the fiscal year ended September 30, 2025. The purpose of the report is to provide the City Council, management, citizens, and other interested parties with detailed information concerning the City's financial condition.

THE REPORT

The Texas Local Government Code (§ 103.001) requires an annual audit for municipalities. In addition, the City Charter (Section 2.13) requires a Certified Public Accountant who, as of the end of the fiscal year, shall make an "independent audit of accounts" and prepare a report to the City Council and the City Manager. This document fulfills the above-mentioned requirements, and the independent auditor's opinion is included in the report for the fiscal year ended September 30, 2025.

The ACFR is presented in three main sections: Introductory, Financial, and Statistical. The Introductory Section includes this transmittal letter, the City's organizational chart, and a list of principal officials. The Financial Section includes the Management's Discussion and Analysis (MD&A), Basic Financial Statements, Required Supplementary Information, Combining and Individual Fund Financial Statements, along with the independent auditors' report. The Statistical Section and Other Supplementary Information include selected financial and demographic information, generally presented on a multi-year basis.

The responsibility for both the accuracy of the presented information and the completeness and fairness of the presentation of the data, including all disclosures, rests with the City, and is based upon a comprehensive framework of internal control established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance the financial statements are free of any material misstatements. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to fairly present the results of our operations in each of the various funds reported by the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The accounting firm of Weaver and Tidwell, L.L.P. has issued an unmodified opinion on the City of Denton's financial statements for the period ended September 30, 2025. As a recipient of federal and state grant awards, a separate audit is prepared to meet the requirements of the Single Audit Act Amendments of 1996 and related Uniform Guidance. As a part of the City's single audit, tests are conducted to determine that the City has complied with applicable laws and regulations related to federal awards.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

CITY OF DENTON PROFILE

Denton distinguishes itself from other cities in North Texas through its vibrant arts and culture scene, robust university partnerships, dynamic community collaborations, and commitment to 100% renewable energy. Originally incorporated on September 26, 1866, Denton has evolved from a serene college town on the outskirts of the Dallas-Fort Worth metroplex into one of the fastest-growing cities in the United States, with a current

OUR CORE VALUES

Inclusion • Collaboration • Quality Service • Strategic Focus • Fiscal Responsibility

population of approximately 158,933. This figure is projected to reach 229,192 by 2040, according to U.S. Census Bureau forecasts. Denton combines a reverence for its history with an eagerness to innovate. The City of Denton is in the northern portion of the Dallas/Fort Worth Consolidated Metropolitan Statistical Area (CMSA). The City is a part of the Dallas/Fort Worth Metroplex and is situated at the apex of a triangle based by Dallas (37 miles to the southeast) and Fort Worth (35 miles to the southwest) providing excellent access to and from all parts of the area. The heart of the city's urban core is anchored by a vibrant cultural arts district within Downtown Denton as well as three university campuses. The community is also recognized for its commitment to sustainability and environmental stewardship, in addition to its focus on health and wellness, highlighted by over 5,000 acres of parkland, more than 60 hiking trails, and numerous recreational facilities.

CITY SERVICES AND ORGANIZATION OF THE GOVERNMENT

The City is a home rule city and operates under the Council-Manager form of government. The elected seven-member council consists of a Mayor and six Council Members. The Mayor and two Council Members are elected at large, while the remaining representatives are elected from single member districts. The City Council enacts local laws, determines policy, and adopts the annual budget, and the City Manager is the chief executive officer for the City.

The City provides a full range of general government services to its citizens including public safety (police and fire protection); public works (construction and maintenance of highways, streets, and infrastructure); parks and recreation; library; planning and zoning; economic development; and general administrative services. The City's enterprise fund operations consist of a utility system, solid waste, and airport operations. The City's utility system provides electric, water, and wastewater services.

The internal service operations consist of Materials Management, Fleet Services, Risk Retention, Health Insurance, Engineering Services, Technology Services, Customer Service, Facilities, and Environmental Services funds. The Materials Management Fund accounts for the financing of Warehouse and Purchasing services which are provided to other City departments. The Fleet Services Fund accounts for the financing of goods and services provided by the municipal garage to other departments within the City. The Risk Retention Fund accounts for the accumulation of resources for the payment of workers' compensation, general liability claims, and insurance policies. The Health Insurance Fund accounts for administration of the self-insurance program for health coverage in the City. The Engineering Services Fund accounts for the provision of internal engineering services to various City operations and capital projects. The Technology Services Fund provides support for the various information and computer systems within the City. The Customer Service Fund accounts for the financing of customer service activities provided to the residents and businesses of the City on behalf of other departments within the City. The Facilities Management Fund is responsible for maintaining all city-owned facilities and vertical construction projects. The Environmental Services Fund accounts for the consolidated environmental-related services provided across the City. The financial statements presented include all government activities, organizations, and functions for which the City is financially accountable as defined by the Governmental Accounting Standards Board (GASB).

LOCAL ECONOMY

As the Dallas Ft. Worth Metroplex continues to grow, the City of Denton is seeing increased growth. In Fiscal year 2024-25, the City continued to see an increase in development and economic activity, resulting in strong property tax collection, sales tax collection, and an increase in return on investment (ROI) revenue from city utilities. Greater than one-third of the total General Fund revenue is generated from property taxes, also referred to as ad valorem taxes. As shown below, the 2025 certified value increased by 7.10%, approximately, or \$1,509,020,092 (excluding TIRZ) from the 2024 certified value. Analysis of the increase shows there was approximately \$623.3 million in new value added to the appraisal roll due to new growth and construction.

Below is a chart with a detailed breakdown of certified values:

	Tax Year 2024 Certified Total AV	Tax Year 2025 Certified Total AV	Increase (Decrease)	Percent Change	New Value
General Government	\$21,246,581,740	\$22,755,601,832	\$1,509,020,092	7.10%	\$599,600,902
Downtown TIRZ ¹	\$136,240,592	\$172,838,244	\$36,597,652	26.86%	\$23,677,508
Westpark TIRZ ²	\$165,462,701	\$179,489,315	\$14,026,614	8.48%	\$ -
Total:	\$21,548,285,033	\$23,107,929,391	\$1,559,644,358	7.24%	\$623,278,410

¹ Downtown TIRZ - Reflects 90% of incremental value through FY 2039 per Ordinance No. 2010-316.

² Westpark TIRZ - Reflects 40% of incremental value through FY 2037 per Ordinance No. 2013-033.

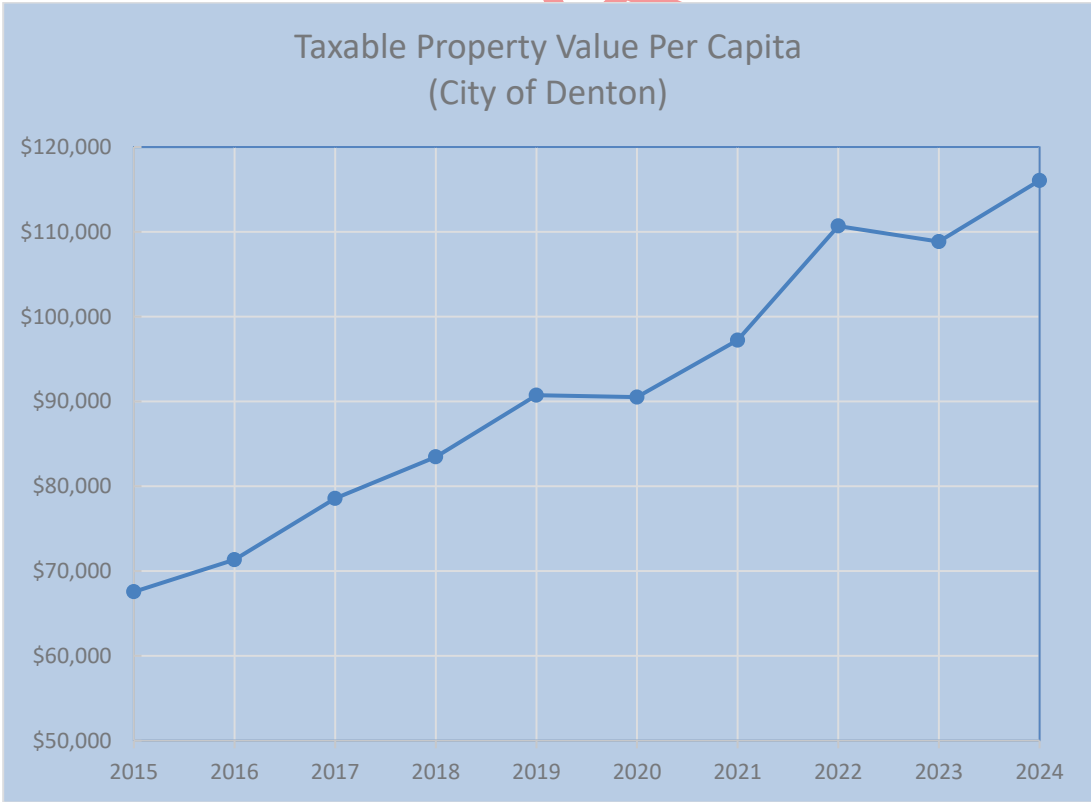
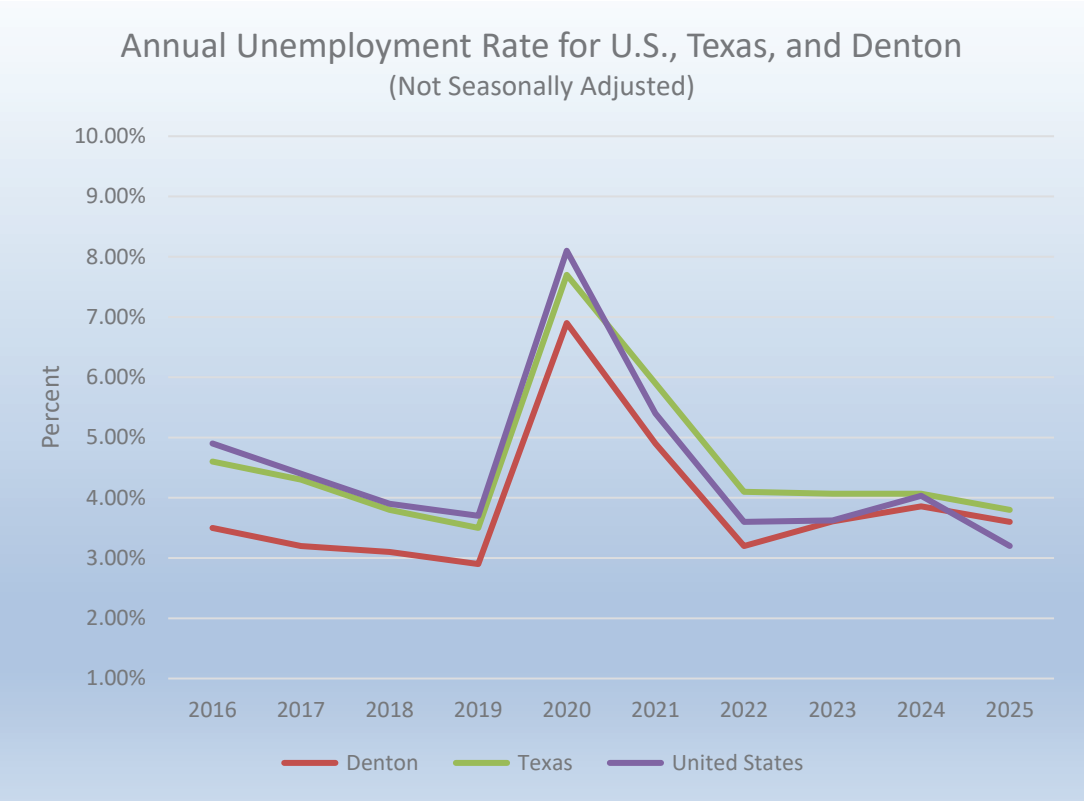
Sales tax represents approximately 28.71% of overall revenue in the General Fund, sales tax is a significant revenue source that is dependent upon a variety of economic factors. For FY 2024-25, total sales tax revenues equaled \$58,972,691 which is \$1,897,849 or 3.33%, more than the prior year collections of \$57,074,842. The budgeted FY 2025-26 collections total \$62,944,986 which is 6.74% above the FY 2024-25 actual collection. The chart below illustrates collections over the prior twelve-year period with an estimate of collection in FY 2025-26.



On a budgetary basis, the General Fund received \$201.5 million in revenue and incurred \$200.7 million in expenses resulting in an increase in fund balance of \$0.8 million.

The City of Denton’s not seasonally adjusted annual unemployment average rate remains on par with state & national levels at an average of 4.3 percent in FY 2024-25 which has slightly increased compared to 4.0 percent average in FY 2023-24. The City of Denton issued 2,187 residential, commercial, multi-family building permits for FY 2024-25, with an estimated value of \$1.2 billion (excluding City buildings, County buildings, schools, and churches). This compares to a total of 1,893 issued for FY 2023-24 with an estimated value of \$1.4 billion. The overall permit numbers increased, primarily in single family residential housing.

The following two charts highlight the strength of the local economy over the last ten years by displaying the City of Denton’s unemployment rate compared to Texas and the United States and the taxable property values per capita in the City of Denton.



<https://data.bls.gov/timeseries/LNS14000000>
<https://texaslmi.com/>
Accessed 3-2-26

In fiscal year 2024-25, the Rayzor Ranch mixed-use development in Denton experienced significant growth, enhancing both its residential and commercial offerings.

The Rayzor Ranch mixed-use development is located on both the north and south sides of US Highway 380 in Denton. Rayzor Ranch Marketplace, on the north side of the development, has constructed over 500,000 square feet of retail and commercial space. Sam’s Club and Wal-Mart anchor the development that includes a Home Depot, as a recent addition. The Town Center also includes the Embassy Suites Hotel and Convention Center. In addition, a new 300-unit multifamily project, the Village at Rayzor Ranch, opened in late 2019. In 2021, the Residences at Rayzor Ranch opened. This is a 40-acre site that includes 215 three- and four-bedroom town homes as well as 65 single-family homes. Teriyaki Madness, First Watch, Nation’s Giant Hamburger and Great Pies are new restaurant tenants at the Town Center. Recent developments include Esmse Nail Spa, Smile Dental and a 148,000 square foot and \$22.7 million Target store.

Residential Developments:

Landmark

- Landmark, by developer, Hillwood (a Perot Company), is a master planned 3,200 acre residential and commercial development in Southern Denton. At full build-out, the development will have over 6,000 homes and 5 million square feet of commercial, entertainment and office space. The first phase will include 747 home sites from 9 area builders, 250,000 square feet of commercial development, and 600 multifamily units. The first model homes are anticipated to open in 2026.

Bloomfield Homes:

- A market leading homebuilder focused primarily in the Dallas–Fort Worth metroplex, Bloomfield Homes, is currently constructing 248 new homes in two communities (Country Lakes and Glenwood Meadows) in the City of Denton.

First Texas Homes:

- First Texas Homes has planned a total of 151 homes for the Parkside Community, contributing to the City's residential growth and expanding the housing inventory in the Denton area.

Resia Rayzor Ranch:

- This 433-unit apartment community officially opened in December 2024, offering one-, two-, and three-bedroom apartments with modern amenities such as stainless-steel appliances, in-unit washers and dryers, and granite countertops. Residents can also enjoy a 24-hour fitness center, swimming pool, basketball court, and a forthcoming pickleball court.

Altera Rayzor Ranch:

- In October 2024, Wood Partners broke ground on a 192-unit multifamily community within Rayzor Ranch. This development will feature one-, two-, and three-bedroom layouts, with amenities including a resort-style pool, modern fitness facility, outdoor socializing spaces, and coworking areas.

Commercial Developments:

H-E-B:

- Two H-E-B stores are planned for Denton. One store will be located on a 20- acre site at the Hillwood Landmark development and the other is slated for a location on University and Bonnie Brae. The latter will include a 119,000 square foot store which is scheduled to start construction in Spring of 2026. The Hillwood Landmark location is anticipated to open early in 2027.

Target Store:

- A new 148,000-square-foot Target store, representing a \$22.7 million investment, was completed within Rayzor Ranch. This addition will further enhance the retail offerings available to residents and visitors.

During the fiscal year 2024-25, Denton experienced significant retail and industrial development, enhancing its economic landscape:

International House of Pancakes (IHOP):

- In September 2025, the International House of Pancakes opened in one of the outparcels in front of the Buc-ee's Travel Center.

Exeter Property Group:

- Constructed three industrial buildings at the northeast corner of Western Boulevard and Jim Christal Road, measuring 324,000, 421,000, and 1,076,000 square feet.

Enginetech:

- A global plastic injection manufacturer based in India, selected Denton for their North America Headquarters. The Denton location will provide parts to PACCAR (Peterbilt and Kenworth) in Canada, Denton, and Mexico. The company designs, tests, and manufactures their parts and holds patents on the parts and technology. The technology is so unique that they will be the only injection molding manufacturer of engine parts in Texas based on their NAICS codes. The company will create 133 high-paying and knowledge-based jobs over five years, making them a top 20 employer in Denton.

Panel Rey/PR Gypsum:

- The first manufacturing expansion in the United States for a company that produces joint compound used in the construction of residential and commercial projects. Panel Rey is seeking to purchase an existing 60,000 square foot building at 3651 Shelby Lane in Denton as Phase I of their U.S. expansion. The company's planned investment in the building, machinery, and equipment will be approximately \$15 million. The project involves plans to create 20 jobs with a weighted salary of \$72,733.

Mayday Manufacturing Company:

- Mayday currently maintains a manufacturing facility in Denton and employs approximately 400. Mayday plans to expand its existing facility and estimates that its investment in the building, machinery, and equipment will generate \$14.5 million in new capital investment. The project involves plans to create 50 new jobs with an average salary of \$54,020.

Lotte Global Logistics:

- Opened an automated distribution and warehouse facility for wellness products comprising 232,000 SF at I-35 Convergence, which was unoccupied for two years. The company hired an estimated 85 employees.

Novartis

- A Swiss pharmaceutical corporation formed in 1996, Novartis, has selected Denton for an expansion of its radiopharmaceutical manufacturing operations. The company is the eighth largest pharmaceutical company in the world by revenue, selling products in 118 countries. Novartis is considering the purchase of an existing three-building site on 20 acres at 2101 Shady Oaks in Denton for advanced isotope production and radiopharmaceutical drug product manufacturing. The Novartis Denton site would produce pharmaceuticals for radioligand therapy (RLT), a cancer treatment, targeting prostate and advanced gastroenteropancreatic

cancer. The facility will undergo significant rehabilitation projects including environmental remediation and renovations of approximately 40,000 square feet to suit the manufacturing process. The company estimates that the investment in building, machinery, equipment, and improvements to the land will be about \$280 million. The project involves plans to create 150 jobs with an average salary of greater than \$124,000.

Holt Lunsford Commercial Investments:

- Secured \$32.7 million in August 2024 for the development of Denton Point III, IV, and V, totaling 451,856 square feet at 670-710 Masch Branch Road. A groundbreaking was held this year for the Class A warehouse space.

EastGroup Properties:

- Initiated construction of Denton Exchange 35 Industrial Facility in Q2 2024, comprising two Class A industrial buildings totaling approximately 243,859 square feet, with completion anticipated by Q4 2025.

Southwire Company:

- Announced a 100,000-square-foot expansion of its Denton facility, investing \$85.4 million over three years, with an expected valuation increase of over \$69 million and the creation of 95 new jobs in 2024

Ironwood Realty Partners and Scannell Properties:

- Partnered on Denton Crossing @ I-35, a project encompassing approximately 1.2 million square feet of industrial speculative space along Western Boulevard. Buildings 1 and 2, totaling nearly 700,000 square feet, have been completed, with Buildings 3 and 4 adding 398,000 and 127,000 square feet, respectively.

The City of Denton uses various economic development tools including financial districts to improve and enhance infrastructure and encourage private investment in specific areas of the City. These development districts support development and revitalization and are commonly known as public improvement districts, tax increment reinvestment zones, or municipal management districts.

Denton currently has two active development districts:

- Tax Increment Reinvestment Zone Number One (Downtown TIRZ)
- Tax Increment Reinvestment Zone Number Two (Westpark TIRZ)

In the Downtown TIRZ area, the following projects are underway:

Fine Arts Theater:

- The Denton City Council approved a \$1.6 million economic development agreement to help with renovations and redevelopment at the Fine Arts Theater of Denton. The Theatre will be a multi-use facility for live performances, movies, special festivals, concerts, and private rentals. The 9,900-square-foot theater has been part of downtown since 1877, when it opened as an opera house, then became part of the Texas movie theater chain in 1935 and then the Fine Arts Theater in 1957. The theater is expected to open in August 2026.

The Plot Twist:

- New romance novel Book Bar, opened in Downtown Denton on January 19, 2025. The business received a \$35,000 Downtown Reinvestment Grant for utility upgrades, interior/code improvements, and new signs.

Several projects are currently underway in the Westpark Tax Increment Reinvestment Zone (TIRZ).

Westpark Industrial:

- A 16-acre parcel, at 251 N Western Boulevard, will include two speculative buildings at just over 100,000 square feet each.

Turcott Development:

- A 31,363 square foot building is planned for a single-tenant LEED certified training center that will be comprised of 45% office and 55% warehouse use, located at Jim Christal Road and Western Boulevard.

United States Cold Storage (USCS):

- USCS currently maintains a cold storage facility in Westpark TIRZ and currently employs 148 with an average salary of \$53,053. The company plans on adding on a second phase to its existing refrigerated warehouse facility and estimate that their investment in new buildings, machinery, and equipment will create approximately \$35 million in new ad valorem value in Denton. The project involves plans to create 172 jobs with a weighted average salary of \$57,164.

During the fiscal year 2024-25, Denton experienced notable advancements in its tech and entrepreneurial sectors, significantly bolstered by initiatives from Stoke Denton and Texas Woman's University's (TWU) Center for Women Entrepreneurs (CWE). Hickory and Rail Ventures LLC renewed the lease on Suite 128, which included a 2,725 square foot expansion.

AccelerateHER Program:

- In collaboration with TWU's CWE, Stoke Denton concluded the fifth cohort of the AccelerateHER program in 2020. This incubator supports women entrepreneurs by providing resources and education to fast-track their startups into scalable businesses. Thirty-four women have completed the weekly workshops and one-on-one mentorship sessions over five months. The program culminated in a virtual showcase, allowing each entrepreneur to present their business and growth strategies. Alumni meetups were started this year and will be held on a quarterly basis.

FlintConf 2025:

- In May 2025, Stoke Denton hosted FlintConf, Denton's annual startup conference aimed at empowering the local economy, entrepreneurs, and creatives. The event featured six speaker sessions, one workshop and two networking opportunities, attracting a diverse group of over 84 attendees and fostering collaboration within the entrepreneurial community.

Global Entrepreneurship Week (GEW) 2024:

- From November 18-24, 2024, Stoke Denton celebrated GEW by organizing multiple events to support and inspire local entrepreneurs. The lineup included a virtual Coffee + Convo session with Anita O'Neal, CPA, CFA; a Big Ideas Creative Mixer at Denton County Brewing Company; and the Denton Pitch Competition and Lunch and learn with Sky McClure, Improve Google Ads. These events collectively enhanced community engagement and provided valuable resources for business development with over 175 attendees throughout the week

Denton Pitch Competition:

- As part of GEW 2024, the Denton Pitch Competition offered local entrepreneurs a platform to present their business ideas to potential investors and partners. The event featured ten businesses pitching their concepts, with a total of 40 entrepreneurs participating in the accompanying Entrepreneur Expo. This initiative awarded \$30,000 to Denton businesses, of

which, 80% were women entrepreneurs, fostering business growth and innovation within the community.

Coffee + Convo Sessions:

- Throughout the fiscal year, Stoke Denton hosted monthly “Coffee + Convo” sessions with Shay Nuckles, from Uptown Discovery Group, Madison Newman, branding expert, and Juli James, designer and innovator. These informal gatherings facilitated discussions on various business topics, allowing entrepreneurs to share experiences, seek advice, and build networks within the local startup ecosystem.

These developments reflect Denton’s robust industrial growth during the 2024-25 fiscal years, contributing to economic expansion and job creation.

FINANCIAL INFORMATION AND FINANCIAL POLICY

The City’s financial direction begins with the City’s Charter, which is the basis for all financial policies the City implements. The City maintains financial policies for general operations, which include policies for financial management and fund balances, budget compliance, debt issuance and management, accounts payable, water service, and purchasing, among others.

The City’s accounting records for general governmental operations are maintained on a modified accrual basis, with revenues being recorded when available and measurable, and expenditures being recorded when the liability is incurred. Proprietary (which includes Internal Service Funds) operations are maintained on the full accrual basis.

The City’s Annual Operating Budget is proposed by the City Manager and approved by the City Council following public discussion. The City’s Charter requires adoption of the City’s budget no later than September 30th. The budget structure is organized by funds. Normally, funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The two types of funds utilized in the budget are Governmental and Proprietary (which includes Internal Service Funds). Budgetary control is maintained at the fund level by the Finance Department.

All legally required funds are budgeted annually by type, as follows:

- Governmental Funds
 - General Fund
 - General Debt Service Fund
 - Street Improvement Fund
 - Tourist and Convention Fund
 - Police Confiscation Fund
 - Catalyst Fund (formerly the Economic Development Investment Fund)
 - Parks Gas Well Fund
 - Roadway Impact Fee Fund
 - Tree Mitigation Fund
 - Public Education Government (PEG) Fund
 - McKenna Trust Fund
 - Park Land Dedication and Development Trust Fund
 - Downtown Tax Increment Reinvestment Zone (TIRZ) Fund
 - Westpark Tax Increment Reinvestment Zone (TIRZ) Fund
 - Sustainability Framework Fund
 - Other Miscellaneous Special Revenue Funds
- Proprietary Funds
 - Electric Fund
 - Water Fund
 - Wastewater Fund

- Solid Waste Fund
- Airport Fund
- Internal Service Funds
 - Customer Service Fund
 - Engineering Services Fund
 - Environmental Services Fund
 - Facilities Management
 - Fleet Management Fund
 - Health Insurance Fund
 - Materials Management Fund
 - Risk Retention Fund
 - Technology Services Fund

LONG-TERM FINANCIAL PLANNING

In conjunction with this document, interested parties are encouraged to read the City of Denton’s FY 2025-26 Annual Budget document. This document details the City’s strategic plan, long-term financial policies, program accomplishments, and other key initiatives. The document also includes the long-term financial forecasts for each of the major funds, and a summary of the assumptions that are included in these plans. In addition, the budget document provides an overview of the adopted Capital Improvement Program and planned future debt issuances. The Annual Budget can be accessed through the City’s web site at www.cityofdenton.com and selecting Financial Transparency under the “Open Government” link.

RELEVANT FINANCIAL POLICIES

The City of Denton maintains reserve balances for emergencies. In the General Fund, the target reserve level is a minimum of 20% of budgeted expenditures with an additional 5% resiliency reserve for a combined total of 25% to provide stability and flexibility for the organization. As described in the accompanying ACFR document, the unassigned fund balance is \$42.8 million, or 20.6%, of the budgeted General Fund expenditures for the fiscal year ended September 30, 2025.

Beginning in FY 2011-12, the City adopted a policy which requires a minimum ending working capital balance (current assets minus current liabilities) of at least 8% of budgeted expenditures for the Electric, Water, Wastewater and Solid Waste Funds. If the working capital level should fall below the desired minimum, the City will implement necessary corrective action with a five-year plan to restore the working capital balance to 8% of budgeted expenditures.

Additionally, rate reserve levels were established for the Electric, Water, Wastewater, and Solid Waste Funds in FY 2011-12 according to the unique operational aspects of each utility. The rate reserve levels were most recently revised in FY 2020-21 based on the factors of revenue stability, expense and demand volatility, infrastructure age, debt levels and management plans for the use of these reserves. The reserve rate is established at a range of 38% to 61% of expenses for the Electric Fund, at a range of 20% to 31% of expenses for the Wastewater Fund, at a range of 25% to 42% of expenses for the Water Fund, and at a range of 6% to 10% of expenses for the Solid Waste Fund. If the rate reserve level falls below the range, the City will implement the necessary corrective action within a five-year plan to restore the balances to the levels outlined above.

The City of Denton has adopted an Investment Policy which guides the investment of all City funds. In accordance with State law, the policy is reviewed annually by the City Council to ensure that public funds are being invested in a conservative and prudent fashion. In addition, the City also annually reviews and approves a Debt Management policy. The purpose of this policy is to provide general guidelines regarding the issuance of City debt and the use and limitation of such debt. The City complied with all aspects of the Investment and Debt Management policies during FY 2024-25.

MAJOR INITIATIVES

The City’s Strategic Plan and Council specifically identified improving facility infrastructure as a major goal. In response to this goal, the FY 2025-26 Budget includes additional issuance of General Obligation Bonds. This increase in funding shows the City’s continued commitment to facility infrastructure and equipment funding.

The combination of increased operating funding along with the issuance of debt shows the strong commitment to improving our infrastructure. In the future, the City staff will continue efforts to identify additional funding for facility infrastructure and equipment funding activities along with potential future debt issuances for street reconstruction to continue to improve the condition of the City's streets over the long term.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers’ Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Annual Comprehensive Financial Report for the fiscal year ended September 30, 2024, for thirty-eight consecutive years. To be awarded the Certificate of Achievement in Financial Reporting, the City must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. This report satisfies both generally accepted accounting principles and applicable legal requirements. The Certificate of Achievement is held for a period of one year only. We believe our current Annual Comprehensive Financial Report continues to meet the Certificate of Achievement requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

The City also received the GFOA award for Distinguished Budget Presentation for its fiscal year 2024-25 Annual Budget for thirty-eight consecutive years. To qualify for the Distinguished Budget Presentation Award, the City’s budget document was judged according to its compliance with specific guidelines established by GFOA. These guidelines help ensure that Denton’s budget is distinguished as an operations guide, financial plan, policy document, and communications device. The City has submitted its fiscal year 2025-26 Annual Budget to GFOA to determine its eligibility for another certificate. We believe it continues to meet the Distinguished Budget Presentation Award criteria.

The City received a Certificate of Distinction from the Government Treasurers of Texas (GTOT). The distinction was received for developing an investment policy that meets the requirements of the Public Funds Investment Act and the standards for prudent public investing as established by GTOT. GTOT awards an estimated 40 distinctions annually, which the City has received ten times since 1999.

The City also received the GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting for the fiscal year ended September 30, 2024. To be eligible for the PAFR Award, the City must also submit its Annual Comprehensive Financial Report to GFOA’s Certificate of Achievement for Excellence in Financial Reporting Program and receive the Certificate for the same fiscal year. Eligible reports are reviewed by judges who evaluate them based on reader appeal, clarity and understandability, distribution methods, creativity, and other key elements.

In 2024, City of Denton was awarded the Six Transparency Stars by the Texas Comptroller, which recognizes cities, counties, special purpose districts and school districts to provide easy online access to important financial data. The City of Denton is only one of five local governments in Texas to receive all six transparency stars. Transparency Stars are granted and maintained on an ongoing basis.

We would like to thank the City Council for their strong leadership and support that helped make the presentation of this report possible. We would also like to thank the City Manager, Finance staff, department directors, division heads and especially the Accounting Division staff for their diligent efforts in the preparation of the annual financial report.

DocuSigned by:
Christine Taylor
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Christine Taylor
Assistant City Manager

Signed by:
M. Hamilton
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Matt Hamilton
Chief Financial Officer

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APPENDIX B

EXCERPTS FROM THE
CITY OF DENTON, TEXAS
ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the Year Ended September 30, 2025

The information contained in this Appendix consists of excerpts from the City of Denton, Texas Annual Comprehensive Financial Report for the Year Ended September 30, 2025, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

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Independent Auditor's Report

To the Honorable Mayor
and Members of the City Council
of the City of Denton, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Denton, Texas (the "City"), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement issuance date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information Included in the Annual Comprehensive Financial Report (ACFR)

Management is responsible for the other information in the ACFR. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

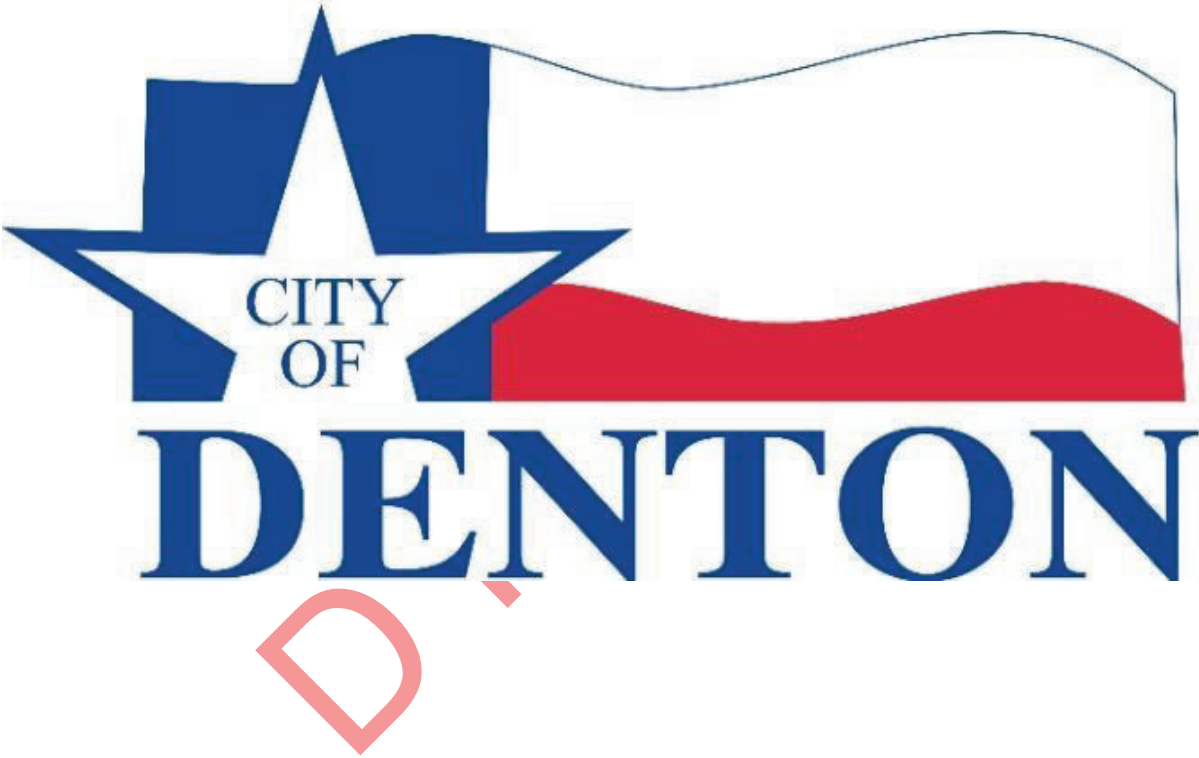
In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2026 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
March 17, 2026

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**CITY OF DENTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2025**

Introduction

The Management's Discussion and Analysis is designed to: (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position (its ability to address the next and subsequent years' challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns.

This narrative should be read in conjunction with the transmittal letter at the beginning of the report and the financial statements following this section.

Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the fiscal year ended September 30, 2025 by \$1,852,038,136 (net position), an increase of 10.54 percent from prior year net position. Of this amount, \$182,482,381 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- Net Pension Liability of the City is \$87,894,665, as compared to \$110,806,951 for the year ended September 30, 2024. Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires the City to report its net pension liability for participation in Texas Municipal Retirement System (TMRS) and Firemen's Relief and Retirement Fund (FFRF) of the total Net Pensions Liability reported by the TMRS and FFRF. For the year ended September 30, 2025, the City recorded a decrease in their portion of net pension liability of \$22,912,286, an increase in deferred pension inflows of \$6,287,024 and a decrease in deferred pension outflows of \$14,620,416.
- Governmental activities general and transfer revenues were \$251,281,664 as compared to \$224,097,580 for the year ended September 30, 2024. The increase of \$27,184,084 is primarily driven by an increase in property tax, miscellaneous income, sales tax revenues, franchise fees, and transfers. Business-type activity general revenues and transfers were \$20,397,135 compared to \$29,203,943 for the year ended September 30, 2024. The decrease of \$8,806,808 is primarily driven by investment revenue and transfers.
- Governmental funds reported combined ending fund balances of \$373,311,681 as of September 30, 2025 which is an increase of \$17,788,012 from fiscal year 2023-2024 ending fund balance total of \$355,523,669, primarily due to issuance of long-term debt and increased revenues.
- The City's primary General Fund resources are property taxes, sales tax, and franchise fees. These combined resources account for 85.4 percent of total General Fund revenues, which decreased 3.2 percent compared to the prior year.
- The City's long-term liabilities outstanding increased by \$178,720,926 in fiscal year 2024-2025. The increase is primarily attributable to an increase of \$199,050,000 of Certificates of Obligation and General Obligations Bonds Payable.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Management's Discussion and Analysis is intended to serve as an introduction to the City of Denton's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets, liabilities, deferred inflows, and deferred outflows with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

CITY OF DENTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2025

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are considered regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both the statement of net position and the statement of activities are prepared using the accrual basis of accounting as opposed to the modified accrual basis.

In the Statement of Net Position and the Statement of Activities, the City is divided into two kinds of activities:

- **Governmental activities.** Most of the City's basic services are reported here, including police, fire, libraries, development, public services and operations, public works, building inspection, technology services and general administration. Property taxes, sales taxes, and franchise fees finance most of these activities.
- **Business-type activities.** The City charges a fee to customers to cover the cost of services it provides. The City's utility systems (electric, water and wastewater), solid waste, and airport activities are reported here.

Fund Financial Statements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. Fund financial statements provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by state law or bond covenants. However, the City Council establishes many other funds to help control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other monies. The following illustration summarizes the major features of the City's financial statements. The City of Denton's funds are categorized as governmental, proprietary funds or fiduciary funds.

- **Governmental funds.** The majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions. The relationship or differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are detailed in a reconciliation following the fund financial statements.

The City of Denton maintains twelve governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, capital projects fund, and ARPA fund, all of which are considered to be major funds. Data from the other eight governmental funds are combined into a single, aggregated presentation. Individual fund data for seven of these non-major governmental funds, along with an aggregate of all other governmental funds, is provided in the form of combining statements elsewhere in this report.

- **Proprietary funds.** The City charges customers for certain services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same manner that all activities are reported in the Statement of Net Position and the Statement of Activities. The City's enterprise funds are similar to the business-type activities that are reported in the government-wide statements but provide more detail and additional information, such as cash flows. The City's internal service funds are used to accumulate and allocate costs internally among the City of Denton's various functions. Both enterprise funds and internal service funds are components of proprietary funds.

CITY OF DENTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2025

The City of Denton maintains five enterprise funds. The City uses enterprise funds to account for its electric, water, wastewater, solid waste, and airport operations. The individual funds provide the same type of information as the government-wide financial statements, only in more detail. The City considers all enterprise funds to be major funds.

The City of Denton maintains nine internal service funds. The City uses internal service funds to account for materials management, fleet services, health insurance, risk retention, technology services, engineering services, customer service, facilities management, and environmental services. Because these services benefit both governmental and business-type functions, they have been included in both the governmental and business-type activities in the government-wide financial statements. Individual fund data for the internal service funds are provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

- **Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information.

The combining non-major fund statements and individual fund schedules are presented immediately following the notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As of September 30, 2025, the City's combined net position was \$1,852,038,136 of which \$568,703,509 can be attributed to governmental activities and \$1,283,334,627 attributed to business-type activities. This analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the City's governmental and business-type activities.

The largest portion of the City's net position (78.9%) reflects its investment in capital assets (e.g., land, building, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF DENTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2025

Table 1
Net Position
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 455,094	\$ 451,238	\$ 921,202	\$ 797,426	\$ 1,376,296	\$ 1,248,664
Capital assets, net of accumulated depreciation/amortization	879,180	786,807	1,885,862	1,715,971	2,765,042	2,502,778
Total assets	1,334,274	1,238,045	2,807,064	2,513,397	4,141,338	3,751,442
Deferred outflows of resources	31,786	51,057	8,175	16,181	39,960	67,238
Long-term liabilities outstanding	741,390	707,646	1,440,741	1,295,763	2,182,130	2,003,409
Other liabilities	47,765	66,779	82,084	52,037	129,850	118,816
Total liabilities	789,155	774,425	1,522,825	1,347,800	2,311,980	2,122,225
Deferred inflows of resources	8,201	12,532	9,080	8,454	17,280	20,986
Net position:						
Net investment in capital assets	502,428	444,565	960,266	884,537	1,462,694	1,329,102
Restricted	49,801	44,845	157,060	119,996	206,861	164,841
Unrestricted	16,475	12,735	166,008	168,791	182,483	181,526
Total net position	\$ 568,704	\$ 502,145	\$ 1,283,334	\$ 1,173,324	\$ 1,852,038	\$ 1,675,469

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CITY OF DENTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2025

Governmental activities increased the City's net position by \$66,558,982. Business-type activities increased the City's net position by \$110,010,611. The key elements of these increases are contained in Table 2.

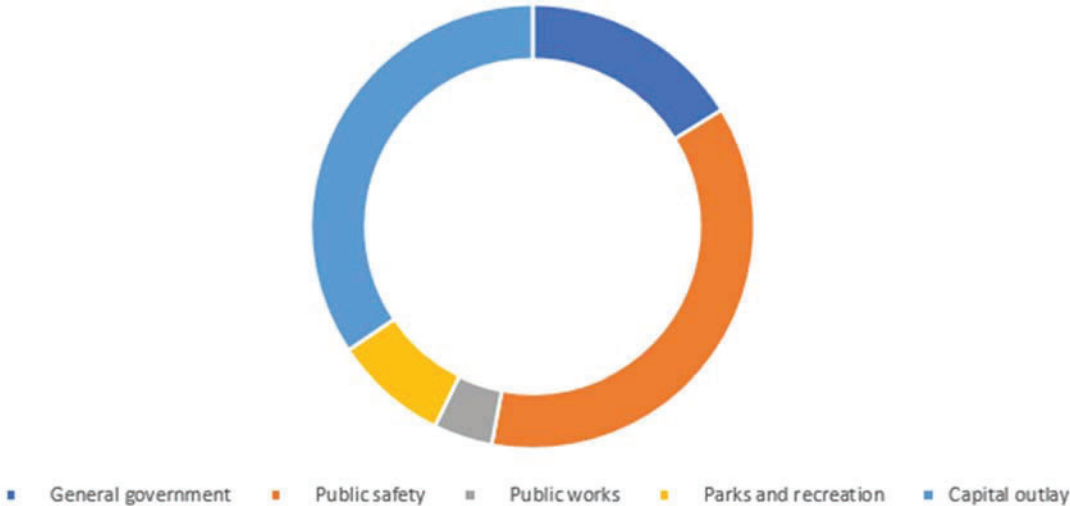
Table 2
Changes in Net Position
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program Revenues:						
Charges for services	\$ 29,671	\$ 23,488	\$ 425,046	\$ 417,598	\$ 454,717	\$ 441,086
Operating grants and contributions	13,399	13,042	-	-	13,399	13,042
Capital grants and contributions	31,370	35,256	37,399	35,949	68,769	71,205
General Revenues:						
Property tax	119,835	106,556	-	-	119,835	106,556
Sales tax	58,972	57,075	-	-	58,972	57,075
Franchise tax	35,761	34,985	-	-	35,761	34,985
Hotel occupancy tax	3,320	2,965	-	-	3,320	2,965
Beverage tax	724	703	-	-	724	703
Bingo tax	16	14	-	-	16	14
Investment income (loss)	16,357	17,015	22,655	27,498	39,012	44,513
Gain (loss) on sale of capital assets	301	265	387	836	688	1,101
Miscellaneous	13,348	5,391	-	-	13,348	5,391
Total revenues	323,075	296,755	485,487	481,881	808,561	778,636
Expenses:						
General government	64,603	57,476	-	-	64,603	57,476
Public safety	119,031	112,543	-	-	119,031	112,543
Public works	27,466	27,467	-	-	27,466	27,467
Parks and recreation	30,703	29,842	-	-	30,703	29,842
Interest on long-term debt	17,359	12,699	-	-	17,359	12,699
Electric	-	-	234,784	286,616	234,784	286,616
Water	-	-	38,644	34,826	38,644	34,826
Wastewater	-	-	52,675	46,815	52,675	46,815
Solid waste	-	-	43,879	41,283	43,879	41,283
Airport	-	-	2,850	2,681	2,850	2,681
Total expenses	259,162	240,027	372,832	412,221	631,994	652,248
Increase in net position before transfers	63,913	56,728	112,655	69,660	176,568	126,388
Transfers	2,646	(870)	(2,646)	870	-	-
Increase in net position	66,559	55,858	110,009	70,530	176,568	126,388
Net position at beginning of year	502,145	446,287	1,173,325	1,102,795	1,675,470	1,549,082
Net position at end of year	\$ 568,704	\$ 502,145	\$ 1,283,334	\$ 1,173,325	\$ 1,852,038	\$ 1,675,470

Governmental activities. Expenses for governmental activities reflect an increase of \$19.1 million over the prior year. Increases include \$7.1 million in General Government, \$6.5 million in Public Safety, \$4.6 million in interest expense, and \$0.9 million for Parks and Recreation. The most significant governmental activities expense was in providing public safety, which incurred expenses of \$119,030,615. The largest expense for public safety is the cost of personnel, which totaled \$92,588,310. Last year the City added 14.0 new positions in public safety including 7.0 in the police department, 3.0 in the fire department, 3.0 in the animal service department, and 1.0 in the public safety communication department.

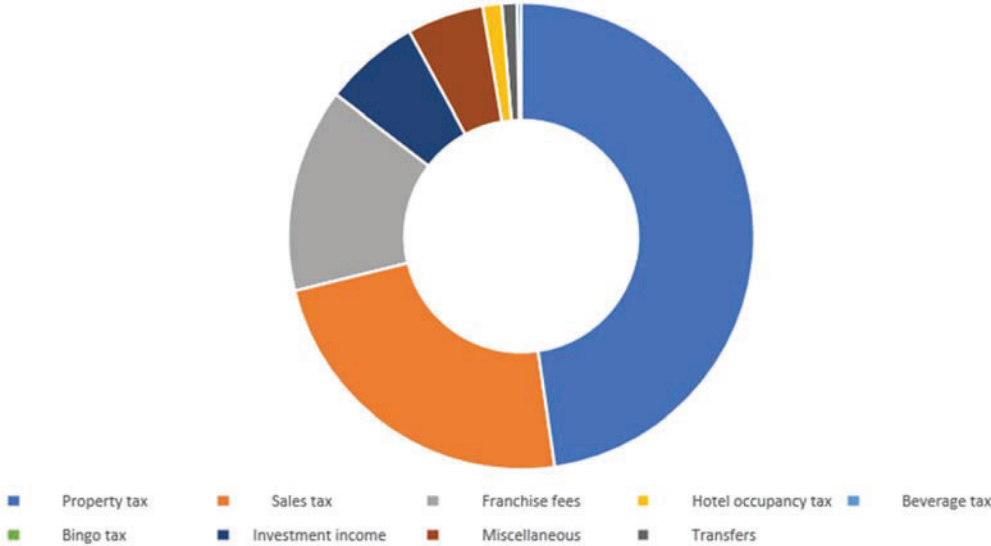
CITY OF DENTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2025

Governmental Activities Expenditures



Governmental expenses were funded by revenues collected from a variety of sources, with the largest being from property taxes, which are \$119,835,095 for the fiscal year ended September 30, 2025. Governmental activities program revenues increased \$2.7 million over the prior year. Capital grants and contributions decreased \$3.9 million from contributed asset revenues and American Rescue Plan Act (ARPA) funding for public works transportation and general government projects were completed. Operating grants and contributions increased \$356 thousand from funding for public safety and parks and recreation. Charges for Services increased \$6.2 million from general government and parks and recreation. Governmental activities general revenues included an increase of \$13.3 million for property tax due to rising values and new construction. Sales tax increased \$1.9 million due to population and business growth. Transfers reflect a net \$2.6 million transfer in for governmental activities for the current year.

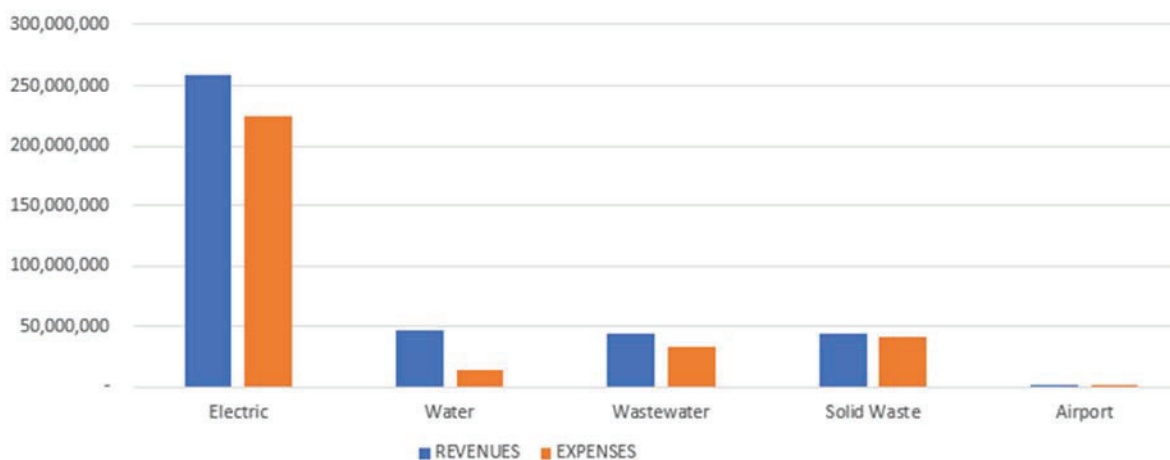
Revenues by Source - Governmental Activities



**CITY OF DENTON, TEXAS
MANAGEMENT’S DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2025**

Business-type activities. Business-type activities increased the City’s net position by \$110,010,611. This accounts for 62.3% of the growth in the entity-wide net position. Total utility service revenues decreased by \$7.3 million. The fiscal year 2025 included an Electric base rate increase of 1.50%, Water rate increase of 3%, Wastewater rate increase of 11%, and Solid Waste rate increase of 1.50%. Electric charges for services decreased by \$14.8 million mainly due to a decrease in data center revenues. Water charges for services decreased by \$22 thousand as compared to the service charges from prior year. Wastewater charges increased by \$3.6 million compared to the prior year. Solid Waste charges for service increased by \$3.6 million compared to the prior year. Airport charges for goods and services increased by \$318 thousand. Water and Wastewater collected \$16.9 million and \$12.6 million in impact fees, respectively, reflecting a \$12.4 million increase over the prior year. Capital contributions reflected an increase of \$1.5 million from the prior year. Water capital contributions increased by \$3.3 million while Wastewater capital contributions decreased by \$1.8 million. The Airport gas well revenues contributed an additional \$259 thousand in revenue, an increase of \$20 thousand from the prior year. Total enterprise funds operating costs, before depreciation, decreased \$38.0 million. Electric operating costs, before amortization and depreciation, account for 65.3 percent of total enterprise fund expenses. Cost decreases include purchase power costs of \$35.8 million from the prior year. Expenses for personnel services and administrative costs decreased by \$9.0 million. Water expenses increased \$3.7 million from the prior year, due to an increase in materials and supplies by 8 percent and administrative costs by 11 percent from prior year. Wastewater expenses increased \$1.2 million, due to an increase in personnel and administrative costs. Solid Waste expenses increased \$2.9 million from the prior year, due to increased personnel services and administrative costs.

**Expenses and Program Revenues
Business-type Activities**



FINANCIAL ANALYSIS OF THE GOVERNMENT’S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City’s governmental funds is to provide information on near-term inflows, outflows, and balances of resources available to spend. Such information is useful in assessing the City’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City’s governmental funds reported a combined ending fund balance of \$373.3 million, an increase of \$17.8 million in comparison with the prior year. \$41.2 million constitutes unassigned fund balance, which is available for spending at the government’s discretion. The remainder of the

CITY OF DENTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2025

fund balance has been classified to indicate that it is not available for new spending because it has already been classified as restricted (\$282.0 million), committed (\$32.2 million), and assigned (\$17.9 million).

The General Fund is the chief operating fund of the City. At September 30, 2025, the unassigned fund balance of the General Fund was \$42.8 million, or 20.6% of budgeted general fund expenditures. Revenues were \$12.2 million higher compared to the previous year primarily due to increases in taxes of \$2.9 million, licenses and permits of \$1.3 million, franchise fees of \$1.9 million, fees for service of \$1.4 million and miscellaneous revenues of \$6.1 million, partially offset due to decrease in investment revenue of \$1.0 million and intergovernmental revenue of \$683 thousand. The net change in General Fund expenditures was \$9.4 million higher compared to the previous year primarily due to increased costs related to personnel services and operations. Personnel costs increased \$9.0 million over the prior year which includes a 3% cost of living adjustment (COLA) and 2.5% merit increase. Public safety increased \$5.0 million over the prior year due to 14.0 new positions in public safety including 7.0 in the police department, 3.0 in the fire department, 3.0 in the animal service department, and 1.0 in the public safety communication department.

At the end of the fiscal year, the Capital Projects Fund has a total fund balance of \$273.5 million, an increase of \$10.3 million. The total fund balance is made up of \$244.8 million in restricted funds, \$10.8 million in committed funds, and \$17.9 million in assigned funds, all for capital construction and acquisition. In 2025, the City received \$70.1 million of proceeds from the issuance of debt and recognized \$7.3 million current year of regional toll revenues from the Texas Department of Transportation, while expending \$102.6 million on construction and acquisition. In addition, the capital projects fund received \$14.9 million of transfers from other funding sources. The City also received approximately \$11.0 million in developer's contributed capital recorded in the government-wide financial statements. This is \$3.3 million less than in the prior year.

The Debt Service Fund has a total fund balance of \$2.6 million, all of which is restricted for the payment of debt service. As compared with the prior year results, the overall increase in the debt service fund balance of \$1.2 million. An increase of \$11.9 million in tax revenue was offset by an increase of \$11.0 million in principal and interest costs.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position at September 30, 2025 in proprietary funds is \$88.4 million for Electric, \$47.0 million for Water, \$21.0 million for Wastewater, \$14.7 million for Solid Waste, and \$1.5 million for the Airport fund. The results reflect decreases of the unrestricted net position in the Water Fund of \$10.6 million, Wastewater of \$7.2 million, and Airport fund of \$0.2 million, partially offset by increases in the Electric fund of \$16.5 million, and Solid Waste fund of \$3.6 million. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Denton's business-type activities.

BUDGETARY HIGHLIGHTS

No amendments were made to adjust the City of Denton's Annual Program of Service for the fiscal year.

GENERAL FUND BUDGET TO ACTUAL HIGHLIGHTS

For fiscal year 2025, General Fund actual expenditures (including transfers) on a budgetary basis were \$200.7 million compared to the final budget of \$207.7 million. The \$4.9 million favorable variance from a transfer expense was offset with increased costs of personnel services of \$9.0 million.

Actual revenues for the General Fund (including transfers and sale of capital asset) on a budgetary basis were \$200.7 million compared to the final budget of \$207.6 million. Included in the \$6.2 million unfavorable revenue variance was \$3.5 million decrease in taxes and \$10.6 million decrease in franchise fees. These unfavorable

CITY OF DENTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2025

variances were offset by \$4.9 million of transfers, \$5.2 million in miscellaneous revenue, \$1.8 million in fees for services, and \$0.6 million in fines and forfeitures.

The City of Denton's General Fund unassigned fund balance at September 30, 2025 is \$42.8 million, or 20.6% of budgeted expenditures. Below is a listing of the ending unassigned balances for the prior year, as well as the fiscal year 2025 unassigned fund balance.

	Actual 9/30/2025	Actual 9/30/2024
Unassigned balance	\$42,825,552	\$42,077,084
% of final budgeted expenditures	20.6%	22.3%
Policy level	20% plus up to a 5% resiliency reserve	20% plus up to a 5% resiliency reserve

The largest revenue source of the General Fund's budget was the ad valorem tax. Denton's ad valorem tax rate is composed of two components. The first is the operations and maintenance component that is used to calculate revenue for the City's General Fund operations. The second component is the debt portion that is used to calculate revenue to pay the City's general debt service obligations. The Denton Central Appraisal District's certified appraisal roll shows an increase of 10.16% compared to the prior year certified value, which showed an increase of 15.1%. The current property tax year included \$1.21 billion of new growth and construction that was added to the tax rolls in Tax year 2025 as compared to Tax year 2024. The fiscal year 2025 ad valorem tax rate remained the same compared to fiscal year 2024 at \$0.585420 per \$100 of valuation.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. At the end of fiscal year 2025, the City had \$2.8 billion invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, electrical infrastructure, water and sewer lines, SBITA assets and lease assets (see Table 3 below). This amount represents a net increase (including additions and deductions) of \$262.3 million or 10.5% over the prior fiscal year.

Table 3
Capital Assets at Year-end
(Net of Accumulated Depreciation/Amortization, in Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Land	\$ 53,786	\$ 49,344	\$ 91,575	\$ 89,923	\$ 145,361	\$ 139,267
Landfill improvements	-	-	139	700	139	700
Building and improvements	84,610	84,704	24,648	25,591	109,258	110,295
Plant, machinery and equipment	63,185	63,597	592,495	592,666	655,680	656,263
Water rights	-	-	44,563	45,259	44,563	45,259
Infrastructure	227,078	229,346	660,400	566,985	887,478	796,331
SBITA assets	11,394	6,249	3,740	4,957	15,134	11,206
Lease assets	94	169	-	-	94	169
Construction in progress	439,033	353,398	468,302	389,892	907,335	743,290
Total capital assets	\$ 879,180	\$ 786,807	\$ 1,885,862	\$ 1,715,973	\$ 2,765,042	\$ 2,502,780

CITY OF DENTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2025

This year's major asset additions included:

Description	Amount
Lewisville Lake Water Treatment Plant Upgrade Phase II	\$ 18,984,384
Northwest Booster Pump Station & Transmission Line	17,128,696
Northwest Transmission Line	14,954,546
Hickory Creek Interceptor III	6,363,830
Hickory Creek Interceptor II	6,014,048
Eden Village	4,656,711
King's Way	4,126,907
Sagebrook Phase 2	4,086,265
Stuart Ridge Phase 3	3,933,760
Dry Fork Hickory Creek Tributary I	3,380,860
Hickory Grove Phase 1A (Offsite)	3,257,877
Hickory Grove Phase 1A (Onsite)	3,012,368
Mayhill Road	3,000,000
Ft Worth Drive Relocation I-35E	2,965,393
380 Mayhill Industrial	2,509,686
	\$ 98,375,331

Additional information on the City's capital assets can be found in note IV. D. of this report.

Debt. At year-end, the City had \$1,864.7 million in bonds and notes outstanding as compared to \$1,674.6 million at the end of the prior fiscal year, an increase of 11.4%, as shown in Table 4.

Table 4
Principal Outstanding Debt at Year-end
(in thousands)

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
General obligation bonds	\$ 353,395	\$ 328,400	\$ 132,280	\$ 124,070	\$ 485,675	\$ 452,470
Certificates of obligation	209,590	193,855	839,365	689,255	1,048,955	883,110
Revenue bonds	-	-	330,070	339,010	330,070	339,010
Total	\$ 562,985	\$ 522,255	\$ 1,301,715	\$ 1,152,335	\$ 1,864,700	\$ 1,674,590

These amounts do not include net unamortized premiums/(discounts) of \$110,771,019 nor net deferred gain/(loss) on refunding of \$1,869,950.

During the fiscal year, the City issued three types of debt in June and August 2025. The first debt issuance included \$10.1 million in utility system bonds. The second debt issuance included \$78.2 million in general obligation refunding bonds of which \$26.6 million was for business-type activities. Of this amount, \$51.6 million was issued to pay the costs of bond election capital improvements for streets, parks, and public safety projects in the Capital Projects fund. The remaining \$26.6 million was issued to refund outstanding debt obligations. The third debt issuance included \$232.6 million (\$201.3 million of which is included as part of business-type

CITY OF DENTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2025

activities) in certificates of obligation. The debt was issued to pay the costs of various capital improvements in the Capital Projects Fund (\$30.1 million), the Electric Fund (\$42.2 million), the Water Fund (\$75.4 million), the Wastewater Fund (\$73.0million), the Solid Waste fund (\$10.6 million), the Technology Service Fund (\$1.7 million), and the Fleet Fund (\$925 thousand).

Standard and Poor's Corporation has given both the City's General Obligation Bonds and Certificates of Obligation an "AA+" rating. Standard and Poor's Corporation has given the City's Utility System Revenue Bonds a rating of "A+". Fitch has given the City's General Obligation Bonds and the Certificates of Obligation a rating of "AA+." Fitch has given the City's Utility System Revenue Bonds a rating of "A". The City is permitted by Article XI, Section 5 of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. The current ratio of tax-supported debt to certified assessed value of all taxable property is 2.9%.

Other long-term liabilities. The City maintains a self-insurance program for property, excess flood (for specific properties), general liability and excess general liability, aviation ground operations liability, auto liability and physical damage, public officials' liability, professional liability for EMT operations, employment practices liability, law enforcement professional liability, cyber, commercial crime, and workers' compensation. Private insurance companies cover claims for property loss on a per occurrence basis, except for specific perils, with deductibles that vary depending on location and property values, for workers' compensation losses over \$1,000,000 per occurrence, and general liability over \$500,000 per occurrence. The Risk Retention Fund has a reserve for claims and judgments of \$7.2 million outstanding at year-end. Other obligations include pension liabilities, accrued vacation pay, and sick leave. More detailed information about the City's long-term liabilities is presented in Note IV. G.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

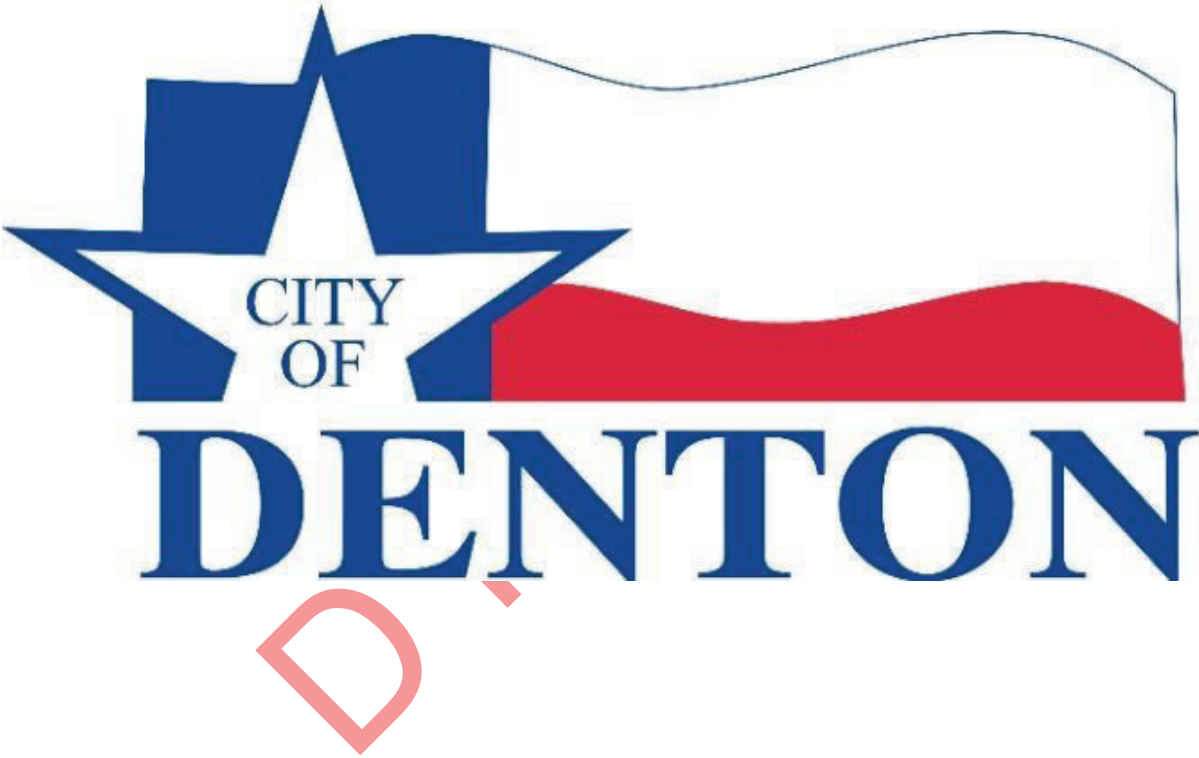
While growth for the Denton community is expected to be moderate in the short term, demand for city services are expected to remain strong over the long term. The adopted budget includes a tax rate of \$0.595420 per \$100 valuation. Of this amount \$0.334780 is provided for operations and maintenance and \$0.260640 is provided for debt service. While sales tax collections increased \$1.9 million compared to the prior fiscal year, 2026 Budget projects an increase of 4.62% from actual fiscal year 2025 sales tax revenue. The fiscal year 2026 Budget includes approximately \$7 million in reductions.

The unemployment rate for the City was 4.2 percent on September 30, 2025 compared to 3.8 percent as of September 30, 2024.

The fiscal year 2026 budget includes a Wastewater rate increase of 11% and Water rate increase of 3% to fund current and future growth.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Denton Finance Department, 215 E. McKinney, Denton, Texas 76201.



CITY OF DENTON, TEXAS
STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2025

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash, cash equivalents and investments, at fair value	\$ 96,791,610	\$ 188,178,903	\$ 284,970,513
Receivables, net of allowances:			
Taxes	11,455,100	-	11,455,100
Accounts	-	16,447,221	16,447,221
Unbilled utility service	-	22,807,361	22,807,361
Interest	639,697	1,251,712	1,891,409
Other	4,846,607	6,837,849	11,684,456
Internal balances	(18,707,139)	18,707,139	-
Due from other governments	9,233,855	2,107,243	11,341,098
Inventory	26,229,223	-	26,229,223
Prepaid items	6,606	41,368,323	41,374,929
Restricted assets:			
Cash, cash equivalents and investments, at fair value	321,588,990	482,019,429	803,608,419
Escrow deposits	244,000	5,437,022	5,681,022
Taxes	615,357	-	615,357
Accrued interest	2,131,066	3,206,391	5,337,457
Other receivables	19,203	83,453	102,656
Debt issuance costs - insurance	-	413,079	413,079
Other assets	-	132,336,721	132,336,721
Capital, Lease and Right-to-use assets:			
Right-to-use assets, net of accumulated amortization	11,394,115	3,739,623	15,133,738
Lease assets, net of accumulated amortization	94,014	-	94,014
Capital assets not being depreciated	492,818,715	559,877,095	1,052,695,810
Capital assets, net of accumulated depreciation	<u>374,872,771</u>	<u>1,322,245,757</u>	<u>1,697,118,528</u>
Total assets	<u>1,334,273,790</u>	<u>2,807,064,321</u>	<u>4,141,338,111</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred loss on refundings	66,297	467,878	534,175
Deferred pension balances	27,829,360	6,031,106	33,860,466
Deferred other post-employment benefit balances	3,889,936	1,675,891	5,565,827
Total deferred outflows of resources	<u>31,785,593</u>	<u>8,174,875</u>	<u>39,960,468</u>
LIABILITIES:			
Accounts payable	15,158,747	11,201,519	26,360,266
Retainage payable	534,805	1,129,604	1,664,409
Deposits	145,945	13,947,049	14,092,994
Accrued interest	282,573	-	282,573
Due to other governments	30	-	30
Other liabilities	792,904	-	792,904
Unearned revenue	16,317,466	21,956,924	38,274,390
Payable from restricted assets:			
Accounts payable	7,185,076	15,778,270	22,963,346
Retainage payable	4,369,285	8,352,012	12,721,297
Accrued interest	2,978,605	9,719,005	12,697,610
Noncurrent liabilities:			
Noncurrent liabilities due within one year	59,306,733	80,458,071	139,764,804
Noncurrent liabilities due in more than one year	682,083,050	1,360,282,551	2,042,365,601
Total liabilities	<u>789,155,219</u>	<u>1,522,825,005</u>	<u>2,311,980,224</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred lease revenues	898,062	2,141,861	3,039,923
Deferred gain on refundings	542,447	1,861,678	2,404,125
Deferred other post-employment benefit balances	6,760,147	2,968,782	9,728,929
Deferred other	-	2,107,243	2,107,243
Total deferred inflows of resources	<u>8,200,656</u>	<u>9,079,564</u>	<u>17,280,220</u>
NET POSITION:			
Net investment in capital assets	502,427,544	960,266,998	1,462,694,542
Restricted for:			
Debt service	-	23,357,305	23,357,305
Parks and recreation	17,168,837	-	17,168,837
Capital acquisition	27,199,327	133,702,448	160,901,775
Grant	403,677	-	403,677
Public safety	1,792,148	-	1,792,148
Public education	1,211,378	-	1,211,378
Special Assesment Projects	443,543	-	443,543
Tourism	1,582,550	-	1,582,550
Unrestricted	16,474,505	166,007,876	182,482,381
Total net position	<u>\$ 568,703,509</u>	<u>\$ 1,283,334,627</u>	<u>\$ 1,852,038,136</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF DENTON, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 64,602,853	\$ 11,476,392	\$ 4,876,406	\$ 15,099,167
Public safety	119,030,615	7,218,413	7,419,210	-
Public works	27,465,600	634,097	-	13,952,028
Parks and recreation	30,703,498	10,341,751	1,102,899	2,318,617
Interest expense	17,359,096	-	-	-
Total governmental activities	259,161,662	29,670,653	13,398,515	31,369,812
Business-type activities:				
Electric system	234,784,149	258,295,781	-	-
Water system	38,643,794	63,776,494	-	14,760,897
Wastewater system	52,675,288	56,094,632	-	22,638,150
Solid waste	43,878,520	44,585,934	-	-
Airport	2,850,255	2,293,594	-	-
Total business-type activities	372,832,006	425,046,435	-	37,399,047
Total primary government	\$ 631,993,668	\$ 454,717,088	\$ 13,398,515	\$ 68,768,859

(continued on the following page)

The notes to the basic financial statements are an integral part of this statement.

CITY OF DENTON, TEXAS
STATEMENT OF ACTIVITIES (concluded)
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Exhibit II

Net (Expense) Revenue and Changes in Net Position			
Functions/Programs	Primary Government		
	Governmental Activities	Business-type Activities	Total
Primary government:			
Governmental activities:			
General government	\$ (33,150,888)	\$ -	\$ (33,150,888)
Public safety	(104,392,992)	-	(104,392,992)
Public works	(12,879,475)	-	(12,879,475)
Parks and recreation	(16,940,231)	-	(16,940,231)
Interest expense	(17,359,096)	-	(17,359,096)
Total governmental activities	(184,722,682)	-	(184,722,682)
Business-type activities:			
Electric system	-	23,511,632	23,511,632
Water system	-	39,893,597	39,893,597
Wastewater system	-	26,057,494	26,057,494
Solid waste	-	707,414	707,414
Airport	-	(556,661)	(556,661)
Total business-type activities	-	89,613,476	89,613,476
Total primary government	(184,722,682)	89,613,476	(95,109,206)
General revenues:			
Taxes:			
Property tax	119,835,095	-	119,835,095
Sales tax	58,972,691	-	58,972,691
Franchise fees	35,761,375	-	35,761,375
Hotel occupancy tax	3,319,923	-	3,319,923
Beverage tax	724,191	-	724,191
Bingo tax	15,948	-	15,948
Investment income	16,357,066	22,655,173	39,012,239
Gain on sale of capital assets	301,091	387,604	688,695
Miscellaneous	13,348,642	-	13,348,642
Transfers	2,645,642	(2,645,642)	-
Total general revenues and transfers	251,281,664	20,397,135	271,678,799
Change in net position	66,558,982	110,010,611	176,569,593
Net position at beginning of year	502,144,527	1,173,324,016	1,675,468,543
Net position at end of year	\$ 568,703,509	\$ 1,283,334,627	\$ 1,852,038,136

The notes to the basic financial statements are an integral part of this statement.

(concluded)

CITY OF DENTON, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF SEPTEMBER 30, 2025

Exhibit III

	General Fund	Debt Service Fund	Capital Projects Fund	ARPA Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:						
Cash, cash equivalents and investments, at fair value	\$ 40,122,505	\$ 2,480,938	\$ 297,315,867	\$ 1,001,667	\$ 53,005,341	\$ 393,926,318
Receivables, net of allowances for uncollectibles:						
Taxes	11,053,500	606,254	-	-	410,703	12,070,457
Accrued interest	267,671	16,502	1,977,744	-	346,958	2,608,875
Other	2,957,249	-	-	-	36,569	2,993,818
Interfund receivables	2,203,273	-	-	-	1,285,663	3,488,936
Due from other governments	1,194,135	-	5,055,479	-	2,984,241	9,233,855
Total assets	<u>\$ 57,798,333</u>	<u>\$ 3,103,694</u>	<u>\$ 304,349,090</u>	<u>\$ 1,001,667</u>	<u>\$ 58,069,475</u>	<u>\$ 424,322,259</u>
LIABILITIES:						
Accounts payable	10,240,890	-	6,605,842	116,771	1,359,769	18,323,272
Retainage payable	-	-	4,802,910	61,107	10,614	4,874,631
Interfund payables	-	-	-	-	353,537	353,537
Due to other governments	30	-	-	-	-	30
Other liabilities	792,904	-	-	-	-	792,904
Unearned revenues	-	-	15,419,464	823,789	74,213	16,317,466
Total liabilities	<u>11,033,824</u>	<u>-</u>	<u>26,828,216</u>	<u>1,001,667</u>	<u>1,798,133</u>	<u>40,661,840</u>
DEFERRED INFLOWS OF RESOURCES:						
Unavailable revenue - property taxes	799,960	509,682	-	-	-	1,309,642
Unavailable revenue - general services	908,749	-	4,062,947	-	1,667,482	6,639,178
Unavailable revenue - intergovernmental	2,230,248	-	-	-	169,670	2,399,918
Total deferred inflows of resources	<u>3,938,957</u>	<u>509,682</u>	<u>4,062,947</u>	<u>-</u>	<u>1,837,152</u>	<u>10,348,738</u>
FUND BALANCES:						
Restricted for:						
Debt service	-	2,594,012	-	-	-	2,594,012
Parks and recreation	-	-	67,381,777	-	17,018,873	84,400,650
Streets and drainage projects	-	-	68,669,534	-	12,396,304	81,065,838
Other capital projects	-	-	107,479,058	-	-	107,479,058
Grant	-	-	1,222,210	-	224,007	1,446,217
Public safety	-	-	-	-	1,792,147	1,792,147
Public education	-	-	-	-	1,211,379	1,211,379
Special Assesment Projects	-	-	-	-	443,543	443,543
Tourism	-	-	-	-	1,582,550	1,582,550
Committed to:						
Streets	-	-	10,750,603	-	6,205,504	16,956,107
Parks and recreation	-	-	4,433	-	222,621	227,054
Economic development	-	-	-	-	12,911,890	12,911,890
Capital Projects	-	-	35,297	-	-	35,297
Tree Preservation	-	-	-	-	2,031,893	2,031,893
Assigned to:						
Streets and drainage projects	-	-	11,464,997	-	-	11,464,997
Capital projects	-	-	5,762,916	-	-	5,762,916
Other purposes	-	-	687,102	-	1,010	688,112
Unassigned	42,825,552	-	-	-	(1,607,531)	41,218,021
Total fund balances	<u>42,825,552</u>	<u>2,594,012</u>	<u>273,457,927</u>	<u>-</u>	<u>54,434,190</u>	<u>373,311,681</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 57,798,333</u>	<u>\$ 3,103,694</u>	<u>\$ 304,349,090</u>	<u>\$ 1,001,667</u>	<u>\$ 58,069,475</u>	<u>\$ 424,322,259</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF DENTON, TEXAS
 RECONCILIATION OF THE BALANCE SHEET
 OF GOVERNMENTAL FUNDS TO THE
 STATEMENT OF NET POSITION
 AS OF SEPTEMBER 30, 2025

Total fund balances - governmental funds (Exhibit III)		\$	373,311,681
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Includes capital assets of internal service funds.			879,179,615
Certain receivables will be collected next year but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflows of resources in the funds.			10,348,738
Deferred outflows of resources are not reported in the governmental funds. Includes deferred outflows of internal service funds:			
Deferred loss on refundings	(476,150)		
Deferred pension balances	27,829,360		
Deferred other post-employment benefits contributions	<u>3,889,936</u>		31,243,146
An internal charge to business-type activities is not recorded at the fund level.			6,647,914
Several internal service funds are used by the City's management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The assets, liabilities, deferred outflows, and deferred inflows of the internal service funds are included with governmental activities. Internal service fund balances not included in other reconciling items listed above or below:			
Current and other assets	\$	52,967,993	
Liabilities	\$	(32,686,408)	
Deferred inflows	\$	<u>(898,062)</u>	19,383,523
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Includes balances of internal service funds. Long-term liabilities and related balances at year-end consist of:			
General obligation bonds payable	\$	(353,395,000)	
Certificates of obligation payable		(209,590,000)	
Bond (premiums)/discounts		(38,949,231)	
Accrued interest on the bonds		(3,261,178)	
Capital leases payable		(95,481)	
Right-to-use liability		(9,837,225)	
Net Pension liability		(61,570,154)	
Total other post-employment benefits liability		(35,858,494)	
Claims and judgement payable		(9,396,853)	
Compensated absences		<u>(22,697,345)</u>	(744,650,961)
Deferred inflows of resources are not reported in the governmental funds. Includes deferred outflows of internal service funds:			
Deferred other post-employment benefits contributions			<u>(6,760,147)</u>
Total net position of governmental activities (Exhibit I)		\$	<u>568,703,509</u>

The notes to the basic financial statements are an integral part of this exhibit.

CITY OF DENTON, TEXAS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

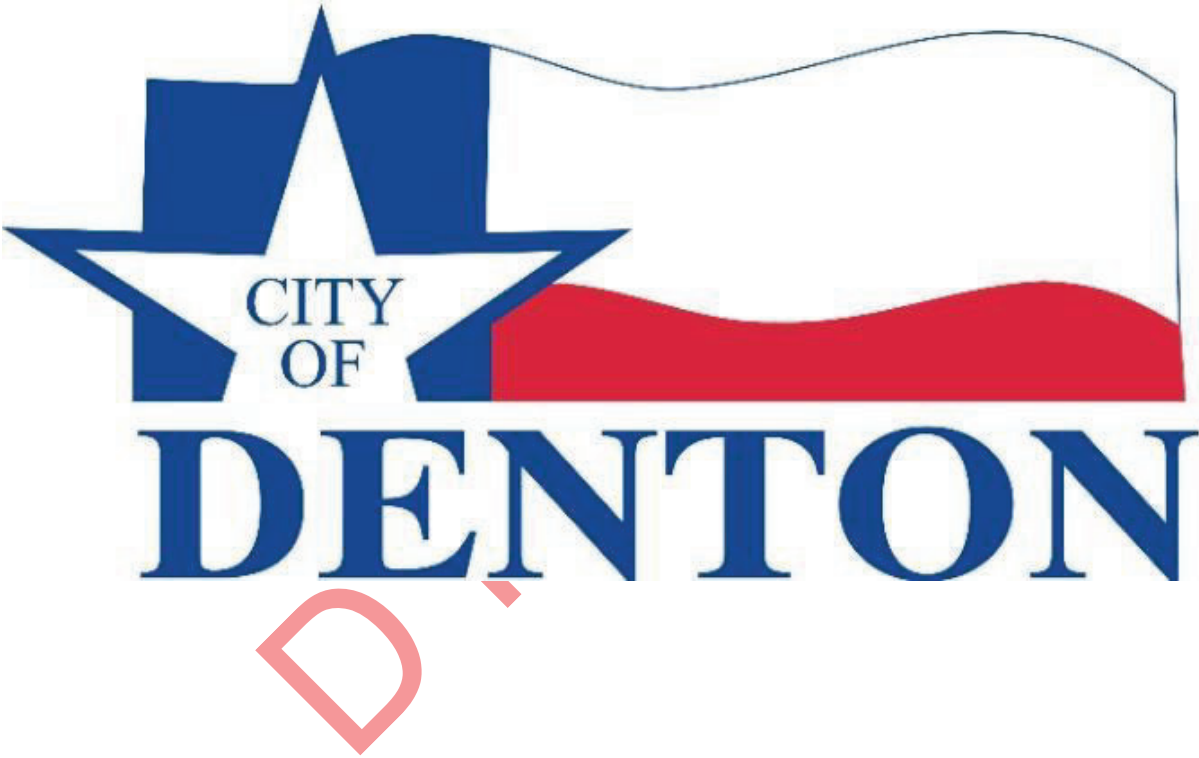
	General Fund	Debt Service Fund	Capital Projects Fund	ARPA Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:						
Taxes	\$ 126,828,879	\$ 50,087,820	\$ -	\$ -	\$ 5,546,112	\$ 182,462,811
Licenses and permits	6,853,283	-	-	-	-	6,853,283
Franchise fees	19,461,375	-	-	-	16,300,000	35,761,375
Fines and forfeitures	2,749,785	-	-	-	182,168	2,931,953
Fees for services	13,863,902	-	-	-	5,038,024	18,901,926
Investment revenue	2,539,720	1,071,608	10,525,175	-	2,220,563	16,357,066
Intergovernmental	2,848,052	-	14,967,859	5,216,739	7,612,138	30,644,788
Miscellaneous	6,420,575	-	7,951	-	6,920,118	13,348,644
Total revenues	181,565,571	51,159,428	25,500,985	5,216,739	43,819,123	307,261,846
EXPENDITURES:						
Current:						
General government	38,881,766	-	241,899	1,555,525	10,410,677	51,089,867
Public safety	111,125,738	-	13,465	41,866	4,694,624	115,875,693
Public works	3,799,305	-	121,720	-	9,632,120	13,553,145
Parks and recreation	25,304,356	-	287,729	-	572,673	26,164,758
Capital outlay	490,351	-	102,607,699	3,619,348	1,839,205	108,556,603
Debt service:						
Principal retirement	-	29,740,000	-	-	-	29,740,000
Bond issuance costs	-	56,915	421,452	-	-	478,367
Interest and other charges	-	20,989,801	608,025	-	-	21,597,826
Total expenditures	179,601,516	50,786,716	104,301,989	5,216,739	27,149,299	367,056,259
Excess (deficiency) of revenues over (under) expenditures	1,964,055	372,712	(78,801,004)	-	16,669,824	(59,794,413)
OTHER FINANCING SOURCES (USES):						
Refunding bonds issued	-	10,375,000	-	-	-	10,375,000
Payment to refunded bond agent	-	(11,400,289)	-	-	-	(11,400,289)
Issuance of long-term debt	-	-	70,055,000	-	-	70,055,000
Premium on debt issuance	-	1,084,796	4,208,047	-	-	5,292,843
Proceeds from sale of capital assets	344,186	-	-	-	-	344,186
Transfers in	7,887	751,656	14,854,716	-	2,126,082	17,740,341
Transfers out	(1,567,660)	-	(36,818)	-	(13,220,178)	(14,824,656)
Total other financing sources (uses)	(1,215,587)	811,163	89,080,945	-	(11,094,096)	77,582,425
Net change in fund balances	748,468	1,183,875	10,279,941	-	5,575,728	17,788,012
Fund balance at beginning of year	42,077,084	1,410,137	263,177,986	-	48,858,462	355,523,669
Fund balances at end of year	\$ 42,825,552	\$ 2,594,012	\$ 273,457,927	\$ -	\$ 54,434,190	\$ 373,311,681

The notes to the basic financial statements are an integral part of this statement.

**CITY OF DENTON, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT
OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Net change in fund balances - total governmental funds (Exhibit V)	\$ 17,788,012
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount represents the difference between capital outlay of \$108,556,603 and depreciation of \$30,691,571 (which is the net of overall governmental activities depreciation of \$36,898,333 less internal service fund depreciation of \$6,206,762).	77,865,032
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Such amounts are recorded in the funds when considered available.	4,404,523
The net effect of various miscellaneous transactions involving capital assets (i.e., SBITA, leases, sales, trade-ins and donations) is to decrease net position.	9,243,124
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which proceeds exceeded payments.	(44,592,843)
Fund-level financials report costs related to bonds as expenditures; however, these are deferred and amortized on the government-wide financials	4,016,939
Certain expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	520,934
Internal service funds are used by management to charge the costs of certain activities, such as insurance and technology services, to individual funds. A portion of the net revenue (expense) of certain internal service funds is reported with governmental activities. The amount reported with business-type activities is (\$5,082,891).	(2,686,739)
Change in net position of governmental activities (Exhibit II)	<u>\$ 66,558,982</u>

The notes to the basic financial statements are an integral part of this statement



CITY OF DENTON, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts		Actual Amounts	Adjustments - Budgetary Basis	Actual on a Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final				
REVENUES:						
Taxes	\$ 130,330,041	\$ 130,330,041	\$ 126,828,879	\$ -	\$ 126,828,879	\$ (3,501,162)
Licenses and permits	6,415,806	6,415,806	6,853,283	-	6,853,283	437,477
Franchise fees	30,053,643	30,053,643	19,461,375	-	19,461,375	(10,592,268)
Fines and forfeitures	2,106,531	2,106,531	2,749,785	-	2,749,785	643,254
Fees for services	12,108,150	12,108,150	13,863,902	-	13,863,902	1,755,752
Investment revenue	2,352,098	2,352,098	2,539,720	-	2,539,720	187,622
Intergovernmental	3,197,656	3,197,656	2,848,052	-	2,848,052	(349,604)
Miscellaneous	106,648	106,648	6,420,575	(1,141,585)	5,278,990	5,172,342
Total revenues	186,670,573	186,670,573	181,565,571	(1,141,585)	180,423,986	(6,246,587)
EXPENDITURES:						
Current:						
General government	50,709,750	47,323,595	38,881,766	6,949,135	45,830,901	1,492,694
Public safety	103,661,323	103,674,823	111,125,738	(7,154,651)	103,971,087	(296,264)
Public works	3,332,781	3,345,900	3,799,305	(492,282)	3,307,023	38,877
Parks and recreation	24,665,353	24,590,080	25,304,356	(1,348,895)	23,955,461	634,619
Capital outlay	704,483	658,223	490,351	-	490,351	167,872
Total expenditures	183,073,690	179,592,621	179,601,516	(2,046,693)	177,554,823	2,037,798
Excess (deficiency) of revenues over (under) expenditures	3,596,883	7,077,952	1,964,055	905,108	2,869,163	(4,208,789)
OTHER FINANCING SOURCES (USES):						
Proceeds from sale of capital assets	198,528	198,528	344,186	-	344,186	145,658
Transfer in	20,710,051	20,710,051	7,887	20,710,050	20,717,937	7,886
Transfers out	(24,505,462)	(27,986,531)	(1,567,660)	(21,544,768)	(23,112,428)	4,874,103
Total other financing sources (uses)	(3,596,883)	(7,077,952)	(1,215,587)	(834,718)	(2,050,305)	5,027,647
Net change in fund balance	-	-	748,468	70,390	818,858	818,858
Fund balance, beginning of year	42,077,084	42,077,084	42,077,084	-	42,077,084	-
Fund balance at end of year	\$ 42,077,084	\$ 42,077,084	\$ 42,825,552	\$ 70,390	\$ 42,895,942	\$ 818,858

Adjustments - Budgetary Basis are expenditures allocated to and reimbursed by other funds. These expenditures are recorded in the other funds' financials.

The notes to the basic financial statements are an integral part of this statement.

CITY OF DENTON, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AS OF SEPTEMBER 30, 2025

Exhibit VIII

	Business-type Activities - Enterprise Funds		
	Utility System		
	Electric Fund	Water Fund	Wastewater Fund
ASSETS:			
Current assets:			
Cash, cash equivalents and investments, at fair value	\$ 84,810,373	\$ 54,802,111	\$ 25,790,379
Receivables, net of allowances:			
Accounts	10,228,011	2,356,272	2,068,034
Unbilled utility service	14,848,692	3,062,471	2,630,653
Accrued interest	564,158	364,509	171,557
Other	6,182,745	-	-
Interfund receivables	21,945,369	2,186,986	1,222,698
Due from other governments	-	2,107,243	-
Merchandise inventory	-	-	-
Prepaid items	41,368,323	-	-
Total current assets	179,947,671	64,879,592	31,883,321
Noncurrent assets:			
Restricted assets:			
Cash, cash equivalents and investments, at fair value	89,432,981	173,436,421	180,440,346
Escrow deposit	-	5,437,022	-
Accrued interest	594,908	1,153,698	1,200,288
Other receivables	-	-	-
Total restricted assets	90,027,889	180,027,141	181,640,634
Unamortized debt issuance costs - insurance	413,079	-	-
Other Assets	132,336,721	-	-
Lease assets, net of accumulated amortization	-	-	-
Right-to-use assets, net of accumulated amortization	3,085,460	185,506	-
Capital assets, net of accumulated depreciation	822,193,298	507,754,878	459,871,061
Total noncurrent assets	1,048,056,447	687,967,525	641,511,695
Total assets	1,228,004,118	752,847,117	673,395,016
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred charges on refunding	178,020	269,546	-
Deferred pension balances	3,203,970	1,004,656	720,289
Deferred other post employment benefit balances	618,579	297,179	330,357
Total deferred outflows of resources	4,000,569	1,571,381	1,050,646
LIABILITIES:			
Current liabilities:			
Accounts payable	8,291,329	1,082,836	803,067
Retainage payable	-	478,922	650,682
Claims payable	-	-	-
Compensated absences payable	2,401,067	1,072,938	912,329
Other post employment benefits	127,458	66,252	55,667
Deposits	11,390,619	952,017	769,954
Accrued interest	-	-	-
Interfund payables	-	-	-
Right-to-use liability	2,622,528	25,381	-
Unearned revenue	21,956,924	-	-
Payable from restricted assets:			
Accounts payable	12,636,198	935,937	2,096,820
Retainage payable	4,705,761	2,419,128	810,729
Accrued interest	7,184,326	1,179,431	1,077,243
Certificate, general obligation, and revenue bonds	43,809,571	12,612,283	10,359,471
Total current liabilities paid from restricted assets	68,335,856	17,146,779	14,344,263
Total current liabilities	115,125,781	20,825,125	17,535,962

(continued on the following page)

CITY OF DENTON, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AS OF SEPTEMBER 30, 2025

Exhibit VIII

	Business-type Activities - Enterprise Funds			Governmental
	Solid Waste Fund	Airport Fund	Enterprise Funds	Activities - Internal Service Funds
ASSETS:				
Current assets:				
Cash, cash equivalents and investments, at fair value	\$ 19,483,260	\$ 3,292,780	\$ 188,178,903	\$ 12,073,483
Receivables, net of allowances:				
Accounts	1,696,498	98,406	16,447,221	-
Unbilled utility service	2,265,545	-	22,807,361	-
Accrued interest	129,584	21,904	1,251,712	79,532
Other	655,104	-	6,837,849	1,871,994
Interfund receivables	-	-	25,355,053	-
Due from other governments	-	-	2,107,243	-
Merchandise inventory	-	-	-	26,229,223
Prepaid items	-	-	41,368,323	6,606
Total current assets	24,229,991	3,413,090	304,353,665	40,260,838
Noncurrent assets:				
Restricted assets:				
Cash, cash equivalents and investments, at fair value	37,466,047	1,243,634	482,019,429	12,380,799
Escrow deposit	-	-	5,437,022	244,000
Accrued interest	249,224	8,273	3,206,391	82,356
Other receivables	-	83,453	83,453	-
Total restricted assets	37,715,271	1,335,360	490,746,295	12,707,155
Unamortized debt issuance costs - insurance	-	-	413,079	-
Other Assets	-	-	132,336,721	-
Lease assets, net of accumulated amortization	-	-	-	94,014
Right-to-use assets, net of accumulated amortization	468,657	-	3,739,623	7,313,004
Capital assets, net of accumulated depreciation	72,403,994	19,899,621	1,882,122,852	19,624,288
Total noncurrent assets	110,587,922	21,234,981	2,509,358,570	39,738,461
Total assets	134,817,913	24,648,071	2,813,712,235	79,999,299
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred charges on refunding	20,312	-	467,878	-
Deferred pension balances	972,187	130,004	6,031,106	3,904,762
Deferred other post employment benefit balances	411,567	18,209	1,675,891	878,843
Total deferred outflows of resources	1,404,066	148,213	8,174,875	4,783,605
LIABILITIES:				
Current liabilities:				
Accounts payable	936,853	87,434	11,201,519	4,016,185
Retainage payable	-	-	1,129,604	29,459
Claims payable	-	-	-	3,004,453
Compensated absences payable	1,407,574	104,672	5,898,580	3,304,574
Other post employment benefits	84,423	4,701	338,501	178,037
Deposits	823,359	11,100	13,947,049	145,945
Accrued interest	-	-	-	282,573
Interfund payables	-	-	-	28,490,454
Right-to-use liability	-	-	2,647,909	4,260,572
Unearned revenue	-	-	21,956,924	-
Payable from restricted assets:				
Accounts payable	109,315	-	15,778,270	4,366
Retainage payable	416,394	-	8,352,012	-
Accrued interest	278,005	-	9,719,005	-
Certificate, general obligation, and revenue bonds	4,791,756	-	71,573,081	1,723,374
Total current liabilities paid from restricted assets	5,595,470	-	105,422,368	1,727,740
Total current liabilities	8,847,679	207,907	162,542,454	45,439,992

(continued on the following page)

CITY OF DENTON, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AS OF SEPTEMBER 30, 2025

Exhibit VIII

	Business-type Activities - Enterprise Funds		
	Utility System		
	Electric Fund	Water Fund	Wastewater Fund
Noncurrent liabilities:			
General obligation bonds payable	\$ 87,547,580	\$ 20,046,314	\$ 12,401,069
Certificates of obligation	410,789,819	194,858,761	209,306,380
Revenue bonds payable	311,066,938	9,920,000	-
Compensated absences payable	635,249	127,625	110,456
Claims and judgement payable	-	-	-
Lease liability	-	-	-
Right-to-use liability	111,036	109	-
Net pension liability	13,480,240	3,957,413	3,783,884
Total other post-employment benefits liability	5,985,979	2,909,675	3,196,598
Landfill closure/postclosure costs	-	-	-
Total noncurrent liabilities	829,616,841	231,819,897	228,798,387
Total liabilities	944,742,622	252,645,022	246,334,349
DEFERRED INFLOWS OF RESOURCES:			
Deferred inflows - leases	1,507,377	-	-
Deferred charges on refundings	1,020,712	233,904	350,154
Deferred other post employment benefit balances	1,098,621	553,356	541,872
Deferred - other	-	2,107,243	-
Total deferred inflows of resources	3,626,710	2,894,503	892,026
NET POSITION:			
Net investment in capital assets	172,269,639	372,479,378	352,697,671
Restricted for debt service	22,953,227	404,078	-
Restricted for capital acquisition	-	78,961,142	53,489,400
Unrestricted	88,412,489	47,034,375	21,032,216
Total net position	\$ 283,635,355	\$ 498,878,973	\$ 427,219,287

(continued on the following page)

The notes to the basic financial statements are an integral part of this statement.

CITY OF DENTON, TEXAS
STATEMENT OF NET POSITION (concluded)
PROPRIETARY FUNDS
AS OF SEPTEMBER 30, 2025

	Business-type Activities - Enterprise Funds			Governmental
	Solid Waste Fund	Airport Fund	Total Enterprise Funds	Activities - Internal Service Funds
Noncurrent liabilities:				
General obligation bonds payable	\$ 7,154,728	\$ -	\$ 127,149,691	\$ -
Certificates of obligation	38,872,118	-	853,827,078	20,041,242
Revenue bonds payable	-	-	320,986,938	-
Compensated absences payable	340,639	10,842	1,224,811	360,309
Claims and judgement payable	-	-	-	6,392,399
Lease liability	-	-	-	95,481
Right-to-use liability	394,586	-	505,731	1,853,470
Net pension liability	4,640,987	461,987	26,324,511	13,469,479
Total other post-employment benefits liability	3,674,836	198,467	15,965,555	7,554,733
Landfill closure/postclosure costs	14,298,236	-	14,298,236	-
Total noncurrent liabilities	69,376,130	671,296	1,360,282,551	49,767,113
Total liabilities	78,223,809	879,203	1,522,825,005	95,207,105
DEFERRED INFLOWS OF RESOURCES:				
Deferred inflows - leases	634,484	-	2,141,861	898,062
Deferred charges on refundings	256,908	-	1,861,678	-
Deferred other post employment benefit balances	738,696	36,237	2,968,782	1,498,461
Deferred - other	-	-	2,107,243	-
Total deferred inflows of resources	1,630,088	36,237	9,079,564	2,396,523
NET POSITION:				
Net investment in capital assets	41,668,783	21,151,527	960,266,998	11,433,600
Restricted for debt service	-	-	23,357,305	-
Restricted for capital acquisition	-	1,251,906	133,702,448	-
Unrestricted	14,699,299	1,477,411	172,655,790	(24,254,324)
Total net position	\$ 56,368,082	\$ 23,880,844	\$ 1,289,982,541	\$ (12,820,724)
Adjustment to reflect inclusion of internal service fund activities related to enterprise funds.			(6,647,914)	
Net position of business-type activities (Exhibit I)			\$ 1,283,334,627	

The notes to the basic financial statements are an integral part of this statement.

(concluded)

CITY OF DENTON, TEXAS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Exhibit IX

	Business-type Activities - Enterprise Funds		
	Utility System		
	Electric Fund	Water Fund	Wastewater Fund
OPERATING REVENUES:			
Utility services	\$ 248,814,658	\$ 45,463,323	\$ 41,588,841
Charges for goods and services	-	-	-
Other fees	9,481,123	1,380,136	1,951,353
Miscellaneous	-	-	-
Total operating revenues	<u>258,295,781</u>	<u>46,843,459</u>	<u>43,540,194</u>
OPERATING EXPENSES:			
Operating expenses before depreciation and amortization	192,470,221	34,073,460	34,903,110
Depreciation and amortization	26,025,997	13,592,921	14,290,676
Total operating expenses	<u>218,496,218</u>	<u>47,666,381</u>	<u>49,193,786</u>
Operating income (loss)	<u>39,799,563</u>	<u>(822,922)</u>	<u>(5,653,592)</u>
NON-OPERATING REVENUES (EXPENSES):			
Investment revenue	8,130,935	6,448,381	5,740,542
Interest expense and fiscal charges	(24,324,608)	(6,001,761)	(5,925,963)
Impact fee revenue	-	16,933,035	12,554,438
Gain on disposal of capital assets	(365,390)	38,815	348,789
Gas well revenues	-	-	-
Other non-operating revenues (expenses)	10,767,142	15,837,828	3,345,738
Total non-operating revenues (expenses)	<u>(5,791,921)</u>	<u>33,256,298</u>	<u>16,063,544</u>
Income (loss) before contributions and transfers	34,007,642	32,433,376	10,409,952
CONTRIBUTIONS AND TRANSFERS:			
Capital contributions	-	14,760,897	22,638,150
Transfers in	171,697	201,857	688,115
Transfers out	(1,308,009)	(1,369,752)	(430,434)
Total contributions and transfers	<u>(1,136,312)</u>	<u>13,593,002</u>	<u>22,895,831</u>
Change in net position	32,871,330	46,026,378	33,305,783
Net position at beginning of year	250,764,025	452,852,595	393,913,504
Total net position at end of year	<u>\$ 283,635,355</u>	<u>\$ 498,878,973</u>	<u>\$ 427,219,287</u>

(continued on the following page)

The notes to the basic financial statements are an integral part of this statement.

CITY OF DENTON, TEXAS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION (concluded)
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Business-type Activities - Enterprise Funds			Governmental
	Solid Waste Fund	Airport Fund	Total Enterprise Funds	Activities - Internal Service Funds
OPERATING REVENUES:				
Utility services	\$ 43,808,482	\$ 1,964,579	\$ 381,639,883	\$ -
Charges for goods and services	-	-	-	127,800,203
Other fees	774,803	-	13,587,415	-
Miscellaneous	2,649	70,015	72,664	5,177,570
Total operating revenues	<u>44,585,934</u>	<u>2,034,594</u>	<u>395,299,962</u>	<u>132,977,773</u>
OPERATING EXPENSES:				
Operating expenses before depreciation and amortization	35,699,496	1,602,990	298,749,277	133,491,048
Depreciation and amortization	<u>6,352,429</u>	<u>1,243,268</u>	<u>61,505,291</u>	<u>6,206,762</u>
Total operating expenses	<u>42,051,925</u>	<u>2,846,258</u>	<u>360,254,568</u>	<u>139,697,810</u>
Operating income (loss)	<u>2,534,009</u>	<u>(811,664)</u>	<u>35,045,394</u>	<u>(6,720,037)</u>
NON-OPERATING REVENUES (EXPENSES):				
Investment revenue	1,957,152	378,163	22,655,173	1,359,900
Interest expense and fiscal charges	(1,426,861)	-	(37,679,193)	(1,034,446)
Impact fee revenue	-	-	29,487,473	-
Gain on disposal of capital assets	574,577	-	596,791	(1,035,646)
Gas well revenues	-	259,000	259,000	-
Other non-operating revenues (expenses)	-	24,751	29,975,459	(99,358)
Total non-operating revenues (expenses)	<u>1,104,868</u>	<u>661,914</u>	<u>45,294,703</u>	<u>(809,550)</u>
Income (loss) before contributions and transfers	<u>3,638,877</u>	<u>(149,750)</u>	<u>80,340,097</u>	<u>(7,529,587)</u>
CONTRIBUTIONS AND TRANSFERS:				
Capital contributions	-	-	37,399,047	30,000
Transfers in	156,589	-	1,218,258	67,970
Transfers out	<u>(4,049)</u>	<u>(751,656)</u>	<u>(3,863,900)</u>	<u>(338,013)</u>
Total contributions and transfers	<u>152,540</u>	<u>(751,656)</u>	<u>34,753,405</u>	<u>(240,043)</u>
Change in net position	3,791,417	(901,406)	115,093,502	(7,769,630)
Net position at beginning of year	<u>52,576,665</u>	<u>24,782,250</u>	<u>1,174,889,039</u>	<u>(5,051,094)</u>
Total net position at end of year	<u>\$ 56,368,082</u>	<u>\$ 23,880,844</u>	<u>\$ 1,289,982,541</u>	<u>\$ (12,820,724)</u>
Change in fund net position of proprietary funds			115,093,502	
Adjustment to reflect inclusion of internal service fund activities related to enterprise funds.			<u>(5,082,891)</u>	
Change in net position of business-type activities (Exhibit II)			<u>\$ 110,010,611</u>	

The notes to the basic financial statements are an integral part of this statement.

(concluded)

CITY OF DENTON, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Exhibit X

	Business-type Activities - Enterprise Funds		
	Utility System		
	Electric Fund	Water Fund	Wastewater Fund
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 277,940,303	\$ 44,693,004	\$ 42,615,098
Cash paid to employees for services	(24,475,363)	(11,109,464)	(9,029,241)
Cash paid to suppliers	(176,014,877)	(28,491,326)	(25,535,031)
Net cash provided (used) by operating activities	77,450,063	5,092,214	8,050,826
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	171,697	201,857	688,115
Transfers out	(1,308,009)	(1,369,752)	(430,434)
Other nonoperating revenues	-	17,945,071	3,345,738
Principal payments on non-capital debt	(5,615,000)	-	-
Interest and fiscal charges on non-capital debt	(124,500)	-	-
Net cash provided (used) by noncapital financing activities:	(6,875,812)	16,777,176	3,603,419
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from issuance of debt	65,610,171	91,981,417	81,413,338
Principal payments on capital debt	(56,415,000)	(8,131,433)	(9,905,000)
Interest and fiscal charges	(29,272,288)	(10,528,167)	(7,157,097)
Lease liability	-	-	-
Acquisition of Right-to-use assets	(1,734,443)	76,325	-
Proceeds from gas wells	-	-	-
Proceeds from impact fees	-	16,933,035	12,554,438
Proceeds from lease financing	-	-	-
Proceeds from capital contributions and transfers in	-	-	-
Proceeds from sale or reimbursement of capital assets	336,353	42,550	408,150
Acquisition and construction of capital assets	(85,145,830)	(58,218,126)	(36,579,791)
Net cash provided (used) by capital financing activities	(106,621,037)	32,155,601	40,734,038
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale and maturities of investment securities	91,610,849	38,640,244	33,027,242
Purchase of investment securities	(83,094,618)	(82,572,714)	(74,635,627)
Interest received on investments	8,350,225	6,119,676	5,258,830
Proceeds from ownership investment	3,267,142	-	-
Net cash provided (used) by investing activities	20,133,598	(37,812,794)	(36,349,555)
Net increase (decrease) in cash and cash equivalents	(15,913,188)	16,212,197	16,038,728
Cash and cash equivalents at beginning of year	79,910,991	67,620,780	59,707,711
Cash and cash equivalents at end of year	63,997,803	83,832,977	75,746,439
Investments, at fair value (Note IV.A.)	110,245,551	144,405,555	130,484,286
Cash, cash equivalents and investments, at fair value	\$ 174,243,354	\$ 228,238,532	\$ 206,230,725
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 39,799,563	\$ (822,922)	\$ (5,653,592)
Adjustments:			
Depreciation and amortization expense	26,025,997	13,592,921	14,290,676
Decrease (Increase) in receivables	932,605	(1,579,723)	(212,823)
Decrease (Increase) in interfund receivables	(2,568,623)	(570,732)	(712,273)
Decrease (Increase) in inventories	-	-	-
Decrease (Increase) in customer deposits	(523,773)	-	-
Decrease (Increase) in prepaid items	(21,496,197)	-	-
Decrease (Increase) in other assets	2,258,072	-	-
Decrease (Increase) in escrow deposits	-	(5,437,022)	-
Increase (Decrease) in accounts payable	9,883,799	(896,639)	(408,087)
Decrease in unearned revenue	21,956,924	-	-
Increase (Decrease) in compensated absences payable	1,048,025	665,439	623,004
Increase (Decrease) in net municipal pension balances	116,303	41,094	32,930
Increase (Decrease) in other post-employment benefit balances	169,979	99,798	90,991
Increase (Decrease) in closure/postclosure liability	-	-	-
Increase (Decrease) in interfund payables	-	-	-
Increase (Decrease) in lease deferred inflows	(152,611)	-	-
Total adjustments	37,650,500	5,915,136	13,704,418
Net cash provided (used) by operating activities	\$ 77,450,063	\$ 5,092,214	\$ 8,050,826
NONCASH CAPITAL, INVESTING AND FINANCING ACTIVITIES:			
Decrease in fair value of investments	(317,239)	(93,888)	(72,734)
Capital asset contributions	-	14,760,897	22,638,150
Right-to-use assets acquired through lease and SBITA Liabilities	(611,257)	-	-

The notes to the basic financial statements are an integral part of this statement.

(continued on the following page)

CITY OF DENTON, TEXAS
STATEMENT OF CASH FLOWS (concluded)
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Exhibit X

	Business-type Activities - Enterprise Funds			Governmental
	Solid Waste Fund	Airport Fund	Total Enterprise Funds	Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 44,897,897	\$ 2,027,127	\$ 412,173,429	\$ 132,380,175
Cash paid to employees for services	(13,879,980)	(780,817)	(59,274,865)	(34,246,478)
Cash paid to suppliers	(19,478,404)	(791,346)	(250,310,984)	(96,191,435)
Net cash provided (used) by operating activities	11,539,513	454,964	102,587,580	1,942,262
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in	156,589	-	1,218,258	67,970
Transfers out	(4,049)	(751,656)	(3,863,900)	(338,013)
Other nonoperating revenues	-	-	21,290,809	-
Principal payments on non-capital debt	-	-	(5,615,000)	-
Interest and fiscal charges on non-capital debt	-	-	(124,500)	-
Net cash provided (used) by noncapital financing activities:	152,540	(751,656)	12,905,667	(270,043)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from issuance of debt	13,239,412	-	252,244,338	(710,000)
Principal payments on capital debt	(5,804,597)	-	(80,256,030)	2,110,323
Interest and fiscal charges	(1,582,129)	-	(48,539,681)	(889,340)
Lease liability	-	-	-	(78,205)
Acquisition of Right-to-use assets	(57,844)	-	(1,715,962)	(3,543,051)
Proceeds from gas wells	-	259,000	259,000	-
Proceeds from impact fees	-	-	29,487,473	-
Proceeds from lease financing	-	-	-	2,993
Proceeds from capital contributions and transfers in	-	-	-	30,000
Proceeds from sale or reimbursement of capital assets	1,218,250	-	2,005,303	(232,889)
Acquisition and construction of capital assets	(15,341,195)	33,497	(195,251,445)	(4,271,302)
Net cash provided (used) by capital financing activities	(8,328,103)	292,497	(41,767,004)	(7,581,471)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from sale and maturities of investment securities	18,583,515	1,576,815	183,438,665	7,318,303
Purchase of investment securities	(23,744,572)	(1,964,471)	(266,012,002)	(5,748,890)
Interest received on investments	1,941,421	383,220	22,053,372	1,397,460
Proceeds from ownership investment	-	-	3,267,142	-
Net cash provided (used) by investing activities	(3,219,636)	(4,436)	(57,252,823)	2,966,873
Net increase (decrease) in cash and cash equivalents	144,314	(8,631)	16,473,420	(2,942,379)
Cash and cash equivalents at beginning of year	20,774,348	1,674,719	229,688,549	11,998,410
Cash and cash equivalents at end of year	20,918,662	1,666,088	246,161,969	9,056,031
Investments, at fair value (Note IV.A.)	36,030,645	2,870,326	424,036,363	15,398,251
Cash, cash equivalents and investments, at fair value	\$ 56,949,307	\$ 4,536,414	\$ 670,198,332	\$ 24,454,282
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 2,534,009	\$ (811,664)	\$ 35,045,394	\$ (6,720,037)
Adjustments:				
Depreciation and amortization expense	6,352,429	1,243,268	61,505,291	6,206,762
Decrease (Increase) in receivables	156,243	(7,467)	(711,165)	(1,739)
Decrease (Increase) in interfund receivables	-	-	(3,851,628)	-
Decrease (Increase) in inventories	-	-	-	(3,279,938)
Decrease (Increase) in customer deposits	183,406	-	(340,367)	-
Decrease (Increase) in prepaid items	-	-	(21,496,197)	4,574
Decrease (Increase) in other assets	-	-	2,258,072	-
Decrease (Increase) in escrow deposits	-	-	(5,437,022)	-
Increase (Decrease) in accounts payable	(34,673)	(37,443)	8,506,957	1,321,091
Decrease in unearned revenue	-	-	21,956,924	-
Increase (Decrease) in compensated absences payable	1,048,827	58,141	3,443,436	1,935,663
Increase (Decrease) in net municipal pension balances	50,876	119,877	361,080	139,033
Increase (Decrease) in other post-employment benefit balances	119,775	(109,748)	370,795	332,711
Increase (Decrease) in closure/postclosure liability	1,152,911	-	1,152,911	-
Increase (Decrease) in interfund payables	3,396	-	3,396	2,101,494
Increase (Decrease) in lease deferred inflows	(27,686)	-	(180,297)	(97,352)
Total adjustments	9,005,504	1,266,628	67,542,186	8,662,299
Net cash provided (used) by operating activities	\$ 11,539,513	\$ 454,964	\$ 102,587,580	\$ 1,942,262
NONCASH CAPITAL, INVESTING AND FINANCING ACTIVITIES:				
Decrease in fair value of investments	(57,303)	(4,737)	(545,901)	(46,544)
Capital asset contributions	-	-	37,399,047	30,000
Right-to-use assets acquired through lease and SBITA Liabilities	390,398	-	(220,859)	4,742,073

The notes to the basic financial statements are an integral part of this statement.

(concluded)

CITY OF DENTON, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
TOURISM PUBLIC IMPROVEMENT DIST. FUND
AS OF SEPTEMBER 30, 2025

Exhibit XI

	Tourism Public Improvement District Fund
ASSETS	
Cash, cash equivalents and investments at fair value	\$ 272,817
Receivables:	
Accounts receivable	<u>1,815</u>
Total assets	<u><u>274,632</u></u>
 LIABILITIES	
Total liabilities	<u><u>-</u></u>
 NET POSITION	
Restricted for:	
Other Organizations and Governments	274,632
Total net position	<u><u>\$ 274,632</u></u>

DRAFT

Exhibit XII

CITY OF DENTON, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
TOURISM PUBLIC IMPROVEMENT DIST. FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Tourism Public Improvement District Fund
ADDITIONS	
Assessments Collected	\$ 981,871
Investment revenue	17,049
Total additions	<u>998,920</u>
DEDUCTIONS	
Payments to DTPID	719,506
Administrative Costs	64,160
Total deductions	<u>783,666</u>
 Net increase (decrease) in fiduciary net position	 <u>215,254</u>
 Net position, beginning	 59,378
 Net position, ending	 <u>\$ 274,632</u>

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CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Denton is a municipal corporation governed by an elected seven-member council consisting of a mayor elected at large and six councilpersons, four representing specific geographical districts and two elected at large. The City receives funding from state and federal government sources and must comply with the requirements of these funding source entities. However, the City is not included in any other governmental “reporting entity,” as defined in pronouncements by the Governmental Accounting Standards Board (GASB), as council members are elected by the public and have decision-making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

The financial statements of the City have been prepared to conform to accounting principles generally accepted (GAAP) in the United States of America as applicable to state and local governments. Generally accepted accounting principles for local governments include principles prescribed by GASB, the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies.

A. Reporting Entity

An elected seven-member council consisting of a mayor and six councilpersons governs the City. As required by accounting principles generally accepted in the United States of America, these financial statements present the City (the primary government) and its component units, which are entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations, and so data from these units are combined with data from the primary government. A discretely presented component unit, on the other hand, is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the City. The City had no component units, discretely presented or blended, at September 30, 2025.

B. Government-wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The reporting focus is either the City as a whole (government-wide financial statements) or major individual funds (within the fund financial statements). The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (public safety, public works, etc.) or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment; (2) grants and contributions that are restricted to meeting operational requirements of a particular function or segment; and (3) grants and contributions that are restricted to meeting the capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The net cost (by function or business-type activity) is normally covered by general revenue (property taxes, sales taxes, franchise fees, interest income, etc.).

Separate fund financial statements are provided for governmental funds and proprietary funds. Major governmental funds and major enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category and for the governmental and enterprise funds combined) for the determination of major funds. Non-major funds are combined in a column in the fund financial statements.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

Internal service funds, which traditionally provide services primarily to other funds of the government, are presented in summary form as part of the proprietary fund financial statements. The financial statements of internal service funds are allocated (based on the percentage of goods or services provided) between the governmental and business-type activities when presented at the government-wide level.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories, as well as the fiduciary funds (by category). Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund-level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized and susceptible to accrual as soon as they are both measurable and available. Revenues are available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Any amounts collected beyond the 60 days are recorded as deferred inflows of resources. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The City reports the following major governmental funds:

The general fund is the City's primary operating fund. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid general operating costs, fixed charges and capital improvement costs that are not paid through other funds.

The debt service fund accounts for the accumulation of financial resources for the payment of principal, interest, and related costs on general long-term debt, paid primarily by taxes levied by the City. On a budgetary basis, the debt service fund also accounts for pass-through debt service payments from the self-supporting proprietary funds.

The capital projects fund accounts for financial resources used for the acquisition or construction of capital other than those recorded in the enterprise funds and internal service funds.

The ARPA fund accounts for the federal resources received by the City from the American Rescue Plan Act of 2021 and used for the programs as outlined by the plan.

Other governmental funds are a summarization of all the non-major governmental funds.

The City reports the following major proprietary funds:

The City utility system is made up of three separate funds as follows:

The electric fund accounts for electrical utility services to the residents and commercial establishments of the City. Activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations, maintenance, finance, and related debt service.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

The water fund accounts for water utility services to the residents and commercial establishments of the City. Activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations, maintenance, finance, and related debt service.

The wastewater fund accounts for sewer and storm water services to the residents and commercial establishments of the City. Activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations, maintenance, finance, and related debt service.

The City provides additional services through the following funds:

The solid waste fund accounts for the provision of solid waste services to the residents of the City. Activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations, maintenance, finance, and related debt service.

The airport fund accounts for the airport services to the public and is funded through operational and gas well revenues. Activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations, maintenance, and finance.

The City additionally reports the following funds:

Internal service funds are used to account for the financing of materials and services provided by one department of the City to other departments of the City on a cost-reimbursement basis.

The materials management fund accounts for the financing of the goods and services of the purchasing department as well as the management and inventory of the City warehouse activities.

The fleet services fund accounts for the financing of goods and services provided by the activities of the City garage and machine shop to other departments.

The health insurance fund accounts for the accumulation of resources for the self-insurance activities of the City for employee medical insurance as well as other employee insurance benefits including long-term disability, short-term disability, and dental and vision insurances.

The risk retention fund accounts for the accumulation of resources for the payment of activities associated with providing general liability insurance coverage and self-funded activities for City departments.

The technology services fund accounts for financing and management of technology equipment, software, and services such as programming, support, training, maintenance, and office services to City departments.

The engineering services fund accounts for providing engineering, real estate, public works inspection, and development review services primarily to City departments although some services are provided to and paid by external entities.

The customer service fund accounts for providing customer service activities to residents and businesses for City departments. Services include bill pay, utility service requests, connect/disconnect services, maintenance of customer accounts, utility billing, operator calls, collections, accounts receivable, and cash handling.

The facilities fund accounts for the maintenance of all city-owned facilities and vertical construction projects.

The environmental services fund accounts for the consolidated environmental-related services provided across the City.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's electric, water, wastewater, solid waste, and airport funds are charges to customers for services. Operating expenses for the enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The City recognizes, as an asset or a liability, the difference between the electric fund's energy cost adjustment (ECA) revenue collected and related costs.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Budgetary Information

The City Council follows these procedures, as prescribed by City Charter, in establishing the budgets reflected in the financial statements:

1. Within the time period required by law, the City Manager submits to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted prior to the adoption of the budget to obtain taxpayer comments.
3. The annual budget adopted by the City Council covers the general fund, non-major special revenue funds (Police Confiscation Fund, Tourist and Convention Fund, Gas Well Revenues Fund, Street Improvement Fund, and the Citizens' Park Trusts), the debt service fund, the enterprise funds, and internal service funds. The budget is legally enacted by the City Council through passage of an ordinance prior to the beginning of the fiscal year. The basic financial statements reflect the legal level of control, (i.e. the level at which expenditures cannot legally exceed the appropriated amount) which is established at the total fund level as approved by City Council.
4. The City Charter provides for the City Manager to transfer any part of the unencumbered appropriation balance or the entire balance thereof between programs or general classifications of expenditures within an office, department, agency, or organizational unit. (The City Council defines an organizational unit as set forth in Article VIII, Section 8.07 of the City Charter, to be a fund that has been appropriated by the City Council.) City Council approval is not required up to the fund level. The Charter also provides that at any time during the year, at the request of the City Manager, City Council may by resolution transfer any part of the unencumbered appropriation balance or the entire balance thereof from one office, department, agency, or organizational unit to another, as well as make any increases in fund appropriations.

Budgets are adopted on a basis for the governmental funds and the budgeted special revenue funds which are generally consistent with generally accepted accounting principles. Budgets for enterprise funds are prepared on the full accrual basis, except certain noncash transactions such as depreciation expense and amortization on debt issuance costs where it is not budgeted, and debt service payments where it is budgeted. Also, during the budgetary process, amounts are included in all fund budgets to recognize administrative transfers between funds for goods or services. These amounts are not included in the reporting of actual activity for the funds. For funds reporting required budget-to-actual comparisons, these administrative transfers are included as adjustments – budgetary basis.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed contracts for goods or services (i.e., purchase orders and contracts). While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances are re-appropriated against the subsequent year's budget, reducing the available appropriations for additional expenditures.

E. Assets, Liabilities and Net Position or Equity

1. Cash, cash equivalents and investments

The City's cash and cash equivalents are cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Investments are carried at fair value, except for the position in local government investment pools. Fair value is determined as the price at which two willing parties would complete an exchange.

The City uses a pooled cash and investment fund to hold and account for all the City's investments. For financial reporting purposes, the investment balances in the pooled fund are allocated back to the individual funds based on their respective share of the pooled total. Interest earned on investments is also allocated back and recorded directly to the individual funds monthly.

2. Receivables

Outstanding balances between funds are reported as "interfund receivables/payables." Any residual balances between governmental activities and business-type activities are reported in the government-wide statements as "internal balances."

Trade, property tax receivables, and municipal court receivables are shown as a net of an allowance for uncollectible accounts. The City accrues amounts for utility services provided in September but not billed by September 30, 2025.

3. Inventories

Inventories of supplies are maintained at the City warehouse for use by all City funds and are accounted for by the consumption method. Cost is determined by using a moving average method. No inventories exist in the governmental fund types.

4. Prepaid items

Certain costs applicable to future accounting periods are recorded as prepaid items. Most of these balances are due to payments into an account for energy settlements in the Electric Fund and health claims in the Employee Insurance Fund.

5. Other Assets

Certain costs applicable to future accounting periods are recorded as other assets. In a prior fiscal year, the City impaired its TMPA prepaid purchase power due to a permanent closure in generation and subsequent sale of the plant. The impaired amount was recorded as an Other Asset (regulatory) that will be fully amortized in FY 2025. See note IV.F. for more information on Other Assets and V.E. Agreement with TMPA for further information regarding TMPA.

6. Restricted assets

Certain proceeds of the City's governmental and proprietary fund general obligation bonds and certificates of obligation, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Assets collected from impact fees are limited by state statute in use and shown as restricted on the balance sheet of the Water and Wastewater funds.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

7. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$15,000 and an estimated useful life more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Infrastructure	20 – 40
General improvements	10
Machinery and equipment	10 – 20
Furniture and office equipment	10
Computer equipment/software	3 – 10
Plant and equipment	5
Underground pipe	40
Water storage rights	50 – 100
Water recreation rights	50
Communication equipment	5
Vehicles	3 – 10
Leases	1 – 100
Subscription-based IT agreement	1 – 5

Renewals and betterments of property and equipment are capitalized, whereas normal repair and maintenance are charged to expense as incurred.

8. Compensated absences

The City allows full-time employees to accumulate unused vacation time without a maximum balance. Upon termination, accumulated vacation time up to 320 hours (480 for civil service fire employees) will be paid to an employee. Generally, sick leave is not paid upon termination except for civil service fire fighters and police officers. Firefighters and police officers accumulate unused sick leave for payout up to a maximum of 1080 hours and 720 hours, respectively. All other employees are paid only upon illness or other valid sick leave uses while employed by the City. Accumulated vacation and sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements but have not been paid this amount at the end of the fiscal year. The General Fund and Other Governmental Funds are used to record any payout expenditures of the governmental funds' employees and related liability, while proprietary fund payouts for their employees are recorded as reductions to the liabilities in those funds.

9. Arbitrage

Arbitrage involves the investment of the proceeds from the sale of tax-exempt bonds in taxable instruments and securities authorized by the Public Funds Investment Act (Texas Government Code, Chapter 2256) that yield a higher rate, resulting in interest revenue in excess of interest costs. Federal tax

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

code requires that these excess earnings be rebated to the federal government. The Capital Projects Fund has been used in prior years to liquidate governmental funds' related liability. A liability was recorded at September 30, 2025, in the amount of \$450,329 for positive arbitrage payments related to the 2020 bond issuance.

10. Pensions

For purposes of measuring the net pension liability, pension-related deferred outflows and inflows of resources, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and the Firemen's Relief and Retirement Fund (FRRF) and additions to/deductions from TMRS's and the FRRF's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS and the FRRF. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. Other post-employment benefits

The City participates in a single-employer, unfunded, defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefit Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year rather than prefunding. Benefit payments are treated as being equal to the City's yearly contribution for retirees. For purposes of measuring the total SDBF OPEB liability, related deferred outflows and inflows of resources, and expense, City specific information about its total SDBF liability and additions to/deductions from the City's total SDBF liability have been determined on the same basis as they are reported by TMRS. The SDBF expense and deferred (inflows)/outflows of resources related to SDBF, primarily result from changes in the components of the total SDBF liability. Most changes in the total SDBF liability will be included in SDBF expense in the period of the change. For example, changes in the total SDBF liability resulting from current-period service cost, interest on the Total OPEB Liability, and changes of benefit terms are required to be included in SDBF expense immediately. Changes in the total SDBF liability that have not been included in SDBF expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to SDBF.

The City provides post-employment medical care (Medical OPEB) for retired employees through a single employer defined benefit medical plan. The plan provides medical benefits for eligible retirees, their spouses, and their dependents through the City's group health insurance plans. By providing retirees with access to the City's healthcare plans based on the same rates it charges to active employees, the City is in effect providing a subsidy to retirees. This implied subsidy exists because, on average, retiree healthcare costs are higher than active employee healthcare costs. By the City not contributing anything toward the plan in advance, the City employs a pay-as-you-go method through paying the higher rate for active employees each year. The City also contributes up to \$200 per month, based on years of service, toward the cost of retiree coverage. As an irrevocable trust has not been established, the plan is not accounted for as a trust fund. For this purpose, plan contributions are recognized in the period that the direct and indirect subsidies are paid by the City. Total OPEB liability, OPEB-related deferred outflows, and inflows of resources, and OPEB expense is based on the actuarial measurement dates.

12. Long-term obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Gain/loss on refunding are reported as deferred outflow/inflow and recognized as a component of interest expense over the remaining life of the old debt or life of the new debt, whichever is shorter.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

13. Fund balance

The City follows GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions”, and in accordance with the statement, the classifications of governmental fund balances are presented as follows:

Nonspendable fund balances – include amounts not in a spendable form or are legally or contractually required to be maintained intact. Examples include inventory or endowments.

Restricted fund balance – include amounts that can be spent only for the specific purposes stipulated by external resource providers, creditors, grantors, and contributors or through enabling legislation.

Committed fund balance – include amounts that can be used only for the specific purposes determined by the City Council through an ordinance and may only be changed or lifted through another ordinance. The ordinance must either adopt or rescind the commitment, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.

Assigned fund balance - comprise amounts intended to be used for specific purposes. Intent can be expressed by the City Council, or per the policy adopted by an ordinance by the City Council, the City Manager or the City Manager’s designee (assistant city manager) may also make an assignment. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed and, at a minimum, is intended for the purpose of that fund.

Unassigned fund balance – is the residual classification of the general fund and includes all amounts not constrained in the other classifications. Unassigned amounts are technically available for any purpose. The General Fund is the only fund to report a positive unassigned fund balance amount. However, other governmental funds may report a negative unassigned fund balance as necessary if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned for those purposes.

When multiple categories of fund balance are available for expenditure and approved for use by the City Council, the City will start with the most restricted category and spend those funds first before moving down to the next category with available funds. Normally this would result in the use of restricted, then committed, then assigned, and lastly, unassigned fund balance.

14. Minimum fund balance policy

It is the goal of the City to achieve and maintain an unassigned fund balance in the General Fund equal to 20% of budgeted expenditures. An additional 5% resiliency reserve (25% combined total) may be maintained to safeguard against unusual financial circumstances or economic downturns.

15. Net position

Net position represents the difference between assets, deferred inflows, deferred outflows, and liabilities. Net investment in capital assets consists of capital assets net of accumulated depreciation and the outstanding balances of any borrowing spent for the acquisition, construction, or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

16. Deferred outflows and inflows of resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to future periods and will not be recognized as an outflow of resources, either expenses or expenditures, until that time. The City reports the following items qualifying for this category:

- Deferred loss on refunding reported in the statements of net position - A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price and is amortized over the shorter of the life of the refunded or refunding debt.
- Deferred pension and OPEB actuarial losses reported in the statement of net position – A deferred charge is recorded for the difference between actual experience and expected experience during the period between two actuarial valuations and is amortized over future periods.
- Deferred pension and other postemployment benefit plan contributions reported in the statement of net position – A deferred charge is recorded for pension contribution amounts paid by the City after the current year’s measurement date (December 2024) and will be fully recognized as a reduction of the respective liability in the next period on the next measurement date (December 2025).
- Deferred pension and other postemployment benefit plan actuarial assumption changes – A deferred charge is recorded for the difference due to assumption changes and amortized over future periods.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to future periods and will not be recognized as an inflow of resources, or revenues, until that time. The City reports the following items qualifying for reporting in this category:

- Deferred gain on refunding reported in the statements of net position - A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price and is amortized over the shorter of the life of the refunded or refunding debt.
- Deferred pension excess earnings reported in the statement of net position – A deferred charge is recorded for the difference between actual investment earnings and expected investment earnings during the period and is amortized over future periods.
- Deferred pension and other postemployment benefit plan actuarial gains reported in the statement of net position – A deferred charge is recorded for the difference between actual experience and expected experience during the period between two actuarial valuations and is amortized over future periods.
- Deferred pension and other postemployment benefit plan actuarial assumption changes – A deferred charge is recorded for the difference due to assumption changes and amortized over future periods.
- Deferred amounts related to leases are reported for leases in which the City is the lessor – A deferred amount recorded to initially offset the total lease receivable recorded at lease commencement and is subsequently amortized as lease revenue over the life of the lease term.
- Deferred unavailable revenues reported on the balance sheet of the governmental funds – A deferred amount is recorded for the billed revenues not yet collected or available. These amounts are deferred and recognized as inflow of resources in the period the amounts become available.

17. Leases

A lease is defined as a contract conveying control of the right to use another entity’s non-financial asset as specified in the contract for a period of greater than one year, in an exchange or exchange-like transaction.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

City as lessee

The City is currently a lessee for noncancelable leases of land, buildings, equipment, or other assets. The City recognized a lease liability and an intangible right-to-use leased asset (lease asset) in the Government-wide and Proprietary Fund financial statements. Reporting includes lease assets with depreciable capital assets and lease liabilities with long-term liabilities. At the commencement of a lease, the City measured the lease liability at the present value of payments expected to be made over the course of the lease term. Subsequently, the lease liability is reduced by the principal portion of the lease payments. The lease asset is measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the remaining lease term. Variable lease payments based on usage of the underlying assets are not included in the lease liability calculations but are recognized as outflows of resources in the period in which obligations are incurred.

Key estimates and judgments related to leases in which the City would be a lessee are as follows:

- The lease term includes the non-cancellable period of the lease. Extension options are included in the lease term unless it is reasonably certain that they will not be exercised.
- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City uses its estimated incremental borrowing rate as the discount rate for leases.
- Leases with payments depending on an index or rate, such as the Consumer Price Index or market rate, are initially measured using the index or rate as of the commencement of the lease term.
- Leases with periodic percentage payment increases or flat rate payment increases specified in the lease terms are included in the measurement of the lease liability.

The City monitors changes in circumstances requiring remeasurement of its leases and will remeasure the lease assets and liabilities if certain changes occur that are expected to significantly affect the amount of the lease liabilities.

City as lessor

The City is a lessor for non-cancelable leases of land, buildings, and equipment. The City recognizes a lease receivable and a deferred inflow of resources in the Government-wide, Governmental, and Proprietary Fund financial statements. At the commencement of a lease, the City measures the lease receivable at the present value of payments expected to be received over the life of the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the lease term.

Key estimates and judgements related to leases in which the City is a lessor are as follows:

- The lease term includes the non-cancellable period of the lease. Extension options are included in the lease term unless it is reasonably certain that they will not be exercised.
- The City uses its incremental borrowing rate as the discount rate for leases.
- Leases with payments depending on an index or rate, such as the Consumer Price Index or market rate, are initially measured using the index or rate as of the commencement of the lease term.
- Leases with periodic percentage payment increases or flat rate payment increases specified in the lease terms are included in the measurement of the lease receivable.

The City monitors changes in circumstances requiring a remeasurement of its leases and will remeasure the lease receivables and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivables.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

18. Subscription-Based Information Technology Agreements (SBITA)

GASB 96 defines a SBITA as a contract that conveys control of the right to use another party's information technology (IT) software, alone or in combination with tangible capital assets, as specified in the contract for a period in an exchange or exchange-like transaction. The City recognizes a subscription liability and an intangible subscription right-of-use asset at the beginning of the subscription term if they have a term exceeding one year and the cumulative future payments on the contract exceed \$100,000 unless the contract is considered a short-term SBITA. A SBITA asset is measured based on the net present value of subscription payments expected to be made during the subscription term, using the incremental borrowing rate, and is amortized using the straight-line method over the shorter of the subscription term or the useful life of the underlying IT assets. Remeasurement of a subscription liability occurs when there is a change in the contract term and/or other changes that are likely to have a significant impact on the subscription liability.

F. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities

An element of that reconciliation states, "Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which proceeds exceeded payments." The details of this \$(44,592,843) difference are as shown on the following page:

Debt issued or incurred:	
Issuance of general obligation debt	\$ (51,660,000)
Issuance of certificates of obligation	(28,770,000)
Principal repayments:	
General obligation debt principal retirement	17,045,000
Certificates of obligation principal retirement	12,695,000
Refunded debt principal	11,390,000
Premium:	
General obligation bond premium	(3,543,112)
Certificates of obligation bond premium	(1,749,731)
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	\$ (44,592,843)

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

Another element of that reconciliation states, "The net effect of various miscellaneous transactions involving capital assets (i.e., subscription-based IT agreements, leases, sales, trade-ins and donations) is to decrease net position." The details of this \$9,243,124 difference are as follows:

Net effect of transactions involving asset retirements/disposals	\$ (1,855,573)
Donations of capital assets increase net position in the statement of activities but do not appear in the governmental funds because they are not financial resources	11,098,697
Net adjustment to increase net changes in fund balances - total governmental funds	<u>\$ 9,243,124</u>

Another element of that reconciliation states, "Certain expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of the \$520,934 difference are as follows:

Change in:	
Net pension liability	\$ 14,290,321
Municipal pension - Deferred	
Contributions	752,887
Economic differences	(1,054,787)
Assumption changes	(31,822)
Actuarial gain/loss	(11,576,924)
Total Municipal pension - Deferred	<u>(11,910,646)</u>
OPEB liability	(1,310,615)
OPEB - Deferred	
Contributions	121,640
Economic differences	368,997
Assumption changes	(129,908)
Total OPEB - Deferred	<u>360,729</u>
Compensated absences	(1,243,048)
Accrued interest	334,193
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 520,934</u>

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Deficit Fund Net Position

The Materials Management, Risk Retention, Engineering Services, Customer Service, Facilities and Environmental Services internal service funds had deficit net positions of (\$255,543), (\$5,728,618), (\$6,466,192), (\$3,524,693), (\$434,994) and (2,767,480), respectively, due to the implementation of GASB Statement No. 68 “Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27” and GASB Statement No.75 “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions” (OPEB) which resulted in an increase in the net pension liability and the total OPEB liability in the prior years during implementation.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

In order to facilitate effective cash management practices, the operating cash of all funds is pooled into a common account for the purpose of increasing income through combined investment activities. At year-end, the City had \$400,097,453 in cash and cash equivalents of which \$8,700 is in petty cash.

The Public Funds Investment Act (Texas Government Code) authorizes the City to invest in obligations of the U.S. Treasury, U.S. agencies, fully collateralized repurchase agreements, public fund investment pools, SEC-registered no-load money market mutual funds, municipal securities of any state rated A or better, certificates of deposit (fully collateralized, insured, and standby letters of credit backed), and commercial paper rated not less than A-1 or P-1 with a stated maturity of no more than 365 days. The City’s investment policy may further restrict those investment options. The investments reported on September 30, 2025, were similar to those held during the fiscal year.

The City reports all investments in the financial statements at fair value. At September 30, 2025, the City’s investments carried a fair value of \$1,079,320,717 of which \$391,568,238 was in a local governmental investment pool which the City classifies in the financial statements as cash equivalents, resulting in \$687,752,479 of investment balances reported in the financial statements.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, Fair Value Measurement and Application establishes an authoritative definition of fair value, sets a framework for measuring fair value, and requires additional disclosures about fair value measurements. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets a government can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included within Level 1, observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is based on the lowest priority level input significant to the entire measurement.

The City invests in State and Local Government Series (SLGS), which are classified in Level 2 of the fair value hierarchy which are valued using significant other observable inputs. The City considers SLGS Level 2 investments, because only government bodies or other entities that issue state or local government bonds may buy SLGS and may only buy SLGS if the proceeds from those state or local government bonds are

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

subject to yield restrictions and arbitrage rebate requirements. There is no fixed maturity rate, and the SLGS rollover daily and remain outstanding until redeemed, in whole or in part.

At September 30, 2025, the City had the following recurring fair value investments:

	<u>Fair Value Measurement Method</u>				Weighted Average Maturity (Days)
	9/30/2025	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Percent of Total Investments	
<u>Investments Measured at Amortization Cost:</u>					
TexSTAR - Investment Pool	\$ 291,568,238	\$ -	\$ -	27.01%	1
TexPool - Investment Pool	\$ 100,000,000	-	-	9.27%	1
<u>Investments by Fair Value Level:</u>					
Debt Securities:					
U.S. Treasury Securities	\$ 463,736,856	-	463,736,856	42.97%	402
U.S. Treasury Securities - Discount	\$ -	-	-	0.00%	135
U.S. Agency Securities	\$ 124,883,050	-	124,883,050	11.57%	418
U.S. Agency Securities - Callable	\$ 44,969,165	-	44,969,165	4.17%	224
Commercial Paper	\$ 49,606,010	-	49,606,010	4.60%	99
Municipal Bonds - Coupon	\$ 4,557,398	-	4,557,398	0.42%	730
Total Investments	<u>1,079,320,717</u>	<u>-</u>	<u>687,752,479</u>		
Total Cash and Investments	<u>\$ 1,079,320,717</u>	<u>\$ -</u>	<u>\$ 687,752,479</u>		
Portfolio Weighted Average Maturity					238

Of the investments recorded at fair value, the U.S. treasuries, the U.S. agency securities, commercial paper, and municipal bonds are valued based upon observable inputs, including but not limited to, model prices for similar assets, benchmark yield curves, and matrix pricing.

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair values due to interest rate fluctuations by limiting the weighted average maturity of its investment portfolio to less than twenty-four months.

Credit risk. The City's investment policy limits investments to obligations of the United States of America and its agencies, investment quality obligations of the State of Texas (including agencies, municipalities, counties, and other political subdivisions) with a rating not less than AA, certificates of deposits and savings deposits (fully insured, collateralized, or standby letter of credit backed), fully collateralized repurchase agreements, local public fund investment pools with a dollar weighted average maturity of 60 days or less, U.S. government money market mutual funds with a dollar weighted average maturity of 60 days or less and a stable net asset value of \$1 for each share, and commercial paper that has a maturity of 270 days or less and a minimum rating of A-1, P-1, or an equivalent rating by at least two nationally recognized rating agencies. The City's investments in TexSTAR and TexPool were rated "AAAm" by Standard & Poor's, the highest rating a local government investment pool can achieve.

Custodial credit risk. This is the risk that in the event of a bank or counterparty failure, the City's deposits may not be returned. The policy states that all bank deposits of City funds shall be secured by pledged collateral with a market value equal to no less than 102 percent of the principal plus accrued interest less an amount insured by FDIC. As of September 30, 2025, the bank balance for deposits was \$7,614,028 and was fully collateralized by the City's third-party custodian, BNY Mellon.

Concentration of Credit Risk. The City's investment policy minimizes the risk of potential loss by diversifying investment types according to the following limitations based on value: U.S. Treasury bills/notes/bonds (100%), U.S. Agencies and Instrumentalities (100%), State of Texas Obligations – including agencies and local governments (15%), local government investment pools (50% in government

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

securities and 15% in prime securities), repurchase agreements (20%), certificates of deposit (35%), savings deposits (15%), U.S. Money Market Mutual Funds (50%), callable U.S. Agencies and Instrumentalities (20%), and commercial paper (20%).

Local Government Investment Pools. During the year, the City invested in two public fund investment pools, TexSTAR and TexPool. The fair value of the position of TexSTAR is measured at net asset value, and the fair value of the position of TexPool is measured at amortized cost. Each pool's governing body is composed of individuals who are employees, officers, or elected officials of participants in the funds or who do not have a business relationship with the fund and are qualified to advise. Investment objective and strategies of the pools are to seek preservation of principal, liquidity and current income through investment in a diversified portfolio of short-term marketable securities. Pools offer same day access to investment funds, which may be redeemed daily. As the redemption period is only one day or less, the City classifies these balances in the financials as cash equivalent. The pools may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, a general banking moratorium, or a national state of emergency affecting the pool's liquidity. The City has no unfunded commitments related to the investment pool.

Cash, cash equivalents and investments, at fair value, are reported together on the financial statements. Investments, at fair value, by fund were as follows:

	General Fund	Debt Service	Capital Projects	Other Governmental Funds
Unrestricted investments	\$ 25,372,657	\$ 1,564,353	\$ 187,472,378	\$ 33,060,565
Change in fair value	86,944	5,362	642,408	113,288
Restricted investments	-	-	-	-
Change in fair value	-	-	-	-
Total	\$ 25,459,601	\$ 1,569,715	\$ 188,114,786	\$ 33,173,853

	Electric	Water	Wastewater	Solid Waste
Unrestricted investments	\$ 53,477,140	\$ 34,552,161	\$ 16,262,111	\$ 12,283,402
Change in fair value	183,250	118,399	55,725	42,092
Restricted investments	56,391,923	109,360,252	113,776,574	23,624,198
Change in fair value	193,238	374,743	389,876	80,953
Total	\$ 110,245,551	\$ 144,405,555	\$ 130,484,286	\$ 36,030,645

	Airport	Internal Service Funds	Total City Investments
Unrestricted investments	\$ 2,076,261	\$ 7,538,959	\$ 373,659,987
Change in fair value	7,115	25,834	1,280,417
Restricted investments	784,173	7,806,706	311,743,826
Change in fair value	2,687	26,752	1,068,249
Total	\$ 2,870,236	\$ 15,398,251	\$ 687,752,479

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

B. Property Tax Revenue

Property taxes attach as an enforceable lien on property as of January 1st. Taxes are levied on October 1st and are due and payable at that time; therefore, the legally enforceable claim arises on October 1st. A receivable is recorded at that time. All unpaid taxes levied October 1st become delinquent February 1st of the following year.

Property taxes at the fund level are recorded as receivables and revenue in the period they become available. Current-year revenues recognized are those Ad valorem taxes collected within the current period or soon enough thereafter to pay current liabilities, which is sixty days after year-end. All other outstanding receivables are adjusted from revenue and recognized as deferred inflows of resources for future collections. Current tax collections for the year ended September 30, 2025, were 99.30% of the tax levy. An allowance is provided for delinquent taxes not expected to be collected in the future.

At September 30, 2025, the City had a tax rate of \$0.58542 per \$100 valuation. Based upon the maximum Ad valorem tax of \$2.50 per \$100 valuation imposed by Texas Constitutional law, the City had a tax rate margin of \$1.91458. Additional revenues up to \$395,154,105 could be raised per year based on the current year's certified assessed value of \$20,639,205,739 before the limit is reached.

On December 7, 2010, the City Council approved a Tax Increment Financing Reinvestment Zone (TIRZ #1) for the purpose of dedicating the increase in tax revenues generated within the TIRZ district for development in the downtown area of the City for a total of 30 years. The tax increment to be paid is 100% of the increment in years 1-5, 95% in years 6-10, 90% in years 11-20, and 85% in years 21-30. In fiscal year 2025, the total assessed value of \$230,565,487 after supplemental adjustments for TIRZ #1 was an increase of \$151,208,633 over the base fiscal year 2011 assessed value and resulted in \$796,685 of property tax revenue recorded in the TIRZ Fund as part of All Other Special Revenue Funds.

On December 18, 2012, the City Council approved a Tax Increment Financing Reinvestment Zone (TIRZ #2) for the purpose of dedicating 40% of the increase in tax revenues generated within the TIRZ district for development in the Westpark Industrial District for a total of 25 years. In fiscal year 2025, the assessed value of \$413,776,211 after supplemental adjustments was an increase of \$413,656,753 over the base fiscal year 2014 assessed value and resulted in \$968,651 of property tax revenue recorded in the TIRZ Fund as part of All Other Special Revenue Funds. Denton County participates in the zone and based on their tax rate and a participation contribution of 40% of the County's tax rate, \$310,853 of property tax revenue was generated for Fiscal Year 2025.

The City created the Rayzor Ranch Public Improvement District No. 1 in 2014 for the undertaking and financing of public improvements authorized by Chapter 372 of the Texas Local Government Code. The project is located on the City's northern sector, east of Interstate 35, and encompasses approximately 229.693 contiguous acres. The estimated costs of the proposed public improvements total \$40 million. The authorized improvement costs will be apportioned 100% to the District. The method of assessment will impose equal shares of the costs of the proposed public improvements on parcels that are similarly benefited. No City property will be assessed, and the City will not be obligated to pay any assessments.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

C. Receivables

Receivables at September 30, 2025, for the City's individual major funds and other funds (non-major funds, internal service funds and fiduciary funds), including the applicable allowances for uncollectible accounts, are as follows:

	General	Debt Service	Capital Projects	ARPA	Other Governmental Funds	Electric
Receivables:						
Taxes	\$ 11,595,072	\$ 836,458	\$ -	\$ -	\$ 410,703	\$ -
Accounts	483,388	-	-	-	-	11,762,842
Accrued interest	267,671	16,503	1,977,744	-	346,958	1,159,066
Unbilled utility service	-	-	-	-	-	14,848,692
Lease	-	-	-	-	-	1,514,548
Other	15,910,765	-	-	-	36,569	4,668,198
Gross receivables	<u>28,256,896</u>	<u>852,961</u>	<u>1,977,744</u>	<u>-</u>	<u>794,230</u>	<u>33,953,346</u>
Less: Allowance for uncollectibles	<u>(13,978,476)</u>	<u>(230,205)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,534,832)</u>
Net Total receivables	<u>\$ 14,278,420</u>	<u>\$ 622,756</u>	<u>\$ 1,977,744</u>	<u>\$ -</u>	<u>\$ 794,230</u>	<u>\$ 32,418,514</u>

	Water	Wastewater	Solid Waste	Airport	Internal Service Funds	Total
Receivables:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,842,233
Accounts	2,753,366	2,339,360	1,844,358	117,978	624,152	19,925,444
Accrued interest	1,518,207	1,371,845	378,808	30,177	161,888	7,228,867
Unbilled utility service	3,062,471	2,630,653	2,265,545	-	-	22,807,361
Lease	-	-	655,104	-	1,017,864	3,187,516
Other	-	-	-	83,453	282,175	20,981,160
Gross receivables	<u>7,334,044</u>	<u>6,341,858</u>	<u>5,143,815</u>	<u>231,608</u>	<u>2,086,079</u>	<u>86,972,581</u>
Less: Allowance for uncollectibles	<u>(397,094)</u>	<u>(271,326)</u>	<u>(147,860)</u>	<u>(19,572)</u>	<u>(52,197)</u>	<u>(16,631,564)</u>
Net Total receivables	<u>\$ 6,936,950</u>	<u>\$ 6,070,532</u>	<u>\$ 4,995,955</u>	<u>\$ 212,036</u>	<u>\$ 2,033,882</u>	<u>\$ 70,341,017</u>

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

D. Capital Assets

Capital asset balances and transactions for the year ended September 30, 2025, are summarized below and on the following page.

	Balance at September 30, 2024	Transfers and Increases	Transfers and Decreases	Balance at September 30, 2025
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 49,344,048	\$ 4,441,555	\$ -	\$ 53,785,603
Construction in progress	353,398,312	112,603,355	(26,968,555)	439,033,112
Total capital assets not being depreciated/amortized	402,742,360	117,044,910	(26,968,555)	492,818,715
Capital assets being depreciated/amortized:				
Buildings	127,133,155	3,047,835	-	130,180,990
Right-to-use lease building	300,845	-	-	300,845
Infrastructure	479,618,584	15,732,752	(225,795)	495,125,541
Machinery, equipment, and other improvements	181,385,720	12,616,449	(3,636,605)	190,365,564
SBITA assets	13,098,184	16,035,502	(6,232,745)	22,900,941
Total capital assets being depreciated/amortized	801,536,488	47,432,538	(10,095,145)	838,873,881
Less accumulated depreciation/amortization for:				
Buildings	42,429,543	3,141,543	-	45,571,086
Right-to-use lease building	131,619	75,212	-	206,831
Infrastructure	250,272,774	17,774,336	-	268,047,110
Machinery, equipment, and other improvements	117,788,582	12,385,587	(2,993,041)	127,181,128
SBITA assets	6,848,879	6,103,772	(1,445,825)	11,506,826
Total accumulated depreciation/amortization	417,471,397	39,480,450	(4,438,866)	452,512,981
Total capital assets, being depreciated/amortized, net	384,065,091	7,952,088	(5,656,279)	386,360,900
Governmental activities capital assets, net	\$ 786,807,451	\$ 124,996,998	\$ (32,624,834)	\$ 879,179,615



(continued)

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

	Balance at September 30, 2024	Transfers and Increases	Transfers and Decreases	Balance at September 30, 2025
Business-type activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 89,923,052	\$ 1,817,495	\$ (165,039)	\$ 91,575,508
Construction in progress	389,889,601	202,665,326	(124,253,340.00)	468,301,587
Total capital assets not being depreciated/amortized	479,812,653	204,482,821	(124,418,379.00)	559,877,095
Capital assets being depreciated/amortized:				
Buildings	40,347,903	-	-	40,347,903
Landfill improvements	32,550,765	-	-	32,550,765
Water rights	69,883,098	-	-	69,883,098
Infrastructure	835,382,293	118,466,803	-	953,849,096
Plant, machinery, equipment, and other improvements	936,252,165	34,146,860	▲(8,592,095.00)	961,806,930
SBITA assets	7,378,150	2,167,004	(2,387,864.00)	7,157,290
Lease Assets	-	-	-	-
Total capital assets being depreciated/amortized	1,921,794,374	154,780,667	(10,979,959.00)	2,065,595,082
Less accumulated depreciation/amortization for:				
Buildings	14,757,008	942,341	-	15,699,349
Landfill improvements	31,851,016	560,825	-	32,411,841
Water rights	24,624,132	695,990	-	25,320,122
Infrastructure	268,397,764	25,051,053	-	293,448,817
Plant, machinery, equipment, and other improvements	343,585,537	32,906,794	(7,180,425)	369,311,906
SBITA assets	2,420,835	1,348,289	(351,457)	3,417,667
Lease Assets	-	-	-	-
Total accumulated depreciation/amortization	685,636,292	61,505,292	(7,531,882.00)	739,609,702
Total capital assets, being depreciated/amortized, net	1,236,158,082	93,275,375	(3,448,077.00)	1,325,985,380
Business-type activities capital assets, net	\$ 1,715,970,735	\$ 297,758,196	\$ (127,866,456.00)	\$ 1,885,862,475

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

Depreciation and amortization expense was charged to activities of funds/functions/programs as follows:

Governmental activities:	
General government	11,618,315
Public Safety	6,061,919
Public Works	12,043,921
Parks & Recreation	3,474,320
Capital assets held by the internal service funds are charged to the various functions based upon usage	6,281,975
Total amortization and depreciation expense - governmental activities	<u>\$ 39,480,450</u>
Business-type activities:	
Electric	\$ 26,025,998
Water	13,592,921
Wastewater	14,290,677
Solid Waste	6,352,429
Airport	1,243,267
Total amortization and depreciation expense - business-type activities	<u>\$ 61,505,292</u>

Construction commitments:

The City has several major construction/capital projects planned or in progress as of September 30, 2025. These projects are evidenced by contractual commitments with contractors and include:

Project	Spent-to-Date	Remaining Commitment
2019 Street Reconstruction - Neighborhood 2 & 6	\$ 59,492,590	\$ 3,727,511
Hickory Creek Road Realignment	29,775,222	27,994,270
Hickory Creek Substation Reconstruction	55,583,140	995,447
Bonnie Brae South Construction	48,519,685	5,160,465
Ray Roberts Water Treatment Plant Performance Upgrade	34,311,823	6,487,588
Pecan Creek Water Reclamation Plant Expansion to 26MGD	12,104,059	28,595,941
Bonnie Brae 2nd Arterial	16,749,928	19,990,920
Underwood Substation	19,459,500	3,926,578
FY 23/24 Transformers	17,762,603	4,818,122
Ray Roberts Water Treatment Plant Expansion 1 & 2	2,436,412	18,601,438
Regional Toll Revenue - McKinney (Formerly FM 426)	17,246,415	1,020,888
Mayhill Denton County Transit Authority Bridge	16,992,240	1,524,991
Loop 288 Property	13,652,440	3,073,722
Fire Station No 6	14,012,306	277,438
Hickory Creek Wastewater Treatment Plant	11,384,620	7,600
Milam Creek Basin Wastewater Line	3,190,691	7,275,790
	<u>\$ 372,673,674</u>	<u>\$ 133,478,709</u>

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

E. Interfund Receivables, Payables and Transfers

A summary of interfund receivables and payables (in thousands) at September 30, 2025, is as follows:

	Interfund Receivables:						
	Governmental Major Funds		Business-Type Major Funds				Total
	General Fund	Non-Major Governmental Funds	Electric	Water	Wastewater		
Interfund Payables:							
Non-Major Governmental Funds	\$ 354	\$ -	\$ -	\$ -	\$ -	\$ 354	
Internal Service Funds	1,849	1,286	21,945	2,187	1,223	28,490	
Total	<u>\$ 2,203</u>	<u>\$ 1,286</u>	<u>\$ 21,945</u>	<u>\$ 2,187</u>	<u>\$ 1,223</u>	<u>\$ 28,844</u>	

The most significant interfund receivables and payables include the following:

<u>Interfund receivables</u>	<u>Interfund payables</u>	<u>Amount</u>
Electric fund	Internal service funds-materials management	\$ 21,945,369
Water fund	Internal service funds-materials management	2,186,986
General fund	Internal service funds-materials management	1,849,737
Non-Major Governmental Funds	Internal service funds-materials management	1,285,663
Wastewater fund	Internal service funds-materials management	1,222,698
General fund	Non-Major Governmental Funds	353,537
	Total:	<u>\$ 28,843,990</u>

The outstanding balances between Electric, Water, Wastewater, and General Fund related to the Materials Management Fund are a result of the cash position in the Materials Management Fund due to inventory purchases. The outstanding balance between the General Fund and the Non-Major Governmental Funds is due to reimbursement timing from outside sources.

Transfers between funds (in thousands) during the year were as follows:

	Transfers Out:									
	Governmental Major Funds			Business-Type Major Funds					Internal Service Funds	Total
	General Fund	Capital Projects Fund	Non-Major Governmental Funds	Electric Fund	Water Fund	Wastewater Fund	Solid Waste	Airport Fund		
Transfers In:										
Governmental Major Funds:										
General Fund	\$ -	\$ -	\$ 8	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8	
Debt Service Fund	-	-	-	-	-	-	-	752	752	
Capital Projects Fund	1,561	-	13,133	-	-	-	-	-	14,854	
Non-Major Governmental	-	-	-	1,143	565	418	-	-	2,126	
Electric Fund	7	-	-	-	165	-	-	-	172	
Water Fund	-	37	-	165	-	-	-	-	202	
Wastewater Fund	-	-	-	-	588	-	-	-	688	
Solid Waste Fund	-	-	79	-	-	-	-	-	157	
Internal Service Funds	-	-	-	-	51	12	4	-	67	
Total	<u>\$ 1,568</u>	<u>\$ 37</u>	<u>\$ 13,220</u>	<u>\$ 1,308</u>	<u>\$ 1,369</u>	<u>\$ 430</u>	<u>\$ 4</u>	<u>\$ 752</u>	<u>\$ 19,026</u>	

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

The most significant transfers include the following:

<u>Transfers from fund</u>	<u>Transfers to fund</u>	<u>Amount</u>
Non-Major Gov't	Capital Projects	\$ 13,133,291
Business-type Major Funds (Electric, Water, and Wastewater)	Non-Major Gov't – Street Improvement Fund	2,126,082
General Fund	Capital Projects	1,561,001
Business-type Major Funds - Airport	Debt Service Fund	751,656
	Total:	<u>\$ 17,572,030</u>

Transfers from the Non-Major Governmental Fund – Street Improvement Fund and from the General Fund were to fund capital projects such as streets, building renovations, equipment, and park improvements. Transfers from Other-Special Revenue Funds (SRF) were to fund road capital projects. Transfers from the Business-type Major Funds (Electric, Water, and Wastewater) to the Non-Major Governmental Fund – Street Improvement Fund were to fund street maintenance operations in the Street Improvements Fund. Transfers from Business-type Major Funds – Airport to the Debt Service Fund were to pay for Airport-related debt payments previously paid by property taxes.

F. Other Assets

In March 2010, the City issued Combination Tax & Electric Utility System Revenue Refunding Bonds, Series 2010 with a maturity of 15 years for prepaying certain contractual obligations to TMPA. The principal amount of the bonds was \$58,820,000 with a reoffering premium and other bond issuance costs of \$3,835,015 for a total of \$62,655,015. As the proceeds of this debt issuance were placed with Texas Municipal Power Agency (TMPA) and the City received an economic benefit over a period of years, an Other Asset was recorded in the Electric Fund Statement of Net Position in the amount of \$62,655,015. In September 2017, 37.9% of the unamortized balance of these Other Assets were impaired and recorded as a GASB 62 Regulatory Asset when TMPA reduced its power generation operations to seasonal. The remaining balance of the Other Assets were impaired and recorded as a GASB 62 Regulatory Asset in September 2019 upon TMPA's notification to ERCOT of the plan to retire and decommission the Gibbons Creek generation plant. The Regulatory asset is fully amortized as of September 30, 2025. See footnote V.E. for more information on TMPA.

In February 2021, the State of Texas experienced unprecedented freezing temperatures that put pressure on the availability of electric power (the "Weather Event"). Due to the high demand for power during this period and the limited availability of the power, the purchase price for power increased dramatically during this period. These energy price increases resulting in utilities, including the Electric Fund of the City of Denton, needing to access financial reserves to make payment to ERCOT for the power purchased necessary to service their customers. Due to the unparalleled dollar amount of the purchased power, the City of Denton issued \$140 million of commercial paper to provide temporary funding for immediate cash flow needs. In September 2021, the City issued \$141,990,000 of revenue refunding bonds to convert the outstanding commercial paper principal plus interest to debt to be paid over a period of 30 years. The Electric Fund recorded \$140,000,000 of this purchased power expense as a regulatory asset in Other Assets to be amortized over the period of 30 years, starting with fiscal year ending September 30, 2022.

Capitalized Interest-GASB Statement No. 89, "Accounting for Interest Cost incurred before the end of a Construction Period", was implemented in FY 2022 to eliminate interest associated with the construction of capital assets. As these interest costs add to the full capitalized costs associated with the plant and infrastructure assets and provide an economic benefit over a period of years, a regulatory asset was established to continue capitalized interest for the Electric Fund. The regulatory asset recorded additions totaling \$6,792,340 from FY's 2022-2024 and \$4,825,949 in FY 2025 with amortization occurring over the life of related assets to align with the recovery of costs through rates.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

To qualify to utilize GASB 62, the following must apply:

- The regulated business-type activity’s rate for regulated services provided to its customers are established by or are subject to approval of
- an independent, third-party regulator or by its own governing board empowered by statute or contract to establish rates that bind customers.
- The regulated rates are designed to recover the specific regulated business-type activity’s costs of providing the regulated services.

In view of the demand for the regulated services or products and the level of competition, direct and indirect, it is reasonable to assume that rates set at levels that will recover the regulated business-type activity costs can be charged to and collected from customers. This criterion requires consideration of anticipated changes in levels of demand or competition during the recovery period for any capitalized costs.

The City of Denton qualifies to utilize GASB 62 due to:

- State and local statues empower the City of Denton City Council to establish retail rates.
- The City of Denton specific costs are recovered through City of Denton retail rates.

Current and projected customer demand support the recovery of City of Denton cost of service.

	Balance at October 1, 2024	Increases	Amortization	Balance at September 30, 2025	Years Remaining
Regulatory Assets:					
2010 TMPA Obligation	\$ 2,088,510	\$ -	\$ 2,088,510	\$ -	0
2021 Weather Event	126,006,128	-	4,782,575	121,223,553	26
Capitalized Interest	6,500,155	4,825,949	212,936	11,113,168	4-40
Total Other Assets	<u>\$ 134,594,793</u>	<u>\$ 4,825,949</u>	<u>\$ 7,084,021</u>	<u>\$ 132,336,721</u>	

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

G. Long-term Debt

Long-term liabilities transactions for the year ended September 30, 2025, are summarized as follows below and on the following pages:

	Balance at October 1, 2024	Increases	Decreases	Balance at September 30, 2025	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 328,400,000	\$ 51,660,000	\$ 26,665,000	\$ 353,395,000	\$ 18,825,000
Certificates of obligation	193,855,000	31,345,000	15,610,000	209,590,000	16,135,000
Compensated absences payable	19,451,469	12,242,132	8,996,256	22,697,345	12,040,860
Claims and judgement payable	9,201,570	30,356,318	30,161,035	9,396,853	3,004,453
Net pension liability	78,842,512	-	17,272,358	61,570,154	-
Other post employment benefits	34,172,930	1,685,564	-	35,858,494	790,397
Leases liability	173,686	-	78,205	95,481	-
Right-to-use liability	5,277,849	4,559,376	-	9,837,225	4,086,021
Unamortized premium/(discounts)	38,270,941	5,481,031	4,802,741	38,949,231	4,425,002
Total governmental activities long-term liabilities	<u>\$ 707,645,957</u>	<u>\$ 137,329,421</u>	<u>\$ 103,585,595</u>	<u>\$ 741,389,783</u>	<u>\$ 59,306,733</u>
Business-type Activities:					
Revenue bonds	\$ 339,010,000	\$ 10,135,000	\$ 19,075,000	\$ 330,070,000	\$ 20,045,000
General obligation bonds	124,070,000	26,660,000	18,450,000	132,280,000	14,330,000
Certificates of obligation	689,255,000	201,300,000	51,190,000	839,365,000	28,670,000
Compensated absences payable	3,679,955	6,364,439	2,921,003	7,123,391	5,898,580
Net pension liability	31,964,439	-	5,639,928	26,324,511	-
Other post employment benefits	15,626,950	677,100	-	16,304,050	338,501
Notes payable	7,500,000	-	7,500,000	-	-
Right-to-use liability	4,739,302	-	1,585,662	3,153,640	2,647,909
Landfill closure/post-closure	13,145,325	1,152,911	-	14,298,236	-
Unamortized premium/(discounts)	66,772,551	14,256,333	9,207,090	71,821,794	8,528,081
Total business-type activities	<u>1,295,763,522</u>	<u>260,545,783</u>	<u>115,568,683</u>	<u>1,440,740,622</u>	<u>80,458,071</u>
Total long-term liabilities	<u>\$ 2,003,409,479</u>	<u>\$ 397,875,204</u>	<u>\$ 219,154,278</u>	<u>\$ 2,182,130,405</u>	<u>\$ 139,764,804</u>

For Internal Service funds, long-term liabilities are included as part of the above totals for governmental activities. Compensated absences payables and net pension liability balances and payments are based on the assignment of an employee within a fund. Other postemployment benefits are liquidated from the Health Insurance internal service fund with the retiree subsidy amounts paid predominantly by the General Fund. Claims payable represent an estimate of self-insured claims liability outstanding in the Health Insurance and Risk Retention internal service funds as well as one possible litigation payable in the Electric Fund. Subscription-Based IT Arrangements (SBITA) and Lease liabilities represent GASB 96 and GASB 87 entries, respectively.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

General Bonded Debt - General bonded debt at September 30, 2025, is comprised of the following:

General Obligation Bonds and Certificates of Obligation Debt	Interest Rate (%)	Issue Date	Final Maturity	Original Amount of Issue	Gross Principle Outstanding at September 30, 2025
General obligation refunding	2.0 to 3.5	2014	2034	\$ 7,165,000	\$ 2,130,000
General obligation refunding	3.0 to 5.0	2015	2035	36,110,000	6,265,000
General obligation refunding	3.0 to 5.0	2016	2036	27,635,000	14,010,000
General obligation refunding	3.0 to 5.0	2017	2037	27,825,000	11,360,000
General obligation	3.0 to 5.0	2018	2038	19,235,000	14,315,000
General obligation refunding	3.0 to 5.0	2019	2039	18,015,000	14,045,000
General obligation refunding	2.0 to 5.0	2020	2040	27,675,000	21,705,000
General obligation refunding	2.0 to 5.0	2020A	2031	1,415,000	905,000
General obligation	2.0 to 5.0	2021	2041	54,710,000	46,985,000
General obligation	4.0 to 5.0	2022	2042	57,805,000	50,565,000
General obligation	4.0 to 5.0	2023	2043	40,485,000	36,240,000
General obligation	4.0 to 5.0	2024	2044	85,380,000	83,210,000
General obligation	4.0 to 5.0	2025	2045	51,660,000	51,660,000
Total general obligation bonds				<u>\$ 455,115,000</u>	<u>\$ 353,395,000</u>
Certificates of obligation	2.0 to 5.0	2014	2034	\$ 8,635,000	\$ 355,000
Certificates of obligation	2.0 to 5.0	2015	2035	7,420,000	-
Certificates of obligation	3.0 to 5.0	2016	2036	7,190,000	2,325,000
Certificates of obligation	3.0 to 5.0	2017	2037	17,000,000	6,320,000
Certificates of obligation	3.0 to 5.0	2018	2038	9,555,000	4,270,000
Certificates of obligation	3.375 to 5.0	2018	2038	28,170,000	19,595,000
Certificates of obligation	3.0 to 5.0	2019	2039	9,390,000	3,510,000
Certificates of obligation	2.0 to 5.0	2020	2040	24,020,000	17,360,000
Certificates of obligation	2.0 to 5.0	2021	2041	24,735,000	18,670,000
Certificates of obligation	4.0 to 5.0	2022	2044	12,565,000	9,125,000
Certificates of obligation	4.0 to 5.0	2023	2044	31,160,000	27,270,000
Certificates of obligation	4.0 to 5.0	2024	2044	73,270,000	69,445,000
Certificates of obligation	4.0 to 5.0	2025	2045	31,345,000	31,345,000
Total certificates of obligation				<u>284,455,000</u>	<u>209,590,000</u>
Total general bonded debt				<u>\$ 739,570,000</u>	<u>\$ 562,985,000</u>

[These amounts do not include net unamortized premiums/ (discounts) of \$38,949,231 nor net deferred gain/ (loss) on refunding of (\$476,150).]

Proceeds of general obligation bonded debt are restricted to the uses for which they were approved in the bond elections or, in the case of a refunding issuance, to the uses for which the certificates of obligation were originally issued. The City Charter expressly prohibits the use of bond proceeds to fund operating expenses. The general obligations are collateralized by the full faith and credit of the City and, primarily, payable from property taxes.

In August 2025, the City issued \$78,320,000 (\$26,660,000 of which is included as part of business-type activities) in general obligation refunding bonds. Of this amount, \$51,660,000 was issued to pay the costs of bond election capital improvements for streets, parks, and public safety projects in the Capital Projects fund.

In August 2025, the City issued \$232,645,000 (\$201,300,000 of which is included as part of business-type activities) in certificates of obligation. The debt was issued to pay the costs of various capital improvements in the Capital Projects Fund (\$30,145,000), the Electric Fund (\$42,230,000), the Water Fund (\$75,435,000), the Wastewater Fund (\$73,075,000), the Technology Services Fund (\$1,650,000), the Solid Waste Fund (\$10,560,000), and the Fleet Fund (\$925,000).

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

In June 2025, the City issued \$10,135,000 in utility system bonds, all in the Water fund. The debt was issued to acquire, construct, and equip extensions, renovation and improvements to the waterworks system, including the renovation and expansion of the Lake Ray Roberts Treatment Plant.

On September 30, 2025, the City had no general obligation bonds or certificates of obligation considered defeased but still outstanding.

Business-type Revenue Bonds – Revenue bond debt at September 30, 2025, is comprised of the following issues:

Revenue Bonds	Interest Rate (%)	Issue Date	Final Maturity	Original Amount of Issue	Gross Principle Outstanding at September 30, 2025
Utility system	3.25 to 5.0	2017	2037	\$ 214,890,000	\$ 163,165,000
Utility system Refunding	0.27 to 2.7	2021	2051	141,990,000	131,050,000
Utility system	5.27	2024	2028	31,395,000	25,720,000
TWDB	1.99 to 3.54	2025	2050	10,135,000	10,135,000
Total revenue bonds				\$ 398,410,000	\$ 330,070,000

[These amounts do not include net unamortized premiums/ (discounts) of \$12,761,529.]

The revenue bonds are collateralized by the revenue of the Denton utility system funds (System) and the related interest and sinking fund. The ordinance provides that the revenue of the System is to be used first to pay operating and maintenance expenses of the System and second to establish and maintain the revenue bond funds. Any remaining revenues may then be used for any lawful purpose. The ordinance also contains provisions, which among other items restrict the issuance of additional revenue bonds unless certain financial ratios are met. Management believes the City is in compliance with all significant requirements. The interest and sinking fund had a net position balance of \$23,357,305 as of September 30, 2025, and is restricted for debt service. On September 30, 2025, the City had no revenue bonds considered defeased but still outstanding.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

Business-type General Obligation Bonds and Certificates of Obligation – General obligation bonds and certificates of obligation issued for electric, water, wastewater, and solid waste funds at September 30, 2025, is comprised of the following:

General Obligation Bonds and Certificates of Obligation Debt	Interest Rate (%)	Issue Date	Final Maturity	Original Amount of Issue	Gross Principle Outstanding at September 30, 2025
General obligation refunding	3.0 to 5.0	2014A	2025	\$ 27,155,000	\$ -
General obligation refunding	3.0 to 5.0	2015	2035	1,530,000	130,000
General obligation refunding	4.0 to 5.0	2015A	2026	33,945,000	325,000
General obligation refunding	3.0 to 5.0	2016	2028	1,295,000	370,000
General obligation refunding	3.0 to 5.0	2016A	2030	38,425,000	14,365,000
General obligation refunding	3.0 to 5.0	2019	2039	26,325,000	-
General obligation refunding	2.0 to 5.0	2020	2040	34,405,000	15,185,000
General obligation refunding	2.0 to 5.0	2020A	2031	12,735,000	8,120,000
General obligation refunding	4.0 to 5.0	2022	2042	13,480,000	8,315,000
General obligation refunding	4.0 to 5.0	2023	2043	32,140,000	26,560,000
General obligation refunding	4.0 to 5.0	2024	2044	32,250,000	32,250,000
General obligation refunding	4.0 to 5.0	2025	2045	26,660,000	26,660,000
Total general obligation bonds				\$ 280,345,000	\$ 132,280,000
Certificates of obligation	2.0 to 5.0	2014	2044	\$ 80,545,000	\$ 17,750,000
Certificates of obligation	2.0 to 5.0	2015	2045	85,595,000	31,900,000
Certificates of obligation	3.0 to 5.0	2016	2046	76,115,000	54,845,000
Certificates of obligation	3.0 to 5.0	2017	2047	73,800,000	53,260,000
Certificates of obligation	3.375 to 5.0	2018	2028	1,375,000	480,000
Certificates of obligation	3.0 to 5.0	2019	2049	19,365,000	15,770,000
Certificates of obligation	2.0 to 5.0	2020	2050	34,060,000	29,775,000
Certificates of obligation	2.0 to 5.0	2021	2041	72,300,000	64,295,000
Certificates of obligation	4.0 to 5.0	2022	2044	99,590,000	91,975,000
Certificates of obligation	4.0 to 5.0	2023	2044	117,980,000	112,655,000
Certificates of obligation	4.0 to 5.0	2024	2044	169,520,000	165,360,000
Certificates of obligation	4.0 to 5.0	2025	2045	201,300,000	201,300,000
Total certificates of obligation				1,031,545,000	839,365,000
Total business-type G.O./C.O. bonds				\$ 1,311,890,000	\$ 971,645,000

[These amounts do not include net unamortized premiums/ (discounts) of \$59,060,265 nor net deferred gain/ (loss) on refunding of (\$1,393,799)]

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

Schedule of Long-term Debt Maturities

Aggregate maturities of the long-term debt (principal and interest) for the years after September 30, 2025, are shown below:

Governmental Activities:

Fiscal Year	General Obligation		Certificates of Obligation		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 18,825,000	\$ 14,422,481	\$ 16,135,000	\$ 8,887,906	\$ 34,960,000	\$ 23,310,387
2027	19,310,000	13,651,031	15,575,000	8,163,044	34,885,000	21,814,075
2028	18,700,000	12,780,600	14,980,000	7,401,294	33,680,000	20,181,894
2029	18,415,000	11,909,303	13,935,000	6,683,194	32,350,000	18,592,497
2030	19,305,000	11,030,319	12,770,000	6,028,219	32,075,000	17,058,538
2031-2035	104,185,000	42,107,772	57,715,000	22,068,985	161,900,000	64,176,757
2036-2040	98,305,000	21,382,809	49,830,000	10,929,069	148,135,000	32,311,878
2041-2045	56,350,000	4,587,113	28,650,000	2,505,588	85,000,000	7,092,701
2046-2053	-	-	-	-	-	-
Total	\$ 353,395,000	\$ 131,871,428	\$ 209,590,000	\$ 72,667,299	\$ 562,985,000	\$ 204,538,727

Business-Type Activities:

Fiscal Year	General Obligation		Certificates of Obligation		Revenue		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 14,330,000	\$ 6,020,994	\$ 28,670,000	\$ 35,794,565	\$ 20,045,000	\$ 13,111,363	\$ 63,045,000	\$ 54,926,92
2027	16,680,000	5,324,000	26,940,000	34,758,556	20,915,000	12,446,156	64,535,000	52,528,71
2028	16,070,000	4,541,350	27,910,000	33,387,306	21,860,000	11,495,736	65,840,000	49,424,39
2029	15,710,000	3,780,200	28,890,000	31,967,306	22,860,000	10,489,530	67,460,000	46,237,03
2030	16,595,000	3,010,075	29,930,000	30,511,031	16,595,000	9,619,746	63,120,000	43,140,85
2031-2035	43,640,000	6,856,500	167,530,000	129,973,457	94,600,000	36,396,168	305,770,000	173,226,12
2036-2040	9,255,000	960,125	208,500,000	88,686,231	59,715,000	16,883,694	277,470,000	106,530,05
2041-2045	-	-	215,445,000	41,472,497	29,415,000	10,757,919	244,860,000	52,230,41
2046-2050	-	-	68,365,000	13,775,306	34,450,000	5,336,236	102,815,000	19,111,54
2051-2055	-	-	37,185,000	2,967,663	9,615,000	783,564	46,800,000	\$ 3,751,22
Total	\$ 132,280,000	\$ 30,493,244	\$ 839,365,000	\$ 443,293,918	\$ 330,070,000	\$ 127,320,112	\$ 1,301,715,000	\$ 601,107,27

[These amounts do not include net unamortized premiums/ (discounts) of \$110,772,919 nor net deferred gain/ (loss) on refunding of (\$1,869,949).]

Bonds Authorized and Unissued

General obligation bonds authorized but unissued as of September 30, 2025, amounted to \$213,625,000. When issued, the proceeds will be allocated to the applicable street, drainage, public safety, affordable housing, library, and parks projects.

All bonds were issued publicly through negotiated or competitive terms. There is a direct placement of \$10,135,000 through Texas Water Development Board. There is no acceleration of maturity of the bonds in the event of default, and the City has never defaulted on the payment of bonds.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

H. Landfill Closure and Post-Closure Cost

State and federal laws and regulations require the City to place a final cover on its Mayhill Road landfill site upon closure and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only upon anticipated closure, the City reports a portion of these costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. Based on an updated model created by a 2022 engineering study, total landfill closure and post-closure cost as of September 30, 2025, was \$58,239,177. The \$14,298,236 reported as landfill closure and post-closure care liability as of September 30, 2025, is a \$1,152,911 increase from the \$13,145,325 liability reported on September 30, 2024. This liability represents the cumulative amount incurred to date based on the use of 24.55% of the estimated capacity of the entire landfill at September 30, 2025. The change in estimated capacity decreased due to the remaining life increasing from updated Permit 1590B approval in August 2021.

Based on this estimate, the remaining potential estimated liability for closure and post-closure care of the entire landfill \$43,940,941. The City will recognize the remaining estimated cost of closure and post-closure care as the remaining capacity is filled. These amounts are based on what it would cost to perform closure and post-closure care in 2025. Actual cost may fluctuate due to inflation, changes in technology, or changes in regulations. The landfill has a remaining life of 31 years, and the City expects to close the landfill in fiscal year 2056.

The solid waste fund has provided for a reservation and designation of cash and investments of \$16,943,647 at September 30, 2025, and anticipates increasing the reserve in future periods as the closure and post-closure activities are carried out.

I. Leases

The City is a lessor in various non-cancelable leases of land, building, and equipment. During fiscal year 2025, the City recognized \$255,461 in lease revenue and \$50,602 in interest revenue.

As of September 30, 2025, the City's lease receivable balance of \$3,187,515 was comprised of the following:

Governmental Activities

One equipment lease with rents received totaling in \$159,652 during the fiscal year 2025, at an interest rate of .582%, with a remaining lease term of 2 years	159,652
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Four land leases with rents received totaling \$858,211 during the fiscal year 2025, at an interest rate of 1.882% with remaining lease terms of 43 years	858,211
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Business-type Activities

Various land leases with rents received totaling \$141,222 during the fiscal year 2025, at an interest rate of 1.473% to 3.053% to with remaining lease terms ranging from 10 to 45 years	2,169,652
	\$ 3,187,515

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

The lease receivables are expected to be received in subsequent years as follows:

Fiscal Year	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2026	\$ 114,464	\$ 17,556	\$ 176,181	\$ 32,558
2027	67,620	16,966	176,181	30,041
2028	34,160	16,718	176,181	27,477
2029	36,437	16,484	176,181	24,865
2030	36,644	16,220	176,181	22,203
2031-2035	106,562	79,305	859,064	69,683
2036-2040	115,800	76,473	175,603	30,610
2041-2044	506,177	262,215	254,080	19,198
	<u>\$ 1,017,864</u>	<u>\$ 501,937</u>	<u>\$ 2,169,652</u>	<u>\$ 256,635</u>

The City has various aeronautical leasing agreements for land leases (54 agreements, 5 Licenses, 72 buildings) and hangar space (27) at Denton Enterprise Airport. These qualify as regulated leases and are not included in the measurement of lease receivables, in accordance with the requirements of GASB Statement No. 87. The City recognized \$1,001,746 (Land Lease) and \$185,100 (Hangar Lease) in lease revenue during fiscal year 2025 for these leases, which have CPI increases that range from 1-5 years, dependent on the lease terms ranging from 1-30 years, with some leases having additional options that range from 5-20 years. As of October 1, 2025, the minimum payments expected to be received over the next five years is shown in the table below:

Fiscal Year	Amount
2026	\$ 1,231,598
2027	1,262,552
2028	1,344,385
2029	1,377,224
2030	1,418,541
	<u>\$ 6,407,607</u>

Additionally, on January 1, 2023, City of Denton, TX entered a 48-month lease as Lessee for the use of Employee Health Clinic. An initial lease liability was recorded in the amount of \$300,845. As of September 30, 2025, the value of the lease liability is \$95,481. The City of Denton, TX is required to make monthly fixed payments of \$6,018. The lease has an interest rate of 0.2130%. The value of the right to use asset as of September 30, 2025, of \$300,845 with accumulated amortization of \$205,364. The City has one extension option(s), each for 12 months.

J. Subscription-Based Information Technology Agreements (SBITA)

The City entered into SBITA contracts involving various desktop and server software, electronic workflows and document management software along with other departmental specific operations management systems to assist in operations. As of September 30, 2025, all SBITA have fixed, periodic, payments over the subscription periods, which range from 1 to 4 years and expire no later than fiscal year 2029. In addition, some of these agreements are cancelable with 30 or 60-day notice. There are no commitments or

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

outflows of resources related to SBITA that are not yet effective. The short-term portion, due within one year, totals \$4,086,021 for Governmental Funds and \$2,647,909 for Business-type Funds.

The future subscription payments as of September 30, 2025, are as follows:

Fiscal Year	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2026	\$ 4,086,021	\$130,644	\$ 2,647,909	\$ 46,850
2027	1,917,068	130,644	168,577	46,850
2028	1,917,068	130,644	168,577	46,850
2029	1,917,068	130,644	168,577	46,850
	<u>\$ 9,837,225</u>	<u>\$522,576</u>	<u>\$ 3,153,640</u>	<u>\$187,400</u>

V. OTHER INFORMATION

A. Pension Plans

Employee Retirement Plans

The City of Denton participates in two pension plans; Texas Municipal Retirement System (TMRS), an agent multiple-employer, traditional, joint contributory, hybrid, defined benefit pension plan; and the Denton Firemen's Relief and Retirement Fund (FRRF), a single employer, contributory, defined benefit plan. Both plans are described in detail below. Aggregate amounts for the two pension plans are as follows:

	TMRS	FRRF	Total
Pension liability	\$ 726,035,642	\$ 177,904,171	\$ 903,939,813
Pension assets	648,100,639	167,944,509	816,045,148
Net pension liability	\$ 77,935,003	\$ 9,959,662	\$ 87,894,665
Deferred outflows of resources	\$ 30,143,664	\$ 13,428,323	\$ 43,571,987
Deferred inflows of resources	9,074,675	636,846	9,711,521
Pension expense	27,338,796	3,431,009	30,769,805

Texas Municipal Retirement Plan

Plan Description

The City of Denton participates as one of 901 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of the System with a six-member, Governor-appointed board of trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available annual comprehensive financial report obtainable at www.tmr.com. All eligible employees of the city are required to participate in TMRS.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the employee's benefit is calculated based on the sum of the employee's contributions with interest, and the city-financed monetary credits with interest. Employees may choose to receive their

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

retirement benefit in one of seven payment options. Employees may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the employee's deposits and interest.

Upon retirement, the employee's retirement benefits are calculated based on the sum of the employee's contributions, with interest, and the City-financed monetary credits, with interest. City-financed monetary credits are composed of three sources: prior service credits, current service credits, and updated service credits.

- Prior service credit, granted by each city joining TMRS, is a monetary credit equal to the accumulated value of the percentage of prior service credit selected by the City, multiplied by an employee's contributions that would have been made, based on the average salary prior to TMRS participation, for the number of months the employee was employed by the City before joining TMRS, accruing 3% annual interest and including the matching ratio adopted by the City.
- Current Service Credit is a monetary credit for service performed by an employee after the City joined TMRS and is based on a percentage (200%) of the employee's total contributions and interest credits (commonly referred to as the City's matching ratio). Each participating city designates the rate the employee contributions (7% for the City) and interest is credited on contribution balances annually at a guaranteed minimum 5% rate. Any change in the matching ratio would be applied prospectively.
- Updated Service Credits (USC) is an optional monetary credit granted on an annually repeated basis by the City, and it may increase an employee's monthly retirement benefit. In calculating USC, TMRS looks at the changes in the employees' salary over their career and any changes the City has made to its TMRS plan, such as the employee contribution rate or the City's matching ratio. Although USC may increase the employee's retirement benefit, USC does not affect the amount of contributions in an employee's account or the amount an employee will receive if they refund.

The plan provisions also include an annually repeating basis cost of living adjustments for retirees equal to 70% of the change in the consumer price index. If an employee terminates employment and refunds their account, the employee will receive their total contributions, plus credited interest. The employee will not receive any of the city-financed monetary credits. An employee can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after five years.

Employees Covered by Benefit Terms

At the December 31, 2024, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	957
Inactive employees entitled to but not yet receiving benefits	975
Active employees	<u>1,520</u>
Total	3,452

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the City Council. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 18.15% and 18.94% in calendar years 2024 and 2025, respectively. The City's contributions to TMRS for the year ended September 30, 2025, were \$25,761,959 and were equal to the required contributions.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2024, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB (10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the gender-distinct 2021 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate are applied for males and females, respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014, to December 31, 2018. They were adopted in 2019 and first used in December 31, 2019, actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2024 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35%	7.1%
Core Fixed Income	6%	5.0%
Non-Core Fixed Income	6%	6.8%
Hedge Funds	5%	6.4%
Private Equity	13%	8.5%
Private Debt	13%	8.2%
Real Estate	12%	6.7%
Infrastructure	6%	6.0%
Other Private Markets	4%	7.3%
Total	100%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2023	\$ 678,975,184	\$ 583,428,852	\$ 95,546,332
Changes for the year:			
Service cost	25,133,454	-	25,133,454
Interest	45,632,055	-	45,632,055
Change of benefit terms	-	-	-
Difference between expected and actual experience	7,317,890	-	7,317,890
Changes of assumptions	-	-	-
Contributions - employer	-	25,761,959	(25,761,959)
Contributions - employee	-	9,666,319	(9,666,319)
Net investment income	-	60,664,328	(60,664,328)
Benefit payments, including refunds of employee contributions	(31,022,941)	(31,022,941)	-
Administrative expense	-	(388,785)	388,785
Other changes	-	(9,093)	9,093
Net changes	47,060,458	64,671,787	(17,611,329)
Balance at 12/31/2024	\$ 726,035,642	\$ 648,100,639	\$ 77,935,003

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percent-point lower (5.75%) or 1-percent-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Current Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 182,263,273	\$ 77,935,003	\$ (7,355,448)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Change in Fiduciary Net Position, by Participating City, separately issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2025, the City recognized pension expense of \$27,338,796. This amount is included as part of personal services expenses.

At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to TMRS pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual investment earnings	\$ -	\$ 6,852,939
Contributions subsequent to the measurement date	19,343,268	-
Differences between expected and actual economic experience	10,800,396	-
Difference in assumption changes	-	2,221,736
Total	<u>\$ 30,143,664</u>	<u>\$ 9,074,675</u>

As reported as deferred outflows of resources, \$19,343,268 is related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the City's fiscal year ending September 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense (income) as follows:

<u>For the Year Ended September 30,</u>	<u>Net Deferred Outflows/Inflows)</u>
2026	\$ 4,683,041
2027	8,712,507
2028	(7,521,397)
2029	(4,148,430)
Total	<u>\$ 1,725,721</u>

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

Denton Firemen's Relief and Retirement Plan

Plan Description

The City contributes to the retirement plan for firefighters in the Denton Fire Department known as the Denton Firemen's Relief and Retirement Fund (the Fund). The Fund is a single employer, contributory, defined benefit plan. The benefit provisions of the Fund are authorized by the Texas Local Fire Fighters' Retirement Act (TLFFRA). TLFFRA provides the authority and procedure to amend benefit provisions. The plan is administered by the Board of Trustees of the Denton Firemen's Relief and Retirement Fund. The City does not have access to nor can it utilize assets within the retirement plan trust. The Fund issues a stand-alone report pursuant to GASB Statement No. 67, which may be obtained by writing the Denton Firemen's Relief and Retirement Fund at P.O. Box 2375, Denton, Texas 76202. See that report for all information about the plan fiduciary net position.

Benefits Provided

Firefighters in the Denton Fire Department are covered by the Denton Firemen's Relief and Retirement Fund which provides service retirement, death, disability, and withdrawal benefits. These benefits are fully vested after 20 years of credited service. Firefighters may retire at age 50 with 20 years of service. A partially vested benefit is provided for firefighters who terminate employment with at least 10 but less than 20 years of service. If a terminated firefighter has a partially vested benefit, the firefighter may retire starting on the date they would have both completed 20 years of service if they had remained a Denton firefighter and attained age 50. The present plan provides a monthly normal service retirement benefit, payable in a Joint and Two-Thirds to Spouse form of annuity, equal to 2.59% of Highest 36-Month Average Salary for each year of service.

A retiring firefighter who is at least age 52 with at least 22 years of service has the option to elect the Retroactive Deferred Retirement Option Plan (RETRO DROP) which will provide a lump sum benefit and a reduced monthly benefit. The reduced monthly benefit is based on the service and Highest 36-Month Average Salary as if the firefighter had terminated employment on their selected RETRO DROP benefit calculation date, which is no earlier than the later of the date the firefighter meets the age 52 and 22 years of service requirements and the date four years prior to the date the firefighter actually retires. Upon retirement, the employee will receive, in addition to the monthly retirement benefit, a lump sum equal to the sum of (1) the amount of monthly contributions the member has made to the Fund after the RETRO DROP benefit calculation date plus (2) the total of the monthly retirement benefits the member would have received between the RETRO DROP benefit calculation date and the date retired under the plan. There are no account balances. The lump sum is calculated at the time of retirement and distributed as soon as administratively possible.

There is no provision for automatic postretirement benefit increases. The Fund has the authority to provide, and has periodically in the past provided, ad hoc post-retirement benefit increases.

Employees Covered by Benefit Terms

In the December 31, 2023, actuarial valuation, the following numbers of members were covered by the Fund:

Inactive employees or beneficiaries currently receiving benefits	96
Inactive employees entitled to but not yet receiving benefits	8
Active employees	236
Total	340

Contributions

The contribution provisions of the Fund are authorized by TLFFRA. TLFFRA provides the authority and procedure to change the amount of contributions determined as a percentage of pay by each firefighter and a percentage of payroll by the City.

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NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025**

The contribution policy of the Denton Firemen’s Relief and Retirement Fund requires contributions equal to 12.6% of pay by the firefighters, the rate elected by the firefighters according to TLFFRA. The City began contributing in December 2017 according to a new City funding policy. The ordinance defining it includes an actuarially determined contribution rate over a closed 25-year amortization period, a contribution rate of 18.5% for several years, a minimum rate standard, and City review and approval of each actuarial valuation. December 31, 2023, actuarial valuation includes the assumption that the City contribution rate will be 18.5% over the unfunded liability amortization period. The costs of administering the plan are paid from the Fund assets. The City’s contributions to the Fund for the year ended September 30, 2025, were \$6,136,743.

Ultimately, the funding policy also depends upon the total return of the Fund’s assets, which varies from year to year. Investment policy decisions are established and maintained by the board of trustees. For the calendar year ending December 31, 2024, the money-weighted rate of return on pension plan investments was 8.61%. This measurement of the investment performance is net of investment-related expenses, reflecting the effect of the timing of the contributions received and the benefits paid during the year.

While the contribution requirements are not actuarially determined, state law requires that each change in plan benefits adopted by the Fund must first be approved by an eligible actuary, certifying the contribution commitment by the firefighters and the assumed city contribution rate together provide an adequate contribution arrangement. Using the entry age actuarial cost method, the plan’s normal cost contribution rate is determined as a percentage of payroll. The excess of the total contribution rate over the normal cost contribution rate is used to amortize the plan’s unfunded actuarial accrued liability (UAAL). The number of years needed to amortize the plan’s UAAL is actuarially determined using an open, level percentage of payroll method.

Net Pension Liability

The City of Denton’s net pension liability was measured as of December 31, 2024, and the total pension liability used to calculate the net pension liability was determined based actuarial valuation as of December 31, 2023, and rolled forward to December 31, 2024.

Total pension liability	\$ 177,904,171
Plan fiduciary net position	<u>167,944,509</u>
City’s net pension liability	\$ 9,959,662
 Plan fiduciary net position as a percentage of the total pension liability	 94.4%

Actuarial Assumptions

The total pension liability in December 31, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation 2.50%
- Salary increases 3.00%, plus promotion, step and longevity increases that vary by service
- Investment Rate of Return 6.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS-2010 (public safety) total dataset mortality tables employees and for retirees (sex distinct), projected for mortality improvement generationally using the projection scale MP-2019.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

The long-term expected rate of return on pension plan investments is reviewed for each biennial actuarial valuation and was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future net real rates of return by the target asset allocation percentage (currently resulting in 4.96%) and by adding expected inflation (2.5%). In addition, the final 6.75% assumption was selected by rounding down and thereby reflects a reduction of 0.71% for adverse deviation.

The target allocation and expected arithmetic net real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Equities		
Large Cap Domestic	40.0%	6.00%
Small/Mid Cap Domestic	10.0%	6.50%
International Developed	10.0%	6.50%
Alternatives		
Master Limited Partnerships	8.0%	6.50%
Real Estate	15.0%	4.00%
Fixed Income	15.0%	1.00%
Cash	2.0%	0.00%
Total	100.0%	
Weighted Average		4.96%

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. No projection of cash flows was used to determine the discount rate because December 31, 2023, actuarial valuation showed expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in seven years. Because of the seven-year amortization period of the UAAL, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments of 6.75% was applied to all periods of projected benefit payments as the discount rate to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City of Denton, calculated using the discount rate of 6.75%, as well as what the city's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Current Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 32,931,528	\$ 9,959,662	\$ (9,155,259)

Pension Plan Fiduciary Net Position

The plan fiduciary net position reported above is the same as reported by the Fund. Detailed information about the plan fiduciary net position is available in the Fund's separately issued audited financial statements, which are reported using the economic resources measurement focus and the accrual basis of accounting in

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NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

conformity with accounting principles generally accepted in the United States of America. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Investments are reported at fair value, the price that would be recognized to sell an asset in an orderly transaction between market participants at the measurement date.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2024	\$ 167,333,614	\$ 152,072,995	\$ 15,260,619
Changes for the year:			
Service cost	6,063,143	-	6,063,143
Interest	11,469,317	-	11,469,317
Change of benefit terms	-	-	-
Difference between expected and actual experience	-	-	-
Contributions - employer	-	5,846,904	(5,846,904)
Contributions - employee	-	3,889,705	(3,889,705)
Net investment income	-	13,206,709	(13,206,709)
Benefit payments, including refunds of employee contributions	(6,961,903)	(6,961,903)	-
Administrative expense	-	(109,901)	109,901
Net changes	10,570,557	15,871,514	(5,300,957)
Balance at 12/31/2025	<u>\$ 177,904,171</u>	<u>\$ 167,944,509</u>	<u>\$ 9,959,662</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2025, the City recognized a pension expense of \$3,431,009. Amounts recognized in the fiscal year represent changes between the current and prior year measurement dates. On September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to the Fund from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual investment earnings	\$ -	\$ 636,846
Contributions subsequent to the measurement date	4,478,547	-
Differences between expected and actual economic experience	7,682,485	-
Difference in assumption changes	1,267,291	-
Total	<u>\$ 13,428,323</u>	<u>\$ 636,846</u>

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$4,478,547 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2025, and the City's fiscal year ending September 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense (income) as follows:

For the Year Ended September 30,	Net Deferred Outflows/(Inflows)
2026	\$ 1,065,863
2027	3,645,280
2028	295,193
2029	734,679
2030	1,048,277
Thereafter	1,523,638
Total	\$ 8,312,930

B. Post-employment Benefits Other than Pensions (OPEB)

The City of Denton provides for two post-employment benefit (OPEB) plans; one provides for post-employment medical care through a single-employer defined benefit medical plan (Medical OPEB), and the other is the Texas Municipal Retirement System Supplemental Death Benefits Fund (TMRS SDBF), a single-employer defined benefit OPEB plan. Both plans are described in detail below.

Aggregate amounts for the two OPEB plans are as follows:

	Medical OPEB	TMRS SDBF	Total
OPEB liability	\$ 46,919,770	\$ 4,113,881	\$ 51,033,651
OPEB assets	-	-	-
Total OPEB liability	\$ 46,919,770	\$ 4,113,881	\$ 51,033,651
Deferred outflows of resources	\$ 6,270,276	\$ 648,252	\$ 6,918,528
Deferred inflows of resources	(11,008,086)	(1,202,444)	(12,210,530)
OPEB expense	3,717,424	183,507	3,900,931

Medical Benefits

Plan Description

The City of Denton provides post-employment medical care (OPEB) for retired employees through a single employer defined benefit medical plan. The plan provides medical benefits for eligible retirees, their spouses, and dependents through the City's group health insurance plans, which covers both active and retired members. The benefits, benefit levels, and contribution rates are recommended annually by the City management as part of the budget process. Any changes in rate subsidies for retirees are approved by the City Council. Since an irrevocable trust has not been established, the plan is not accounted for as a trust fund. The plan does not issue a separate financial report.

Benefits Provided

The City provides post-employment medical, dental, and vision care benefits to its retirees. To be eligible for benefits, an employee must qualify for retirement under the Texas Municipal Retirement System or the Denton Firemen's Relief and Retirement Plan. Retirees must make a one-time irrevocable decision to choose

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

benefits at the time of retirement, after that their eligibility for the benefits ceases. However, retirees can move between plans and can add and drop dependents based on qualifying events.

All medical care benefits are provided through the City’s self-insured health plan. The benefit levels are the same as those afforded to active employees.

Employees Covered by the Benefit Terms

In the December 31, 2024, actuarial valuation, the following number of employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	247
Active employees	<u>1,689</u>
Total	1,936

Funding Policy

The plan premium rates are recommended annually by City management and approved by the City Council as part of the annual budget. The retiree’s contribution is the full amount of the actuarially determined blended premium rate less a subsidy dependent upon years of service at retirement. By providing retirees with access to the City’s healthcare plans based on the same rates it charges to active employees, the City is in effect providing a subsidy to retirees. This implied subsidy exists because, on average, retiree health care costs are higher than active employee healthcare costs. By not contributing anything toward this plan in advance, the City employs a pay-as-you-go method through paying the higher rate for active employees each year. The City contributes \$40 per month for each five-year increment of service, up to \$200 per month, toward the cost of retiree coverage. The full cost for dental and vision is paid by the retiree. Retirees are required to enroll in Medicare Part B once eligible (age 65) and are moved into a fully insured Medicare Supplement plan at that time. The same City contribution level applies to the supplement.

Medical OPEB Liability

The City’s medical OPEB liability of \$46,919,770 was measured as of December 31, 2024, the same date as the actuarial valuation.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

Actuarial Methods and Assumptions

The medical OPEB liability in the December 31, 2024, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement date, unless otherwise specified.

Significant method and assumptions used for this fiscal year valuation were as follows:

Actuarial Assumptions

Valuation date	December 31, 2023
Actuarial cost method	Individual Entry-Age Normal Method
	4.05% as of December 31, 2022
Discount Rate	3.77% as of December 31, 2023
	4.08% as of December 31, 2024
Inflation rate	2.50% per annum
Projected salary increases	3.60% to 11.85% for TMRS, including inflation 3.00% to 9.18% for Fire, including inflation
Healthcare trend rates	Initial rate of 7.20% declining to an ultimate rate of 4.25% after 15 years
Mortality	<p>TMRS: For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP-2021 table to account for future mortality improvements.</p> <p>Firefighters: The gender-distinct PubS-2010 (safety employees) total data set mortality are used. The rates are projected on a fully generational basis using the projection scale MP-2019.</p>
Participation Rates	65% for employees retiring at age 65 or older; 45% for employees retiring between the ages of 50 and 64; 5% for employees retiring between the ages of 45 and 49; 0% for employees retiring before the age of 45.

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NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

Changes in the Medical OPEB Liability

	<u>Total Medical OPEB Liability</u>
Balance at 12/31/2023	\$ 45,653,463
Changes for the year:	
Service cost	2,882,929
Interest	1,740,446
Difference between expected and actual experience	(105,456)
Changes of assumptions	(1,393,130)
Benefit payments	<u>(1,858,482)</u>
Net changes	<u>1,266,307</u>
Balance at 12/31/2024	<u>\$ 46,919,770</u>

Total OPEB liability as a percentage of covered payroll was 26.86%.

Sensitivity of the Medical OPEB Liability to Changes in the Discount Rate

The following schedule shows the impact of the medical OPEB liability if the discount rate used was 1% less than (3.08%) and 1% greater than (4.08%) the discount rate that was used (5.08%) in measuring the medical OPEB liability:

	1% Decrease <u>(3.08%)</u>	Current Discount Rate <u>(4.08%)</u>	1% Increase <u>(5.08%)</u>
Total medical OPEB liability	\$ 51,619,415	\$ 46,919,770	\$ 42,780,452

Sensitivity of the Medical OPEB Liability to Changes in the Healthcare Cost Trend Rate Assumption

The following schedule shows the impact of the medical OPEB liability if the healthcare trend cost rate used was 1% less or 1% more than the healthcare cost trend rate that was used in measuring the medical OPEB liability:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Total medical OPEB liability	<u>\$ 42,999,140</u>	<u>\$ 46,919,770</u>	<u>\$ 51,543,954</u>

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

Medical OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Medical OPEB

For the year ended September 30, 2025, the City recognized medical OPEB expense of \$3,717,424. At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to medical OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 143,622	\$ 2,032,442
Changes in actuarial assumptions	4,606,710	8,975,644
Contributions subsequent to the measurement date	<u>1,519,944</u>	<u>-</u>
Totals	<u>\$ 6,270,276</u>	<u>\$ 11,008,086</u>

Deferred outflows of resources related to OPEB contributions subsequent to the measurement date (\$1,519,944) will be recognized as a reduction of the medical OPEB liability for the City's fiscal year ending September 30, 2026. Other amounts reported as deferred outflows of resources related to the medical OPEB will be recognized in OPEB expense as follows:

<u>Year Ending September 30,</u>	<u>Net Deferred Outflows/(Inflows)</u>
2026	\$ (913,744)
2027	(1,291,494)
2028	(925,126)
2029	(977,147)
2030	(1,319,674)
Thereafter	<u>(992,569)</u>
Total	<u>\$ (6,257,754)</u>

TMRS Supplemental Death Benefit Fund

Plan Description

The City of Denton voluntarily participates in the Texas Municipal Retirement System Supplemental Death Benefits Fund (TMRS SDBF). The SDBF is a defined benefit group-term life insurance Other Postemployment Benefit (OPEB) plan as defined by GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. It is established and administered in accordance with the TMRS Act identically to the City's pension plan.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

Benefits Provided

The SDBF provides group-term life insurance to City employees who are active members in TMRS, including or not including retirees. The City Council opted into this system via an ordinance, and may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1st of any year to be effective the following January 1st.

Payments from this fund are similar to group-term life insurance benefits and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an "other postemployment benefit" (OPEB) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan.

Employees Covered by the Benefit Terms

In the December 31, 2024 actuarial valuation, the following number of employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	732
Inactive employees entitled to but not yet receiving benefits	267
Active employees	<u>1,520</u>
Total	2,519

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. For FY 2024 and FY 2025 the contribution was 0.28% and 0.23% respectively, of which 0.10% represented the retiree-only portion for each year, as a percentage of annual covered payroll. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to ensure that adequate resources are available to meet all the death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. The City's contribution to the SDBF for two years ended September 30, 2025, and 2024 were \$399,190 and \$377,550 respectively, representing contributions for both active and retiree coverage, which equaled the required contribution each year.

Actuarial Methods and Assumptions

The SDBF OPEB liability in the December 31, 2024, actuarial valuation was determined using the following actuarial assumptions:

	<u>12/31/2024</u>
Inflation rate	2.50% per annum
Discount rate	4.08%
Actuarial cost method	Entry Age Normal Method
Projected salary increases	3.60% to 11.85% including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the following:

Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates are projected on a fully generational basis by scale

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
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MP-2021 (with immediate convergence) to account for future mortality improvements. For disabled annuitants, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used with a 4-year set forward for males and a 3-year set forward for females. In addition, a 3.5% and 3% minimum mortality rate is applied to reflect the impairment for younger members who became disabled for males and females, respectively. The rates are projected on a fully generational basis by scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor. Administrative expenses for the SDBF are paid through the TMRS Pension Trust Fund and are wholly accounted for under the provisions of GASB Statement No. 68.

The actuarial assumptions used in the December 31, 2024, valuation were based on the results of an actuarial experience study for the period ending December 31, 2022.

Discount Rate

The SDBF program is treated as an unfunded OPEB plan because the SDBF trust covers both actives and retirees, and the assets are not segregated for these groups. As such, a single discount rate of 3.08% was used to measure the SDBF OPEB Liability. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-year Municipal GO AA Index” as of December 31, 2024.

Sensitivity of the SDBF OPEB Liability to Changes in the Discount Rate

The following schedule shows the impact of the SDBF OPEB liability if the discount rate used was 1% less than (4.08%) and 1% greater than (4.08%) the discount rate that was used (5.08%) in measuring the medical OPEB liability:

	1% Decrease (3.08%)	Current Discount Rate (4.08%)	1% Increase (5.08%)
Total SDBF OPEB liability	\$ 4,917,775	\$ 4,113,881	\$ 3,487,733

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources Related to OPEBs

On September 30, 2025, the City reported a liability of \$4,113,881 for its Total SDBF OPEB liability. The total SDBF liability was determined by an actuarial valuation as of December 31, 2024. For the year ended September 30, 2025, the City recognized SDBF OPEB expense of \$183,507. There were no changes of benefit terms that affected measurement of the Total SDBF Liability during the measurement period.

Changes in the SDBF OPEB Liability

	<u>Total SDBF OPEB Liability</u>
Balance at 12/31/2023	\$ 4,146,417
Changes for the year:	
Service cost	179,426
Interest	157,100
Difference between expected and actual experience	(3,170)
Changes of assumptions	(227,872)
Benefit payments	(138,020)
Net changes	<u>(32,536)</u>
Balance at 12/31/2024	<u>\$ 4,113,881</u>

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Total OPEB liability as a percentage of covered payroll was 2.98%.

At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to other SDBF post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 42,184	\$ 58,959
Changes in actuarial assumptions	315,634	1,143,485
Contributions subsequent to the measurement date	290,434	-
Totals	<u>\$ 648,252</u>	<u>\$ 1,202,444</u>

Other amounts reported as deferred outflows of resources related to SDBF OPEB will be recognized in OPEB expense as follows:

Year Ending September 30	Net Deferred Outflows/(Inflows)
2026	\$ (215,156)
2027	(322,718)
2028	(268,453)
2029	(15,787)
2030	(22,512)
Total	<u>\$ (844,626)</u>

C. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. For the calendar years 2024 and 2025 the plan, available to all permanent City employees, permitted them to defer, until future years, up to \$23,000 and \$23,500 respectively. Employees who are age 50 or older may contribute an additional amount of \$7,500, the total not to exceed \$31,000 in 2025. Employees who are within three years of retirement eligibility may elect to participate in a catch-up provision allowed by Section 457, which has an annual maximum contribution amount of \$46,000 in 2024 and \$47,000 in 2025. The withdrawal of deferred compensation funds is only available to employees by loan, termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are, until paid or made available to the employee or other beneficiary, solely the property and rights of the employees. Accordingly, the assets and associated liability of the plan are not included in the City's financial statements.

It is the opinion of the City's legal counsel that the City has no liability for losses under the plan.

D. Self-insurance Plan

The City has established a self-insurance plan for liability and workers' compensation claims in the Risk Retention Fund. Accrued claims payable include provisions for claims reported and claims incurred but not reported. The provision for reported claims is determined by estimating the amount which will ultimately be

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
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paid to each claimant. The provision for claims incurred but not yet reported is estimated based on actuarial studies.

It is the policy of the City of Denton not to purchase commercial insurance for workers' compensation claims. Commercial liability insurance coverage is purchased for general liability, aviation ground operations liability, auto liability and physical damage, public officials' liability, professional liability for EMT operations, employment practices liability, law enforcement professional liability, cyber, and commercial crime (employee theft and dishonesty).

Additionally, excess insurance is purchased for general liability, flood (for specific properties), and workers' compensation exposures. The City reports liabilities when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated to meet the deductible for the policy. Liabilities include an amount for claims that have been incurred but not reported. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount.

In January 2008, the City started a self-insured group employee health insurance plan. Claims are paid from the Health Insurance Fund, which has an annually negotiated stop loss provision.

The City's costs associated with the self-insurance plans are interfund transactions. Accordingly, they are treated as operating revenues of the Internal Service Risk Retention Fund and Health Insurance Fund and operating expenditures (expenses) of the other funds and employee payroll deductions.

Claims liabilities are re-evaluated periodically to take into consideration the settlement of claims, new claims, and other factors. As of September 30, 2025, the estimated value of these liabilities was \$9,396,852.

Changes in balances of claims liabilities during fiscal years 2024 and 2025 were as shown as follows:

	Claims Liability Beginning of Fiscal Year	Claims and Change in Estimates	Claim Payments	Claims Liability End of Fiscal Year
Worker's Compensation				
2025	\$3,588,606	\$1,682,200	\$1,082,761	\$4,188,045
2024	\$3,052,113	\$1,656,528	\$1,120,035	\$3,588,606
General Liability				
2025	\$2,265,977	\$ 868,734	\$ 109,011	\$3,025,700
2024	\$1,802,160	\$ 842,957	\$ 379,140	\$2,265,977
Health Insurance				
2025	\$3,346,987	\$27,805,384	\$28,969,263	\$2,183,108
2024	\$3,951,994	\$27,455,602	\$28,060,609	\$3,346,987

On September 30, 2025, the City of Denton had a negative unrestricted net position of \$5,728,618 in the Risk Retention Fund and an additional positive net position of \$791,056 in the Health Insurance Fund for payment of claims, both in addition to the liability balances recorded. There were no significant reductions in insurance coverage from coverage in the prior year, and the amount of settlements did not exceed insurance coverage in the current year or in any of the past three fiscal years.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

E. Commitments and Contingencies

Agreement with TMPA

In 1976, the City, along with the cities of Bryan, Greenville, and Garland, Texas (the Cities) entered into a Power Sales Contract with the Texas Municipal Power Agency (TMPA). TMPA was created through concurrent ordinances of the Cities and is governed by a Board of Directors consisting of eight members, two appointed by the governing body of each city. Under the terms of the agreement, TMPA agreed to construct or acquire electric generating plants to supply energy and power to the Cities for a period of not less than 35 years. The Cities in turn agreed to purchase all future power and energy requirements in excess of the amounts generated by their systems from TMPA at prices intended to cover operating costs and retirement of debt. In the event that revenues were insufficient to cover all costs and retire the outstanding debt, each of the cities guaranteed a portion of the unpaid debt based, generally, upon the pro rata share.

TMPA, a municipal corporation, is governed by a Board of Directors consisting of eight members. The governing body of each of the four Cities appoints two members to the Board. An affirmative vote of five Directors, plus a weighted majority vote based on the respective energy usage of the Cities, is required for major decisions.

The City pays TMPA a pro-rated monthly charge based on the City's contractual portion of TMPA's annual fixed operating costs and debt service payments, which is currently 21.3%. As of September 30, 2025, total TMPA long-term debt outstanding was approximately \$226,534,000, all of which was transmission debt and has no effect on the term of the contract. All outstanding generation debt was paid off on September 1, 2018.

Effective September 1, 2016, TMPA and the Member Cities entered into a Joint Operating Agreement (JOA). In general, the purposes of the JOA include: (i) funding TMPA operations such as mine reclamation, transmission service, and plant decommissioning following expiration of the Power Sales Contract (PSC); (ii) subject to certain exceptions, requiring Member City approval for the issuance of new debt, the execution of certain significant contracts, and the sale of property exceeding \$10 million in value; (iii) specifying provisions for determining how costs of TMPA and proceeds from the sale of assets are to be allocated among the Member Cities; (iv) providing for the establishment by TMPA of reserve funds for the decommissioning of the plant and the indemnification of TMPA Board Members and Member City officials, employees, contractors, and agents; and (v) dividing the operations of TMPA into three business functions (mine, generation, and transmission) and requiring separate budgets and books for each business function.

The PSC provides upon dissolution of TMPA, the assets of TMPA automatically being transferred to the Member Cities, with each Member City receiving an undivided interest in the assets of TMPA in proportion to the amount paid by the Member City to TMPA. The JOA requires TMPA to periodically make this calculation for each business unit and sets out formulas for making these calculations. Under the JOA, these ownership calculations are relevant not only to the allocation of assets upon dissolution of TMPA, but also to the allocation of certain proceeds from the sale of assets, and in some cases, the allocation of TMPA costs.

At the request of a majority of Member Cities, TMPA is required by the JOA to transfer a divided interest in the transmission system to each Member City. Under this partition process, the objective is for each City to receive ownership of transmission facilities in the vicinity of the Member City, and in proportion to the Member City's ownership interest in the transmission business. Any such transfer of transmission assets must be in compliance with relevant bond covenants, including those requiring defeasance of all or a portion of transmission debt.

The JOA included a reclamation plan for the mine, required the development of a decommissioning plan, and set out standards for environmental remediation. TMPA is required to comply with these plans and standards.

Under the JOA, in discharging its contractual obligations, including mine reclamation, decommissioning, transmission service, environmental remediation, indemnification, and other obligations, TMPA is rendering services to the Member Cities. The JOA obligates each Member City to pay the cost of these services, and to collect rates and charges for electric service sufficient to enable it to pay to TMPA all amounts due under the

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

JOA for these services. The City's payment obligations under the JOA are payable exclusively from such electric utility revenues and constitute an operating expense of the electric system.

Unless terminated earlier through the mutual consent of all parties, the JOA remains in effect until the dissolution of TMPA and the winding up of its affairs.

Effective September 1, 2016, the JOA was amended (Amendment No. 1). The primary purposes of the amendment were to authorize the sale of Gibbons Creek and the sale of the Southern 345 kV Transmission System and to authorize the issuance of refunding bonds in connection with such sales. As the sale contemplated by Amendment No. 1 did not occur, by its own terms, Amendment No. 1 ceased to have any force or effect. Effective September 22, 2017, the JOA was amended a second time (Amendment No. 2). The purposes of this amendment are to: continue TMPA's authority to issue mine reclamation bonds as had been contemplated in Amendment No. 1; revise the dates on which the separate budgets of the JOA become effective; authorize TMPA to sell certain mining and transmission assets, provided the sales do not exceed in value certain financial thresholds, and provided the sales comply with bond covenants; and allow for an extension to the term of the PSC, applicable only to the cities notifying TMPA of the extension, in order to complete a period of seasonal operation in 2018, or such other period of time as desired by the notifying cities. Pursuant to this provision, the City extended the PSC from September 1, 2018, to September 30, 2018, in order to complete the period of 2018 seasonal operation. As of September 30, 2018, the PSC had expired for all member cities.

On September 17, 2019, the JOA was amended (Amendment No. 3). The amendment defined portions specific to the generation business that had been tied to the expired PSC and clarified all board members may vote on matters involving decommissioning and the sale of the plant. It exempted financial commitments related to bonding from the requirement to obtain approval of all Member Cities relating to certain budget increases. This is to address concerns by the Attorney General of Texas that a potential situation could arise where a Member City could interfere with TMPA's existing bond deposit requirement obligations ("bond reserve equivalent") should that obligation require a 20% increase over the previous year's budget. The amendment also allows for the sale of mine tracts only after the completion of mine reclamation. This would permit the sale of a mine tract subject to bonding provided that the conveyance reserves easements, leases, or other property rights are reserved to enable TMPA to complete reclamation.

On June 28, 2021, the JOA was amended (Amendment No. 4). This amendment modified the agreement to make it unambiguous that in the event that all mining assets are sold, all Member Cities shall remain responsible for the costs of closing the mining operation according to each's percentage share and that these are included: "all obligations are discharged with respect to mine reclamation bonds, surety bonds, banking agreements, letters of credit, and other financial commitments related to providing financial security or assurance for TMPA's mine reclamation responsibilities." Additionally, it modified the agreement by removing the cap on sales of the mining assets and allowed for the sale of the mine as a whole.

Effective September 26, 2017, Gibbons Creek transitioned into a seasonal operations mode, operating during the summer months only (May-September). Due to the significant decline in service utility of the generation assets, such assets were deemed largely impaired as of September 30, 2017. On June 1, 2019, the TMPA Board of Directors voted to permanently retire the generation facility. The City also wholly impaired its TMPA prepaid purchase power due to the retirement which was fully amortized as of March 31, 2025. See note IV.F. for more information.

In 2019, TMPA issued a request for proposal involving only the sale of generation assets. Proposals were received in August 2019, and TMPA entered negotiations with one of the proposers. On December 10, 2020, the TMPA Board of Directors approved a fully negotiated Asset Purchase Agreement (APA) with Gibbons Creek Environmental Redevelopment Group LLC (GCERG). As required by the TMPA Joint Operating Agreement, each TMPA member city was required to approve the APA. On January 26, 2021, the City Council approved of the APA with GCERG. On February 10, 2021, TMPA and GCERG closed on the sale of the Gibbons Creek Steam Generation Plant and property. Through the sale, GCERG acquired 6,200 acres including the plant, CCR (coal combustion residuals) units, and reservoir. GCERG must decommission the

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

plant and remediate all CCR units to TCEQ/EPA standards. GCERG provides independent financial security to TMPA for remediation/decommissioning and post closure activities and certain land use limits imposed on CCR containing parcels. The City's Electric fund had a liability recorded for TMPA's decommissioning obligation of \$21,167,124 as of September 30, 2020. As part of the sale of Gibbons Creek, the City paid \$6,037,368 of this liability in February 2021. The remaining liability of \$15,129,756 was recognized as a gain in other non-operating revenues. This sale to GCERG only includes the generation assets and TMPA retained the approximate 11,000 acres associated with the mine land and all transmission assets.

On July 15, 2021, the TMPA Board of Directors authorized the Gibbons Creek Lignite Mine with approximately 11,000 acres to be sold. The sale finalized in December 2021. The City received its portion of the sale in the amount of \$15,174,089 which was recorded as revenues in the Electric fund for the fiscal year ending September 30, 2022. Following the closing, TMPA will continue to conduct mine reclamation activities pursuant to a reclamation easement that will remain in effect until all bonded areas are released from bond.

Selected financial statement information of TMPA is as follows:

	September 30	
	(Unaudited)	
	2025	2024
	(000s)	(000s)
Operating revenues	\$ 36,392	\$ 36,891
Operating expenses	13,821	15,728
Operating income	22,571	21,163
Other non-operating sources (uses)	1,437	6,664
Current unrestricted assets	22,509	22,509
Total assets and deferred outflows	244,355	225,091
Long-term debt – Noncurrent	218,584	199,737
Total liabilities and deferred inflows	259,124	238,243
Total net position	(14,769)	(13,152)

Financial statements for TMPA are available from the TMPA website www.texasmpa.org.

Power Purchase Agreements

Following is a list of power purchase agreements in effect as of the publication date of these financial statements. The information provided is all that is allowed under the confidentiality provision(s) of the agreements.

Santa Rita Wind - In 2016, the city entered into a 20-year power purchase agreement with Santa Rita Wind, LLC, a subsidiary of Invenergy, LLC. The agreement has been transferred to BHER Santa Rita Investment, LLC, a subsidiary of Berkshire Hathaway Energy Company. Under the agreement, which is scheduled to end April 2038, the city will purchase 150 MW of wind generation and environmental attributes. Commercial operation date was April 1, 2018.

Bluebell Solar Energy - In 2015, the city entered into a 20-year power purchase agreement with Bluebell Solar Energy, LLC, a subsidiary of NextEra Energy, Inc. Under the agreement, which is scheduled to end November 2038, the city will purchase 30 MW of solar energy and environmental attributes. Commercial operation date was November 1, 2018.

Engie Long Draw Solar - In 2018, the city entered into a 15-year power purchase agreement with Engie Long Draw Solar, LLC, a subsidiary of Engie, LLC. Under the agreement, which is scheduled to end June 2035, the city will purchase 75 MW of solar generation and environmental attributes. Commercial operation date was December 29, 2020.

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Bluebell Solar II Energy - In 2018, the city entered into a 15-year power purchase agreement with Bluebell Solar II Energy, LLC, a subsidiary of NextEra Energy, Inc. Under the agreement, which is scheduled to end December 2035, the City will purchase 100 MW of solar generation and environmental attributes. Commercial operation date was December 28, 2020.

Yellow Viking Solar – In 2024, the city entered into a 15-year power purchase agreement with Yellow Viking Development One, LLC, a subsidiary of Osaka Gas USA Corporation. The agreement has been transferred to Lydian Energy. Under the agreement, which is scheduled to end in July 2042, the city will purchase 100 MW of solar generation and environmental attributes. The expected commercial operation date is on or before July 13, 2027.

Blue Summit I Wind - In 2025, the city entered into a 15-year power purchase agreement with Blue Summit I Wind, LLC, a subsidiary of NextEra Energy, Inc. Under the agreement, which is scheduled to end in December 2040, the City will purchase 140 MW of wind generation and environmental attributes. Commercial operation date was November 1, 2025.

Tidwell Prairie IIA - In 2025, the city entered into a 10-year tolling agreement with Tidwell Prairie IIA, LLC, a subsidiary of Jupiter Power, LLC. Under the agreement, which is scheduled to end June 2036, the City will purchase energy storage services from a 100 MW 2-hour battery generator. The expected commercial operation date is on or before June 1, 2026.

Encumbrances

As discussed in note I.D., Budgetary information, encumbrances are utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the total amount encumbered in governmental funds expected to be honored upon performance by the vendor in the next year were as follows:

General Fund	\$ 8,307,642
Capital Projects Fund	\$ 17,402,788
ARPA Fund	\$ 1,304,486
Nonmajor Governmental Funds	<u>\$ 44,445,040</u>
Total	<u>\$ 71,459,956</u>

F. Tax Abatements

The City enters into economic development incentive agreements with entities to promote development and redevelopment within the City, stimulate commercial activity, generate additional sales tax, and enhance the property tax base and economic vitality of the City. Some agreements provide for an abatement of property taxes, while others provide for a rebate of a portion of sales and use tax or a portion of ad valorem (property) tax, as established per the agreements. The incentives are performance-based, and the City generally expects to receive increased revenue because of the agreements. These incentive agreements require approval by a City Council ordinance and are authorized under Chapter 312 (Property Redevelopment and Tax Abatement Act) of the Texas Tax Code and Chapter 380 of the Texas Local Government Code.

Property Tax Abatements

Tax abatements under Chapter 312 of the Texas Tax Code allow the City to designate tax reinvestment zones and negotiate tax abatement agreements with applicants. In 1990, the City Council adopted a resolution setting guidelines and criteria for granting abatements in the reinvestment zones which specifically notes incentives are limited to companies which create new wealth and do not adversely affect existing businesses operating within the City. The City is required to renew/adopt a Tax Abatement Policy every two years in accordance with Chapter 312 of the Texas Tax Code. The last policy was adopted in May of 2024. The abatement agreements authorize the appraisal districts to reduce the assessed value of the taxpayer's property by a percentage specified in the agreement, and the taxpayer will pay taxes on the lower assessed value during the

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term of the agreement. For the fiscal year ending September 30, 2025, the City abated property taxes totaling \$204,605 under this program, as detailed in the following agreements:

- Peterbilt – In 2016, a 70% tax abatement agreement for a term of eight years was granted to Peterbilt Motors on new capital investments, including the construction of a new stand-alone 102,000 square foot building. In the event of a failure to meet the conditions of the agreement, an increased assessed value of real property of at least \$18.5 million, the agreement provides for a full refund of all abatements previously granted plus interest. Peterbilt met the \$18,500,000 required threshold for tax year 2024. The abatement amounted to \$153,747. This is the final year of the abatement.
- West Gate Business Park (WGBP) – In 2016, a 60% tax abatement agreement for a term of ten years was granted to WGBP on new capital investments only to include Buildings 2 and 3 in the business park. WGBP could receive an additional 10% abatement for the location of a supplier to an existing primary industry and/or an additional 5% for the location of a national headquarters for a total abatement of up to 75%. In the event of a failure to meet the conditions of the agreement, an increased assessed value of real property of at least \$3 million, the agreement provides for a full refund of all abatements previously granted plus interest. The abatement amount for the current fiscal year was \$50,858.

The City has an additional abatement agreement not listed above for Tyson Sales and Distribution. The grantee has contracted their expansions in the current economic climate and did not meet the timely completion requirements in the Agreement for the construction of the facility. The Agreement was terminated.

Chapter 380 Agreements

The City Council has the authority under Chapter 380 of the Texas Local Government Code to grant or loan City funds to accomplish specific economic development goals. These incentives are considered on a case-by-case basis. The City has Strategic Growth Areas organized by the North American Industry Classification System (NAICS) codes and internal target industry sectors for recruitment that will be given priority consideration. Consideration may also be given for projects causing infill redevelopment or other desirable development objectives and/or any other activity which the City Council determines meets a specific public purpose for economic development.

Thirteen agreements are based on the contribution in sales, property (including TIRZ), and/or hotel tax. For the fiscal year ending September 30, 2025, the City rebated sales taxes totaling \$4,023,146, property taxes totaling \$772,271 (\$219,614 of which was paid out of the Westpark TIRZ No. Two), and hotel occupancy taxes totaling \$773,921.

Two active agreements are based on Job-based and Expansion/Relocation/Headquarter grants. For the fiscal year that ended September 30, 2025, the City provided cash grant reimbursements for Job-based grants for Expansion/relocation Grants in the amount of \$54,711 this fiscal year as detailed in the following agreements:

- Unicorn Lake – In 2004, an agreement was approved for Unicorn Lake, an urban-style mixed-use development. The grantee receives one-third of the City sales tax, or 0.5%, generated by the project for a maximum of fifteen years as reimbursement for public improvement costs related to the project not to exceed \$6,664,901 plus accrued interest. The tax rebates initiated in 2010 and terminated in 2025. The tax rebate amount for the current fiscal year was \$12,638. This is the final payment under the agreement.
- Rayzor Ranch – In 2007, an agreement was approved for the Rayzor Ranch mixed-use development. The 410-acre project will have over one million square feet of retail and will be built in two phases. The agreement provides a sales tax reimbursement of one half of the City sales tax, or 0.75%, generated by the project for public improvement costs, which includes the widening of a state highway bisecting the project. The grantee will receive a maximum of \$20 million over a 15-year term for phase

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one and a maximum of \$48 million over a term of 20 years for phase two. An additional 15% of the City sales tax, or 0.225%, was added to both phases to offset the hotel and convention center costs until \$5 million is reached. In the current fiscal year, the tax rebate amount for phase one was \$1,989,950, and the tax rebate amount for phase two was \$1,553,616.

- Golden Triangle Mall – In 2011, an agreement was approved for a major renovation of the Golden Triangle Mall. A threshold of a minimum \$45 to \$65 million was required as an investment into the property to receive a one-half share of the sales tax resulting from the renovations, less a monthly mall baseline amount established at \$95,898. The total grant payments may not exceed 15.83% of the required investment. GTM Development has invested \$49.5 million in the development. Tenant investments in the property amounted to \$8.8 million, for a total investment of \$58.3 million. Based on this total investment the total grant payment should not exceed \$9.2 million. The tax rebates initiated in 2016 and will terminate in 2035. The tax rebate amount for the current fiscal year was \$19,648.
- West Gate Business Park (WGBP) – In 2015, an agreement was approved for West Gate Business Park (WGBP) for industrial development and provided for a 70% rebate of increased City property tax revenue generated for a period of ten years. WGBP includes three multi-tenant buildings totaling 413,000 square feet of new industrial/manufacturing space in the City. In 2016 the agreement was amended to include a 70% rebate on Building 1 improvements and to add a one-time grant payment in the amount of \$50,000. The tax rebate amount for the current fiscal year was \$58,354.
- WinCo Foods – In 2015, an agreement was approved for WinCo Foods for a \$135 million, 800,000 square foot distribution facility expected to create 165 jobs with an annual payroll of around \$7.2 million. In the event of a failure to meet the conditions of the agreement, the agreement provides for a 20-50% refund of all rebates previously granted, depending on the timing of a failure. WinCo received reimbursement for infrastructure financing from Water and Wastewater funds and a local sale and use tax grant for the construction and equipping of the facility in prior fiscal years, completing those portions of the agreement. The active portion of the agreement provides for the following:
 - A grant equal to 100% of the incremental property tax generated by the property and paid into the Tax Increment Fund by both the City and the County, paid annually until the full reimbursement of the project costs for public improvements is reached. The tax rebate amount out of the Westpark TIRZ No. Two for the current fiscal year was \$219,614 with \$166,259 being the City portion of the tax rebate and \$53,355 being the County portion of the tax rebate.
 - A grant equal to 60% of City property taxes attributable to improvements resulting in an increase of assessed value of real property improvements and tangible personal property, paid annually until full reimbursement of the project costs for public improvements is reached. Once this full reimbursement is reached, the 60% property tax rebate will continue for a period of four years as long as the increase in investment in improvements is \$50 million excluding purchase price of the property. The tax rebate amount for the current fiscal year was \$245,982.
- O'Reilly Hotel Partners Denton – In 2015, an agreement was approved for O'Reilly Hotel Partners Denton for a convention center with a hotel and restaurant located in the Rayzor Ranch Town Center. The agreement includes a 100% rebate of the property tax (excluding land, inventory, vehicles, and supplies), hotel occupancy tax, and sales tax generated by the project. The term is for a maximum of 25 years or a combined principal (\$28 million) and interest (\$26 million) amount of \$54 million is reached, whichever comes first. The agreement also includes 100% rebate of the construction sales

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tax up to \$850,000, then 50% thereafter. The construction sales tax rebate portion of the agreement was completed in fiscal year 2017-2018. In the event of a failure to meet the conditions of the agreement, the agreement provides for a 100% refund of all rebates granted in the previous year. The sales tax, property tax, and hotel occupancy tax rebate amounts for the current fiscal year were \$59,208, \$248,321, and \$773,921, respectively.

- Buc-ee's Travel Center – In 2015, an agreement was approved for Buc-ee's Travel Center. The agreement provides for a sales tax reimbursement of one half of the City sales tax, or 0.75%, generated from businesses located within the property boundaries for a five-year period. At the conclusion of the sales tax reimbursement term, the City has agreed to a one-time cash grant payment of \$2 million minus the total sales tax previously reimbursed, only if the grantee has not received a full \$2 million in sales tax reimbursements. In addition, at the conclusion of the sales tax reimbursement term, the agreement provides a sales tax reimbursement infrastructure grant of one half of the City sales tax, or 0.75%, generated by the Buc-ee's Travel Center and developed outparcels that contain sit-down restaurants or retail establishments for a period of twenty years. The City has also agreed to pay the grantee one quarter of the City sales tax, or 0.375%, generated by outparcels not included in the previously mentioned infrastructure grant, including fast food restaurants and drive-through uses. The tax rebate amount for the current fiscal year was \$378,072.
- TeamOfDefenders– In 2020 an agreement was approved for TeamOfDefenders. The agreement consists of a performance-based five-year expansion grant up to \$50,000 to be provided as a reimbursement of actual costs. In addition, the company was awarded a stratified Job-based grant based on annual wages of new employees, not to exceed \$29,500. They were awarded an additional \$500 residency bonus for new employees, not to exceed \$27,000. The total incentive package is not to exceed \$106,500. The Job-based grant initiated in 2020. Two jobs were added but will not be reimbursed until the following fiscal year. The final Expansion Grant payment in the amount of \$4,711 was paid in the current fiscal year.
- Safran– In 2021 an agreement was approved for Safran. The agreement consists of a performance-based five-year expansion grant up to \$50,000 to be provided as a reimbursement of actual costs. In addition, the company was awarded a stratified Job-based grant based on annual wages of new employees, not to exceed \$101,500. They were awarded an additional \$300 residency grant for new resident employees and \$700 bonus for new established resident employees, not to exceed \$23,625. The total incentive package is not to exceed \$175,125. No payments were made this fiscal year.
- Southwire Company, LLC-In 2024 an agreement was approved for Southwire. The company is North America's leading manufacturer of wire and cable used in the distribution and transmission of electricity. Southwire was awarded a 10-year performance-based Chapter 380 agreement for a 50% incremental rebate incentive, total not to exceed \$1,955,100, for a 100,000 square foot expansion of their current facility. The company is leveraging \$85.4 million dollars over the next three years and anticipates an increase in valuation of over \$69 million in expansion and modernization efforts. A total of 95-net new jobs will be added at the campus in Denton.
- Fine Arts Theater of Denton, LLC- In 2024 an agreement was approved for Fine Arts Theater of Denton for the rehabilitation and renovation of the 1934 historic Fine Arts Theater that is located on the Denton Downtown Square. The theater's functionality extends beyond film screenings and is envisioned as a multi-use venue, capable of hosting film festivals, concerts, live performances, and private event rentals. The theatre renovation represents a capital investment of \$9.1 million. Two Downtown Tax Increment Reinvestment Zone (TIRZ) No. One grants were approved for a total of \$1.6 million. TIRZ Grant 1 includes a total of \$1,076,366 to pay down the construction loan principal to the required amount for the bank loan. TIRZ Grant 2 is an annual operation grant of \$544,503 for

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shortfall between net profit and debt service. Fifteen jobs will be created by the project. The theater is expected to open in April 2026.

- Enginotech- In 2024, a global plastic injection manufacturer based in India, selected Denton for their North America Headquarters. Since identifying their new headquarters' location, they have doubled their footprint by developing three new products and obtaining multiple contracts. The Denton location will provide parts to PACCAR (Peterbilt and Kenworth) in Canada, Denton, and Mexico. The company was awarded a five-year 50% rebate of business personal property estimated at \$79,545 and a one-time Headquarters Grant in the amount of \$50,000. In addition, the company was awarded a stratified job-based grant not to exceed \$194,000 and a Residency Grant, not to exceed \$16,000. An Expansion Grant payment in the amount of \$50,000 was paid in the current fiscal year, which completes the Expansion Grant.
- Bloomfield Homes, LP- In 2024, An agreement was awarded to Bloomfield homes for a a ten-year 33% sales and use tax rebate for construction of homes at the Glenwood Meadows and Country Lakes additions. The sales tax rebate amounted to \$10,014 this fiscal year.
- United States Cold Storage (USCS)- In 2025, an agreement was approved for a performance-based ad valorem tax rebate at 60% for 8 years and a sales tax rebate at 75% for the construction and equipping of the facility. USCS currently maintains a cold storage facility in Denton. The company plans on adding on a second phase to its existing refrigerated warehouse facility and estimate that their investment in new building, machinery, and equipment will create approximately \$35 million in new ad-valorem value in Denton. The project involves plans to create 172 jobs with a weighted average salary of \$57,164.
- Mayday Manufacturing Company- In 2025, an agreement was awarded for a performance-based incremental ad-valorem tax rebate at 60% for 10 years for business expansion and an Expansion Grant in the amount of \$25,000. The company currently maintains a manufacturing facility in Denton and employs approximately 400. Mayday plans to expand its existing facility and estimates that its investment in the building, machinery, and equipment will generate \$14.5 million in new capital investment. The project involves plans to create 50 new jobs with an average salary of \$54,020.
- Panel Rey/PR Gypsum- In 2025, an agreement was approved for a five-year performance-based ad valorem tax rebate at 60% estimated at \$170,357 and a one-time Relocation Grant in the amount of \$50,000. In addition, the company was awarded a stratified job-based grant not to exceed \$16,500. This is the first manufacturing expansion into the United States for a company that produces joint compound used in the construction of residential and commercial projects. Panel Rey is seeking to purchase an existing 60,000 square foot building as Phase I of their U.S. expansion. The company's planned investment in the building, machinery, and equipment will be approximately \$15 million. The project involves plans to create 20 jobs with a weighted salary of \$72,733.

The City approved one Chapter 380 sales tax rebate, a Remediation Grant and a job-based grant, as well as one tax abatement agreement that will come online in future fiscal years. Novartis Gene Therapies was awarded both a Chapter 380 and a tax abatement agreement. From the Future did not expand and has not come online. Currently, the City is in the process of terminating the Agreement with DynaGrid, as the company did not locate their principal place of business within the corporate limits of the City of Denton, as required per the Agreement.

G. Litigation

Various claims and lawsuits are pending against the City. In accordance with GAAP, those judgments considered "probable" are accrued, while those claims and judgments considered "reasonably possible" are disclosed but not accrued. In the opinion of City management and legal counsel, the maximum amount of all significant claims considered reasonably possible, excluding condemnation proceedings is approximately \$500,000 as of September 30, 2025. Potential losses after insurance coverage on all probable claims and lawsuits will not have a material effect on the City's financial position as of September 30, 2025.

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H. Subsequent Events

The City has evaluated all events or transactions that occurred after September 30, 2025, up through the date the financial statements were issued.

The Water Utilities Department applied for and received approval for \$195,845,000 in funding from the Texas Water Development Board (TWDB) State Water Implementation Fund for Texas (SWIFT) program. In December 2025, the City received \$11,235,000 which relates to the latest issuance out of the 5-year financing plan.

I. New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) issued the following statement which became effective for the fiscal year ending September 30, 2025.

Statement No. 101 “*Compensated Absences*” - The City of Denton implemented GASB Statement No. 101, *Compensated Absences*, in fiscal year 2025. The Statement provides updated recognition and measurement guidance for unused leave and for leave that has been used but not yet paid. Under the standard, a liability is recognized when leave is attributable to past service, accumulates, and is more likely than not to be used or paid. The adoption of GASB 101 represents a change in accounting principle; however, its implementation did not result in a material impact on the City's financial statements. As of fiscal year-end, the City's compensated absences liability totaled \$29,820,736, of which \$17,939,440 is current (due within one year) and \$11,881,296 is noncurrent.

Statement No. 102 “*Certain Risk Disclosures*” - The City implemented Governmental Accounting Standards Board (GASB) Statement No. 102, *Certain Risk Disclosures*, for the fiscal year ended September 30, 2025. This Statement requires governments to evaluate whether certain concentrations or constraints exist that make the government vulnerable to the risk of a substantial impact and to disclose information about those risks if certain criteria are met. Concentration is defined as a lack of diversity related to a significant inflow or outflow of resources, while a constraint is a limitation imposed by external parties or by formal action of the City's highest level of decision-making authority. The Statement further requires an evaluation of whether events associated with such concentrations or constraints have occurred, have begun to occur, or are more likely than not to occur within 12 months of the issuance of the financial statements. After implementing GASB Statement No. 102, the City determined that no concentrations or constraints met the criteria for disclosure as of the issuance date of these financial statements. The implementation of this Statement did not have a material impact on the City's financial position or results of operations.

The following statements for the GASB are effective for future fiscal years ending as listed below. The City is in the process of reviewing and evaluating these statements and their potential impact on the City's financial statements.

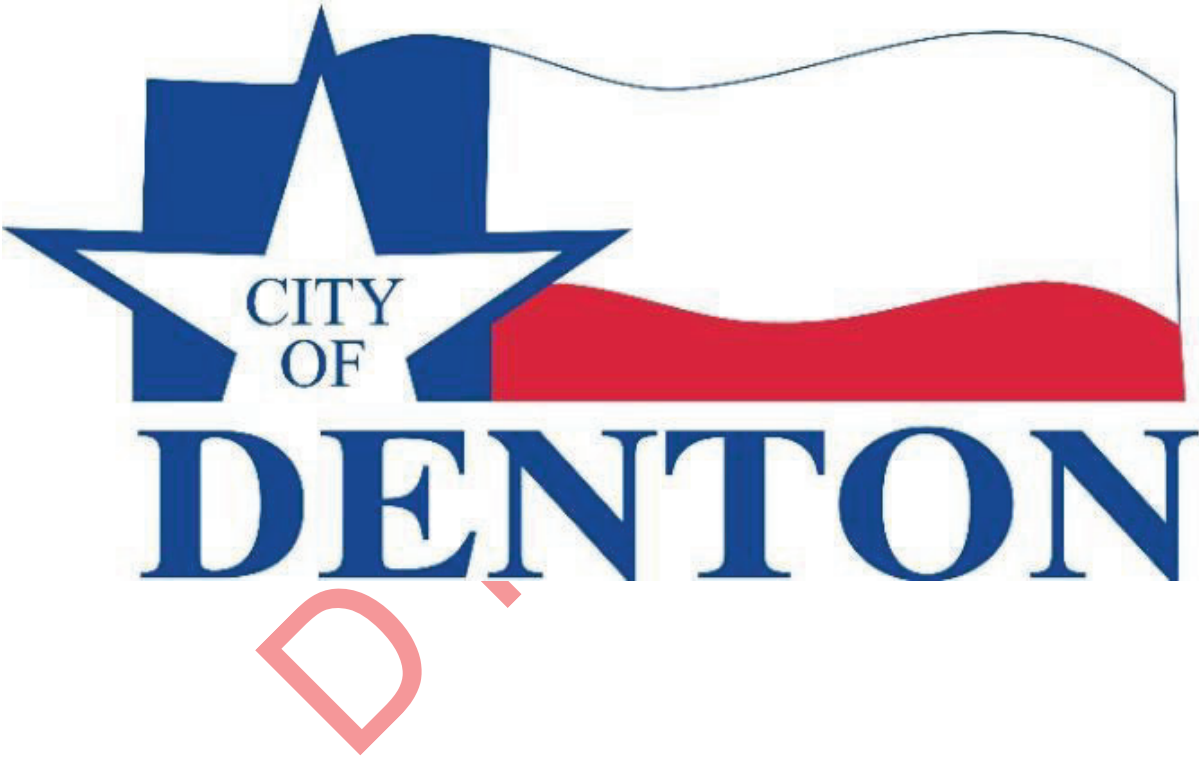
Statement No. 103 “*Financial Reporting Model Improvements*” - will improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The Statement also addresses certain application issues. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.

Statement No. 104 “*Disclosure of Certain Capital Assets*” - will provide users of government financial statements with essential information about certain types of capital assets to be disclosed separately in the capital assets note disclosures, such as lease and subscription assets. The Statement also requires additional disclosures for capital assets held for sale. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

Statement No. 105 “*Subsequent Events*” - will improve financial reporting practices related to subsequent events by promoting consistency in their application and better meeting the information needs of financial statement users. It defines subsequent events as transactions or occurrences that happen after the financial statement date but before the statements are available for issuance, which is when they are complete under GAAP and all necessary approvals have been obtained. The requirements of this Statement are effective for fiscal years beginning after June 15, 2026.

DRAFT



CITY OF DENTON, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 TEXAS MUNICIPAL RETIREMENT SYSTEM
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
 LAST TEN FISCAL YEARS

Exhibit XIII

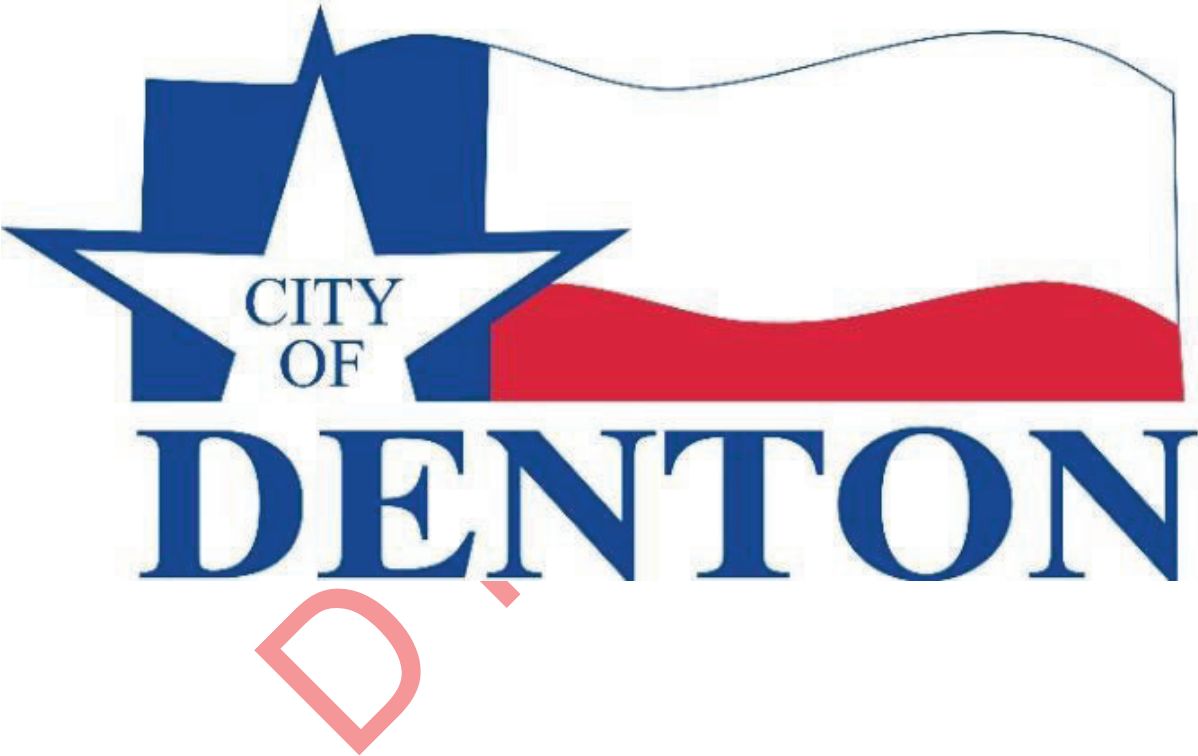
	Measurement Year 2015	Measurement Year 2016	Measurement Year 2017	Measurement Year 2018	Measurement Year 2019
Total pension liability:					
Service Cost	\$ 12,615,957	\$ 13,925,238	\$ 14,514,171	\$ 14,990,529	\$ 16,283,811
Interest (on the total pension liability)	26,905,700	27,656,654	29,543,513	31,468,411	33,434,342
Difference between expected and actual experience	(1,525,911)	763,589	1,514,980	1,255,443	2,005,979
Change of assumptions	(428,789)	-	-	-	1,438,798
Benefit payments, including refunds of employee contributions	(12,697,735)	(13,023,330)	(16,349,644)	(18,238,039)	(20,234,184)
Net change in total pension liability	24,869,222	29,322,151	29,223,020	29,476,344	32,928,746
Total pension liability - beginning	384,408,038	409,277,260	438,599,411	467,822,431	497,298,775
Total pension liability - ending (a)	<u>\$ 409,277,260</u>	<u>\$ 438,599,411</u>	<u>\$ 467,822,431</u>	<u>\$ 497,298,775</u>	<u>\$ 530,227,521</u>
Plan fiduciary net position:					
Contributions - employer	\$ 13,615,410	\$ 14,046,860	\$ 14,821,752	\$ 15,107,443	\$ 16,255,126
Contributions - employee	5,365,231	5,712,464	6,014,227	6,175,407	6,693,287
Net investment income (loss)	469,530	21,947,635	48,954,660	(12,175,765)	61,399,432
Benefit payments, including refunds of employee contributions	(12,697,735)	(13,023,330)	(16,349,644)	(18,238,039)	(20,234,184)
Administrative expense	(285,957)	(247,766)	(253,578)	(235,169)	(346,657)
Other	(14,123)	(13,349)	(12,851)	(12,287)	(10,413)
Net change in plan fiduciary net position	6,452,356	28,422,514	53,174,566	(9,378,410)	63,756,591
Plan fiduciary net position - beginning	318,166,193	324,618,549	353,041,063	406,215,629	396,837,219
Plan fiduciary net position - ending (b)	<u>\$ 324,618,549</u>	<u>\$ 353,041,063</u>	<u>\$ 406,215,629</u>	<u>\$ 396,837,219</u>	<u>\$ 460,593,810</u>
Net pension liability - ending (a) - (b)	<u>\$ 84,658,711</u>	<u>\$ 85,558,348</u>	<u>\$ 61,606,802</u>	<u>\$ 100,461,556</u>	<u>\$ 69,633,711</u>
Plan fiduciary net position as a percentage of total pension liability	79.32%	80.49%	86.83%	79.80%	86.87%
Covered payroll	\$ 76,646,157	\$ 81,481,789	\$ 85,227,078	\$ 88,179,581	\$ 95,618,386
Net pension liability as a percentage of covered payroll	110.45%	105.00%	72.29%	113.93%	72.82%

(continued on the following page)

CITY OF DENTON, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS

Exhibit XIII

	Measurement Year 2020	Measurement Year 2021	Measurement Year 2022	Measurement Year 2023	Measurement Year 2024
Total pension liability:					
Service Cost	\$ 18,685,981	\$ 17,667,234	\$ 19,111,021	\$ 21,408,496	\$ 25,133,454
Interest (on the total pension liability)	35,523,156	37,617,145	40,284,903	43,175,635	45,632,055
Difference between expected and actual experience	2,636,510	8,560,080	8,678,564	3,120,640	7,317,890
Change of assumptions	-	-	-	(4,298,128)	
Benefit payments, including refunds of employee contributions	(26,603,058)	(24,025,384)	(26,062,628)	(26,732,504)	(31,022,941)
Net change in total pension liability	30,242,589	39,819,075	42,011,860	36,674,139	47,060,458
Total pension liability - beginning	530,227,521	560,470,110	600,289,185	642,301,045	678,975,184
Total pension liability - ending (a)	\$ 560,470,110	\$ 600,289,185	\$ 642,301,045	\$ 678,975,184	\$ 726,035,642
Plan fiduciary net position:					
Contributions - employer	\$ 18,613,464	\$ 17,849,684	\$ 19,140,875	\$ 21,790,165	\$ 25,761,959
Contributions - employee	7,536,737	7,095,275	7,670,708	8,535,599	9,666,319
Net investment income (loss)	34,987,709	64,564,009	(40,913,118)	60,236,192	60,664,328
Benefit payments, including refunds of employee contributions	(26,603,058)	(24,025,384)	(26,062,628)	(26,732,504)	(31,022,941)
Administrative expense	(226,230)	(298,515)	(353,785)	(382,866)	(388,785)
Other	(8,826)	2,046	422,171	(2,675)	(9,093)
Net change in plan fiduciary net position	34,299,796	65,187,115	(40,095,777)	63,443,911	64,671,787
Plan fiduciary net position - beginning	460,593,810	494,893,606	560,080,721	519,984,941	583,428,852
Plan fiduciary net position - ending (b)	\$ 494,893,606	\$ 560,080,721	\$ 519,984,944	583,428,852	\$ 648,100,639
Net pension liability - ending (a) - (b)	\$ 65,576,504	\$ 40,208,464	\$ 122,316,104	95,546,332	\$ 77,935,003
Plan fiduciary net position as a percentage of total pension liability	88.30%	93.30%	80.96%	85.93%	89.27%
Covered payroll	\$ 107,576,172	\$ 101,361,066	\$ 109,581,543	\$ 121,846,875	\$ 138,020,067
Net pension liability as a percentage of covered payroll	60.96%	39.67%	111.62%	78.42%	56.47% (concluded)



**CITY OF DENTON, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS
LAST TEN FISCAL YEARS (Unaudited)**

Fiscal Year	(a) Actuarially Determined Contributions	(b) Contributions in Relation to the Actuarially Determined Contributions	(c) Contribution Excess (Deficiency) (b) - (a)	(d) Covered Payroll	Contributions as a Percentage of Covered Payroll (b)/(d)
2016	14,435,638	14,435,638	-	83,127,601	17.37%
2017	14,648,606	14,648,606	-	84,753,377	17.28%
2018	14,931,800	14,931,800	-	86,832,074	17.20%
2019	16,035,042	16,035,042	-	94,158,313	17.03%
2020	17,562,597	17,562,597	-	101,964,029	17.22%
2021	17,794,920	17,794,920	-	101,641,023	17.51%
2022	18,471,103	18,471,103	-	105,519,237	17.50%
2023	19,140,875	19,140,875	-	109,581,543	17.47%
2024	21,790,165	21,790,165	-	121,846,875	17.88%
2025	26,591,225	26,591,225	-	142,559,469	18.65%

Notes to Schedule:

Actuarial determined contribution rates are calculated as of December 31st and become effective in January, 13 months later. Contributions above do not include contributions into the supplemental death benefit fund.

Methods and assumptions used to determine contribution rate for 2025:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	21 Years (longest amortization ladder)
Asset Valuation Method	10 Year Smoothed Market; 12% Soft Corridor
Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates vary by age. Last updated for the 2023 valuation pursuant to and experience study of the period ending 2022.

Mortality	<p>Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).</p> <p>Pre-retirement: PUB(10) mortality tables, with the 110% Public Safety table used for males and the 100% General Employees table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).</p>
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Other	There were no benefit changes during the year
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CITY OF DENTON, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 DENTON FIREMEN'S RELIEF AND RETIREMENT FUND
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
 LAST TEN FISCAL YEARS

Exhibit XV

	Measurement Year 2015	Measurement Year 2016	Measurement Year 2017	Measurement Year 2018	Measurement Year 2019
Total pension liability:					
Service Cost	\$ 2,836,263	\$ 3,089,911	\$ 3,182,608	\$ 3,615,495	\$ 3,723,960
Interest (on the total pension liability)	5,998,959	6,135,588	6,493,255	7,049,261	7,497,583
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	(2,063,421)	-	2,040,716	-	1,526,958
Change of assumptions	2,331,908	-	-	-	3,446,011
Benefit payments, including refunds of employee contributions	(4,048,358)	(4,270,006)	(3,768,829)	(4,055,856)	(4,206,975)
Net change in total pension liability	5,055,351	4,955,493	7,947,750	6,608,900	11,987,537
Total pension liability - beginning	84,887,334	89,942,685	94,898,178	102,845,928	109,454,828
Total pension liability - ending (a)	<u>\$ 89,942,685</u>	<u>\$ 94,898,178</u>	<u>\$ 102,845,928</u>	<u>\$ 109,454,828</u>	<u>\$ 121,442,365</u>
Plan fiduciary net position:					
Contributions - employer	\$ 2,567,219	\$ 2,759,844	\$ 2,979,807	\$ 3,434,007	\$ 3,639,740
Contributions - employee	1,803,064	1,997,155	2,142,990	2,338,837	2,478,958
Net investment income (loss)	(3,287,188)	6,935,215	8,793,234	(183,148)	15,141,275
Benefit payments, including refunds of employee contributions	(4,048,358)	(4,270,006)	(3,768,829)	(4,055,856)	(4,206,975)
Administrative expense	(76,538)	(94,175)	(63,669)	(87,899)	(71,427)
Net change in plan fiduciary net position	(3,041,801)	7,328,033	10,083,533	1,445,941	16,981,571
Plan fiduciary net position - beginning	71,018,518	67,976,717	75,304,750	85,388,283	86,834,224
Plan fiduciary net position - ending (b)	<u>\$ 67,976,717</u>	<u>\$ 75,304,750</u>	<u>\$ 85,388,283</u>	<u>\$ 86,834,224</u>	<u>\$ 103,815,795</u>
OPEB liability - ending (a) - (b)	<u>\$ 21,965,968</u>	<u>\$ 19,593,428</u>	<u>\$ 17,457,645</u>	<u>\$ 22,620,604</u>	<u>\$ 17,626,570</u>
Plan fiduciary net position as a percentage of total pension liability	75.58%	79.35%	83.03%	79.33%	85.49%
Covered payroll	\$ 14,310,032	\$ 15,850,437	\$ 17,007,857	\$ 18,562,198	\$ 19,674,270
OPEB liability as a percentage of covered payroll	153.50%	123.61%	102.64%	121.86%	89.59%

(continued on the following page)

CITY OF DENTON, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 DENTON FIREMEN'S RELIEF AND RETIREMENT FUND
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
 LAST TEN FISCAL YEARS

Exhibit XV

	Measurement Year 2020	Measurement Year 2021	Measurement Year 2022	Measurement Year 2023	Measurement Year 2024
Total pension liability:					
Service Cost	\$ 4,252,475	\$ 4,380,049	\$ 4,965,768	\$ 5,114,741	\$ 6,063,143
Interest (on the total pension liability)	8,293,527	8,791,959	9,787,310	10,437,944	11,469,317
Changes of benefit terms	-	1,074,140	-	-	-
Difference between expected and actual experience	-	4,783,943	-	5,114,242	-
Change of assumptions	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(5,655,539)	(4,923,273)	(4,816,472)	(5,709,565)	(6,961,903)
Net change in total pension liability	6,890,463	14,106,818	9,936,606	14,957,362	10,570,557
Total pension liability - beginning	121,442,365	128,332,828	142,439,646	152,376,252	167,333,614
Total pension liability - ending (a)	<u>\$ 128,332,828</u>	<u>\$ 142,439,646</u>	<u>\$ 152,376,252</u>	<u>\$ 167,333,614</u>	<u>\$ 177,904,171</u>
Plan fiduciary net position:					
Contributions - employer	\$ 4,069,311	\$ 4,249,769	\$ 4,545,905	\$ 4,888,426	\$ 5,846,904
Contributions - employee	2,771,532	2,894,437	3,096,130	3,329,414	3,889,705
Net investment income (loss)	12,313,949	21,206,371	(6,446,061)	12,849,568	13,206,709
Benefit payments, including refunds of employee contributions	(5,655,539)	(4,923,273)	(4,816,472)	(5,709,565)	(6,961,903)
Administrative expense	(116,909)	(87,866)	(114,279)	(87,648)	(109,901)
Net change in plan fiduciary net position	13,382,344	23,339,438	(3,734,777)	15,270,195	15,871,514
Plan fiduciary net position - beginning	103,815,795	117,198,139	140,537,577	136,802,800	152,072,995
Plan fiduciary net position - ending (b)	<u>\$ 117,198,139</u>	<u>\$ 140,537,577</u>	<u>\$ 136,802,800</u>	<u>\$ 152,072,995</u>	<u>\$ 167,944,509</u>
OPEB liability - ending (a) - (b)	<u>\$ 11,134,689</u>	<u>\$ 1,902,069</u>	<u>\$ 15,573,452</u>	<u>\$ 15,260,619</u>	<u>\$ 9,959,662</u>
Plan fiduciary net position as a percentage of total pension liability	91.32%	98.66%	89.78%	90.88%	94.40%
Covered payroll	\$ 21,996,287	\$ 22,971,722	\$ 24,572,460	\$ 26,423,921	\$ 30,870,675
OPEB liability as a percentage of covered payroll	50.62%	8.28%	63.38%	57.75%	32.26% (concluded)

CITY OF DENTON, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
FIREMEN'S RELIEF AND RETIREMENT FUND
SCHEDULE OF CONTRIBUTIONS
LAST TEN FISCAL YEARS (Unaudited)

Fiscal Year	(a) Annual Required Contributions	(b) Contributions in Relation to the Annual Required Contributions	(c) Contribution Excess (Deficiency) (b) - (a)	(d) Covered Payroll	Contributions as a Percentage of Covered Payroll (b)/(d)
2016	2,819,046	2,819,046	-	15,540,826	18.14%
2017	2,924,757	2,924,757	-	16,747,217	17.46%
2018	3,310,248	3,310,248	-	18,080,014	18.31%
2019	3,610,711	3,610,711	-	19,517,358	18.50%
2020	3,838,014	3,838,014	-	20,746,026	18.50%
2021	4,158,368	4,158,368	-	22,477,667	18.50%
2022	4,440,025	4,440,025	-	24,000,134	18.50%
2023	4,804,198	4,804,198	-	25,968,636	18.50%
2024	5,530,963	5,530,963	-	29,897,097	18.50%
2025	6,136,743	6,136,743	-	32,400,966	18.94%

Notes to Schedule:

Annual required contributions are not actuarially determined. In accordance with city ordinance since 2017, the City has contributed to the Firemen's Relief and Retirement Fund at the rate of 18.88%, the assumed actuarial valuation rate over the unfunded liability amortization period.

While the contribution requirements are not actuarially determined, state law requires an actuary certify the assumed City contribution rate is adequate. Methods and assumptions used to contribution adequacy in the December 31, 2023 actuarial valuation:

Actuarial Cost Method	Entry Age
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	6.5 Years
Asset Valuation Method	5-year smoothing
Inflation	2.50%
Salary Increases	3.00% annual general compensation increase plus promotion, step, and longevity increases that varies by service
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation
Retirement Age	Average expected age at retirement of 57
Mortality	PubS-2010 (public safety) total dataset mortality tables for employees and for retirees (Sex distinct), projected for mortality improvement generationally using the projection scale MP-2019

CITY OF DENTON, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 MEDICAL OTHER POST-EMPLOYMENT BENEFITS
 SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
 LAST EIGHT FISCAL YEARS (PREVIOUS YEARS ARE NOT AVAILABLE)^{1,2}

	Measurement Year 2017	Measurement Year 2018	Measurement Year 2019	Measurement Year 2020	Measurement Year 2021	Measurement Year 2022	Measurement Year 2023	Measurement Year 2024
Total OPEB liability:								
Service Cost	\$ 1,750,172	\$ 1,995,008	\$ 2,052,606	\$ 2,884,792	\$ 3,554,317	\$ 3,282,530	\$ 2,538,726	\$ 2,882,929
Interest (on the total OPEB liability)	1,360,179	1,329,949	1,507,925	1,186,428	995,640	921,256	1,687,421	1,740,446
Changes of benefit terms	-	-	-	-	-	-	-	-
Difference between expected and actual experience	-	(150,485)	(1,512,289)	329,072	(1,283,436)	(42,650)	(920,557)	(105,456)
Change of assumptions or other inputs	2,067,787	(1,724,923)	1,444,810	3,664,984	(1,091,668)	(10,266,201)	3,039,595	(1,393,130)
Benefit payments	(742,818)	(899,361)	(1,126,992)	(1,695,382)	(1,826,367)	(1,679,015)	(2,174,160)	(1,858,482)
Net change in total OPEB liability	4,435,320	550,188	2,366,060	6,369,894	348,486	(7,784,080)	4,171,025	1,266,307
Total OPEB liability - beginning	35,196,570	39,631,890	40,182,078	42,548,138	48,918,032	49,266,518	41,482,438	45,653,463
Total OPEB liability - ending	\$ 39,631,890	\$ 40,182,078	\$ 42,548,138	\$ 48,918,032	\$ 49,266,518	\$ 41,482,438	\$ 45,653,463	\$ 46,919,770
Covered-employee payroll	104,783,403	\$ 109,480,718	\$ 118,063,295	\$ 130,944,182	\$ 126,595,871	\$ 137,686,788	\$ 152,743,678	\$ 174,682,731
OPEB liability as a percentage of covered-employee payroll	37.82%	36.70%	36.04%	37.36%	38.92%	30.13%	29.89%	26.86%

¹Schedule is intended to present information for ten years. Additional years of information will be presented as they become available.

²There are no assets accumulated in a trust that meets the criteria in Paragraph 4 of GASB Statement No. 75 to pay related benefits.

Methods and assumptions used to determine contribution rate for 2024:

Actuarial cost method	Entry-Age Normal
Discount rate	4.08% as of December 31, 2024 (This was a change of assumption, up from 3.77%, December 31, 2023)
Inflation rate	2.50%
Projected salary increases	3.60% to 11.85% for TMRS and 3.00% to 9.18% for Fire, including inflation
Demographic assumptions	Based on the experience study covering the four-year period ending December 31, 2023 as conducted for the Texas Municipal Retirement System (TMRS) and the assumptions used in the December 31, 2023 actuarial valuation for the Denton Firemen's Relief and Retirement Fund.
Healthcare trend rates	Initial rate of 7.20% declining to an ultimate rate of 4.25% after 15 years.
Mortality	TMRS: For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used, with male rates multiplied by 103% and female rates multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Fire: For healthy retirees, the gender-distinct PubS-2010 (safety employees) total data set mortality tables are used. The rates are projected on a fully generational basis using the project scale MP-2019.
Participation rates	65% for employees retiring at age 65 or older; 45% for employees retiring between the ages of 50 and 64; 5% for employees retiring between the ages of 45 and 49; 0% for employees retiring before the ages of 45.

CITY OF DENTON, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 TEXAS MUNICIPAL RETIREMENT SYSTEM - SUPPLEMENTAL DEATH BENEFIT FUND
 SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
 LAST EIGHT FISCAL YEARS (PREVIOUS YEARS ARE NOT AVAILABLE)^{1,2}

	Measurement Year 2017	Measurement Year 2018	Measurement Year 2019	Measurement Year 2020	Measurement Year 2021	Measurement Year 2022	Measurement Year 2023	Measurement Year 2024
Total OPEB liability:								
Service Cost	\$ 144,886	\$ 176,359	\$ 152,989	\$ 236,668	\$ 233,130	\$ 284,912	\$ 146,216	\$ 179,426
Interest (on the total OPEB liability)	106,885	110,831	130,143	115,434	103,668	100,639	151,640	157,100
Difference between expected and actual experience	-	155,143	(284,991)	(28,782)	(158,830)	46,933	30,281	(3,170)
Change of assumptions or other inputs	270,541	(247,941)	680,198	720,927	172,092	(1,978,189)	208,108	(227,872)
Benefit payments	(17,045)	(17,636)	(28,686)	(32,273)	(81,089)	(98,623)	(121,847)	(138,020)
Net change in total OPEB liability	505,267	176,756	649,653	1,011,974	268,971	(1,644,328)	414,398	(32,536)
Total OPEB liability - beginning	2,763,726	3,268,993	3,445,749	4,095,402	5,107,376	5,376,347	3,732,019	4,146,417
Total OPEB liability - ending	\$ 3,268,993	\$ 3,445,749	\$ 4,095,402	\$ 5,107,376	\$ 5,376,347	\$ 3,732,019	\$ 4,146,417	\$ 4,113,881
Covered-employee payroll	\$ 85,227,078	\$ 88,179,581	\$ 95,618,386	\$ 107,576,172	\$ 101,361,066	\$ 137,686,788	\$ 121,846,875	\$ 138,020,067
OPEB liability as a percentage of covered-employee payroll	3.84%	3.91%	4.28%	4.75%	5.30%	2.71%	3.40%	2.98%

¹Schedule is intended to present information for ten years. Additional years of information will be presented as they become available.

²There are no assets accumulated in a trust that meets the criteria in Paragraph 4 of GASB Statement No. 75 to pay related benefits.

Methods and assumptions used to determine contribution rate for 2024:

Inflation rate	2.50% per annum
Discount rate	4.08% (as of December 31, 2024.) The prior year discount rate was 3.77%.
Actuarial cost method	Entry Age Normal
Projected salary increases	3.60 % to 11.85%, including inflation.
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB No. 68.
Mortality rates - service retirees	For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used, with male rates multiplied by 103% and female rates multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

CITY OF DENTON, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts		Actual Amounts	Adjustments - Budgetary Basis	Actual on a Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final				
REVENUES:						
Taxes	\$ 50,012,675	\$ 50,040,043	\$ 50,087,820	\$ -	\$ 50,087,820	\$ 47,777
Investment revenue (loss)	27,368	27,368	1,071,608	-	1,071,608	1,044,240
Total revenues	50,040,043	50,067,411	51,159,428	-	51,159,428	1,092,017
EXPENDITURES:						
Debt service:						
Principal, interest and fiscal charges	129,462,195	129,462,195	50,729,801	73,014,927	123,744,728	5,717,467
Bond refunding	-	-	-	-	-	-
Bond issuance costs	-	-	56,915	(56,915)	-	-
Total expenditures	129,462,195	129,462,195	50,786,716	72,958,012	123,744,728	5,717,467
Excess (deficiency) of revenues over (under) expenditures	(79,422,152)	(79,394,784)	372,712	(72,958,012)	(72,585,300)	6,809,484
OTHER FINANCING SOURCES (USES):						
Refunding bonds issued	-	-	10,375,000	(10,375,000)	-	-
Payment to refunded bond agent	-	-	(11,400,289)	11,400,289	-	-
Premium on debt issuance	-	-	1,084,796	(1,084,796)	-	-
Transfers in	79,422,152	79,422,152	751,656	73,014,927	73,766,583	(5,655,569)
Total other financing sources (uses)	79,422,152	79,422,152	811,163	72,955,420	73,766,583	(5,655,569)
Net change in fund balance	-	27,368	1,183,875	(2,592)	1,181,283	1,153,915
Fund balance at beginning of year	1,410,137	1,410,137	1,410,137	-	1,410,137	-
Fund balance at end of year	\$ 1,410,137	\$ 1,437,505	\$ 2,594,012	\$ (2,592)	\$ 2,591,420	\$ 1,153,915

Adjustments - Budgetary Basis are pass-through debt service payments budgeted as transfers in from enterprise and internal service funds. Other Financing Sources (Uses) related to refunding are adjusted out as they are non-budgeted items reducing future debt service payments.

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APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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Proposed Form of Opinion of Bond Counsel

*An opinion in substantially the following form will be delivered by
McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Bonds,
assuming no material changes in facts or law.*

[Issue Date]

**CITY OF DENTON, TEXAS
GENERAL OBLIGATION REFUNDING BONDS
SERIES 2026A
DATED AUGUST 1, 2026
IN THE PRINCIPAL AMOUNT OF \$ _____**

AS BOND COUNSEL FOR THE CITY OF DENTON, TEXAS (the “*Issuer*”) in connection with the issuance of the bonds described above (the “*Bonds*”), we have examined into the legality and validity of the Bonds, which bear interest from the dates and mature on the dates, and are subject to redemption, in accordance with the terms and conditions stated in the text of the Bonds. Terms used herein and not otherwise defined shall have the meaning given in the Ordinance of the Issuer authorizing the issuance and sale of the Bonds (the “*Ordinance*”).

WE HAVE EXAMINED the Constitution and laws of the State of Texas, certified copies of the proceedings of the City Council of the Issuer relating to the issuance of the Bonds, including the Ordinance and other documents authorizing and relating to the issuance of the Bonds; and we have examined various certificates and documents executed by officers and officials of the Issuer upon which certificates and documents we rely as to certain matters stated below. We have also examined one of the executed Bonds (Number T-1).

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been duly authorized, issued and delivered, all in accordance with law; and that, except as may be limited by laws applicable to the Issuer relating to bankruptcy, reorganization and other similar matters affecting creditors’ rights generally, or by general principles of equity or governmental immunity of political subdivisions which permit the exercise of judicial discretion, the Bonds will constitute valid and legally binding obligations of the Issuer, and ad valorem taxes sufficient to provide for the payment of the interest on and principal of the Bonds have been levied and pledged for such purpose, within the limit prescribed by law.

IT IS FURTHER OUR OPINION that, except as discussed below, under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion, for federal income tax purposes, the interest on the Bonds (i) is excludable from the gross income of the owners thereof and (ii) the Bonds will not be treated as “specified private activity bonds” the interest on which would be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the “*Code*”). In expressing the aforementioned opinions, we have relied on certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants regarding the use and investment of the proceeds of the Bonds and the use of the property financed and refinanced therewith. We call your attention to the fact that if such representations are determined to be inaccurate or if the Issuer fails to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds, including the amount, accrual or receipt of interest on, the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Bonds, may be includable in a corporation's adjusted financial statement income for purposes of determining the alternative minimum tax imposed on certain corporations by section 55 of the Code.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the Issuer, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the Issuer as to the current outstanding indebtedness of, and assessed valuation of taxable property within, the Issuer. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "*Service*"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

Respectfully,

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Municipal Advisory Services
Provided By



ORDINANCE NO. 26-_____

AN ORDINANCE CONSIDERING ALL MATTERS INCIDENT AND RELATED TO THE ISSUANCE, SALE AND DELIVERY OF UP TO \$316,338,000 IN PRINCIPAL AMOUNT OF "CITY OF DENTON GENERAL OBLIGATION REFUNDING AND IMPROVEMENT BONDS, SERIES 2026"; 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.

WHEREAS, by virtue of an election held within the City of Denton, Texas (the "Issuer") on November 7, 2023, this City Council became authorized to issue, sell and deliver the general obligation bonds of the Issuer, of which there have been issued heretofore, are authorized to be issued by this Ordinance, and will remain authorized but unissued hereafter, as described in Schedule I attached hereto and incorporated herein; and

WHEREAS, this City Council finds and determines that it is necessary and proper to order the issuance, sale and delivery of such voted bonds; and

WHEREAS, the Issuer has previously issued and outstanding obligations described in Schedule II attached hereto and incorporated herein (collectively, the "Eligible Refunded Obligations") and the Issuer now desires to refund all or part of the Eligible Refunded Obligations, and those Eligible Refunded Obligations designated by the Pricing Officer in the Pricing Certificate, each as defined below, to be refunded are herein referred to as the "Refunded Obligations"; and

WHEREAS, Chapter 1207, Texas Government Code, as amended ("Chapter 1207") authorizes the Issuer to issue refunding bonds and to deposit the proceeds from the sale thereof, together with any other available funds or resources, directly with a paying agent for the Refunded Obligations or a trust company or commercial bank that does not act as a depository for the Issuer and is named in these proceedings, and such deposit, if made before the payment dates of the Refunded Obligations, shall constitute the making of firm banking and financial arrangements for the discharge and final payment of the Refunded Obligations; and

WHEREAS, Chapter 1207 further authorizes the Issuer to enter into an escrow or similar agreement with such paying agent for the Refunded Obligations or trust company or commercial bank with respect to the safekeeping, investment, reinvestment, administration and disposition of any such deposit, upon such terms and conditions as the Issuer and such paying agent or trust company or commercial bank may agree; and

WHEREAS, the City Council hereby finds and declares a public purpose and it is in the best interests of the Issuer to refund the Refunded Obligations in order to achieve a debt service savings, with such savings, among other information and terms to be included in a pricing certificate (the "Pricing Certificate") to be executed by the Pricing Officer (hereinafter designated) in connection with the initial issuance of each Series of Bonds, all in accordance with the provisions of Section 1207.007, Texas Government Code; and

WHEREAS, all the Refunded Obligations mature or are subject to redemption prior to maturity within 20 years of the date of the bonds hereinafter authorized; and

WHEREAS, the Issuer is an "issuer" within the meaning of Section 1371.001(4)(P), Texas Government Code, having (i) a principal amount of at least \$100 million in outstanding long-term indebtedness, in long-term indebtedness proposed to be issued, or in a combination of outstanding or proposed long-term indebtedness and (ii) some amount of long-term indebtedness outstanding or proposed to be issued that is rated in one of the four highest rating categories for long-term debt instruments by a nationally recognized rating agency for municipal securities, without regard to the effect of any credit agreement or other form of credit enhancement entered into in connection with the obligation; and

WHEREAS, the bonds hereinafter authorized to be issued were voted and are to be issued, sold and delivered pursuant to the general laws of the State of Texas, including Texas Government Code Chapters 1207, 1331 and 1371, as amended, and the Issuer's Home Rule Charter; and

WHEREAS, it is officially found, determined, and declared that the meeting at which this Ordinance has been adopted was open to the public and public notice of the time, place and subject matter of the public business to be considered and acted upon at said meeting, including this Ordinance, was given, all as required by the applicable provisions of Texas Government Code Chapter 551; NOW, THEREFORE,

THE COUNCIL OF THE CITY OF DENTON HEREBY ORDAINS:

SECTION 1. RECITALS, AMOUNT, PURPOSE AND DESIGNATION OF THE BONDS.

(a) The recitals set forth in the preamble hereof are incorporated herein and shall have the same force and effect as if set forth in this Section.

(b) The term "Bonds" as used in this Ordinance shall mean and include collectively all bonds initially issued and delivered pursuant to this Ordinance (the "Initial Bonds") and all substitute bonds exchanged therefor, as well as all other substitute bonds and replacement bonds issued pursuant hereto, and the term "Bond" shall mean any of the Bonds. "Series" or "Series of Bonds" means any designated series of Bonds issued pursuant to this Ordinance.

(c) The Bonds of the City of Denton, Texas (the "Issuer") are hereby authorized to be issued and delivered in one or more Series in the maximum aggregate principal amount of \$316,338,000 (i) up to \$272,115,000 for the public purpose of refunding the Refunded Obligations, (ii) for the purpose of the acquisition of property and making improvements for public purposes in said Issuer, to wit: (A) \$18,125,000 for street improvements (including the reconstruction, restructuring and extension of Mingo Road and Ruddell Drive), (B) \$503,000 for fire public safety facilities, and (C) \$25,595,000 for drainage and flood control improvements, including Oakland Drainage improvements, Upstream Detention improvements and Pecan Creek Tributary (PEC 4) Phases 3 & 4 Drainage improvements, all in accordance with and subject to the election propositions authorizing such bonds (the "Improvement Projects"), and (iii) to pay the costs associated with the issuance of the Bonds (collectively, the "Projects").

(d) Each bond issued pursuant to this Ordinance shall be designated: "CITY OF DENTON GENERAL OBLIGATION REFUNDING AND IMPROVEMENT BOND, SERIES 2026," with each Series of Bonds having a letter designation following the year, starting with "A", and with such changes as designated by the Pricing Officer pursuant to Section 2. Initially there shall be issued, sold, and delivered hereunder fully registered bonds, without interest coupons, payable to the respective registered owners thereof (with the Initial Bond being made payable to the Purchaser as described in Section 10 hereof), or to the registered assignee or assignees of said Bonds or any portion or portions thereof (in each case, the "Registered Owner"). The Bonds shall be in the respective principal amounts, shall be numbered, shall

mature and be payable on the date or dates in each of the years and in the principal amounts, and shall bear interest to their respective dates of maturity or redemption prior to maturity at the rates per annum, as set forth in the Pricing Certificate.

SECTION 2. DELEGATION TO PRICING OFFICER.

(a) As authorized by Sections 1207.007 and 1371.053, Texas Government Code, as amended, the City Manager or the Chief Financial Officer (the "Pricing Officer") is hereby authorized to act on behalf of the Issuer in selling and delivering each Series of the Bonds, determining which of the Eligible Refunded Obligations shall be refunded and carrying out the other procedures specified in this Ordinance, including, determining the date of sale of the Bonds, the date of the Bonds, any additional or different designation or title by which the Bonds shall be known, the price at which the Bonds will be sold, the years in which the Bonds will mature, the principal amount to mature in each of such years, the rate of interest to be borne by each such maturity, the interest payment and record dates, the price and terms upon and at which the Bonds shall be subject to redemption prior to maturity at the option of the Issuer, as well as any mandatory sinking fund redemption provisions, and all other matters relating to the issuance, sale, and delivery of the Bonds and the refunding of the Refunded Obligations, including without limitation establishing the redemption date for and effecting the redemption of the Refunded Obligations and obtaining municipal bond insurance for all or any portion of the Bonds (including in connection therewith the execution of any commitment agreements, membership agreements in mutual insurance companies, and other similar agreements) and providing for the terms and provisions thereof applicable to the Bonds, all of which shall be specified in the Pricing Certificate; provided that:

- (i) the aggregate original principal amount of the Bonds shall not exceed \$316,338,000 with up to \$272,115,000 of such amount issued for the purposes described in Section 1(c)(i) and (iii) hereof, \$18,125,000 of such amount to be issued for the purposes described in Section 1(c)(ii)(A) and (iii) hereof, \$503,000 of such amount to be issued for the purposes described in Section 1(c)(ii)(B) and (iii) hereof, and \$25,595,000 of such amount to be issued for the purposes described in Section 1(c)(ii)(C) and (iii) hereof;
- (ii) the maximum stated maturity of the Bonds shall not exceed February 15, 2046;
- (iii) the Bonds shall bear interest at a fixed rate, and the net effective interest rate on the Bonds shall not exceed 5.000%;
- (iv) the refunding of the Refunded Obligations must produce present value debt service savings of at least 1.000%, net of any Issuer contribution;
- (v) the delegation made hereby shall expire if not exercised by the Pricing Officer through execution of the Pricing Certificate on or prior to January 14, 2027; and
- (vi) on or prior to delivery, the Bonds shall be rated by a nationally recognized rating agency for municipal securities in one of the four highest categories for long-term obligations.

(b) In establishing the aggregate principal amount of a Series of Bonds, the Pricing Officer shall establish an amount not exceeding, in aggregate with any other Series of Bonds, the amount authorized in Subsection (a) hereof, which shall be sufficient in amount to provide for the purposes for which the Series of Bonds are authorized and to pay costs of issuing the Bonds. Each Series of Bonds shall be sold with and subject to such terms as set forth in the Pricing Certificate for such Series.

SECTION 3. CHARACTERISTICS OF THE BONDS.

(a) Registration, Transfer, Conversion and Exchange; Authentication. The Issuer shall keep or cause to be kept at the principal corporate trust office of BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar") books or records for the registration of the transfer, conversion and exchange of the Bonds (the "Registration Books"), and the Issuer hereby appoints the Paying Agent/Registrar as its registrar and transfer agent to keep such books or records and make such registrations of transfers, conversions and exchanges under such reasonable regulations as the Issuer and Paying Agent/Registrar may prescribe; and the Paying Agent/Registrar shall make such registrations, transfers, conversions and exchanges as herein provided. The Paying Agent/Registrar shall obtain and record in the Registration Books the address of the Registered Owner of each Bond to which payments with respect to the Bonds shall be mailed, as herein provided; but it shall be the duty of each Registered Owner to notify the Paying Agent/Registrar in writing of the address to which payments shall be mailed, and such interest payments shall not be mailed unless such notice has been given. The Issuer shall have the right to inspect the Registration Books during regular business hours of the Paying Agent/Registrar, but otherwise the Paying Agent/Registrar shall keep the Registration Books confidential and, unless otherwise required by law, shall not permit their inspection by any other entity. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges for making such registration, transfer, conversion, exchange and delivery of a substitute Bond or Bonds. Registration of assignments, transfers, conversions and exchanges of Bonds shall be made in the manner provided and with the effect stated in the FORM OF BOND set forth in this Ordinance. Each substitute Bond shall bear a letter and/or number to distinguish it from each other Bond.

Except as provided in Section 3(c) of this Ordinance, an authorized representative of the Paying Agent/Registrar shall, before the delivery of any such Bond, date and manually sign said Bond, and no such Bond shall be deemed to be issued or outstanding unless such Bond is so executed. The Paying Agent/Registrar promptly shall cancel all paid Bonds and Bonds surrendered for conversion and exchange. No additional ordinances, orders, or resolutions need be passed or adopted by the governing body of the Issuer or any other body or person so as to accomplish the foregoing conversion and exchange of any Bond or portion thereof, and the Paying Agent/Registrar shall provide for the printing, execution, and delivery of the substitute Bonds in the manner prescribed herein, and said Bonds shall be printed or typed on paper of customary weight and strength. Pursuant to Chapter 1201, Government Code, as amended, the duty of conversion and exchange of Bonds as aforesaid is hereby imposed upon the Paying Agent/Registrar, and, upon the execution of said Bond, the converted and exchanged Bond shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Bonds that initially were issued and delivered pursuant to this Ordinance, approved by the Attorney General of the State of Texas (the "Attorney General") and registered by the Comptroller of Public Accounts of the State of Texas (the "Comptroller").

(b) Payment of Bonds and Interest. The Issuer hereby further appoints the Paying Agent/Registrar to act as the paying agent for paying the principal of and interest on the Bonds, all as provided in this Ordinance. The Paying Agent/Registrar shall keep proper records of all payments made by the Issuer and the Paying Agent/Registrar with respect to the Bonds, and of all conversions and exchanges of Bonds, and all replacements of Bonds, as provided in this Ordinance. However, in the event of a nonpayment of interest on a scheduled payment date, and for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Issuer. Notice of the past due interest shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each Registered Owner appearing on the Registration Books at the close of business on the last business day next preceding the date of mailing of such notice.

(c) In General. The Bonds (i) shall be issued in fully registered form, without interest coupons, with the principal of and interest on such Bonds to be payable only to the Registered Owners thereof, (ii) may or shall be redeemed prior to their scheduled maturities (notice of which shall be given to the Paying Agent/Registrar by the Issuer at least 45 days prior to any such redemption date), (iii) may be converted and exchanged for other Bonds, (iv) may be transferred and assigned, (v) shall have the characteristics, (vi) shall be signed, sealed, executed and authenticated, (vii) the principal of and interest on the Bonds shall be payable, and (viii) shall be administered and the Paying Agent/Registrar and the Issuer shall have certain duties and responsibilities with respect to the Bonds, all as provided, and in the manner and to the effect as required or indicated, in the FORM OF BOND set forth in this Ordinance (as modified in the Pricing Certificate). The Initial Bonds are not required to be, and shall not be, authenticated by the Paying Agent/Registrar, but on each substitute Bond issued in conversion of and exchange for any Bond or Bonds issued under this Ordinance the Paying Agent/Registrar shall execute the Paying Agent/Registrar's Authentication Certificate, in the form set forth in the FORM OF BOND.

(d) Paying Agent/Registrar for the Bonds. The Issuer covenants with the Registered Owners of the Bonds that at all times while the Bonds are outstanding the Issuer will provide a competent and legally qualified bank, trust company, financial institution, or other entity to act as and perform the services of Paying Agent/Registrar for the Bonds under this Ordinance, and that the Paying Agent/Registrar will be a single entity. The Issuer reserves the right to, and may, at its option, change the Paying Agent/Registrar upon not less than 60 days written notice to the Paying Agent/Registrar, to be effective not later than 60 days prior to the next principal or interest payment date after such notice. In the event that the entity at any time acting as Paying Agent/Registrar (or its successor by merger, acquisition, or other method) should resign or otherwise cease to act as such, the Issuer covenants that promptly it will appoint a competent and legally qualified bank, trust company, financial institution, or other agency to act as Paying Agent/Registrar under this Ordinance. Upon any change in the Paying Agent/Registrar, the previous Paying Agent/Registrar promptly shall transfer and deliver the Registration Books (or a copy thereof), along with all other pertinent books and records relating to the Bonds, to the new Paying Agent/Registrar designated and appointed by the Issuer. Upon any change in the Paying Agent/Registrar, the Issuer promptly will cause a written notice thereof to be sent by the new Paying Agent/Registrar to each Registered Owner of the Bonds, by United States mail, first-class postage prepaid, which notice also shall give the address of the new Paying Agent/Registrar. By accepting the position and performing as such, each Paying Agent/Registrar shall be deemed to have agreed to the provisions of this Ordinance, and a certified copy of this Ordinance shall be delivered to each Paying Agent/Registrar.

(e) Authentication. Except as provided below, no Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit of this Ordinance unless and until there appears thereon the Paying Agent/Registrar's Authentication Certificate substantially in the form provided in this Ordinance, duly authenticated by manual execution of the Paying Agent/Registrar. It shall not be required that the same authorized representative of the Paying Agent/Registrar sign the Paying Agent/Registrar's Authentication Certificate on all of the Bonds. In lieu of the executed Paying Agent/Registrar's Authentication Certificate described above, an Initial Bond delivered on the closing date shall have attached thereto the Comptroller's Registration Certificate substantially in the form provided in this Ordinance, manually executed by the Comptroller or by her duly authorized agent, which certificate shall be evidence that the Initial Bond has been duly approved by the Attorney General and that it is a valid and binding obligation of the Issuer, and has been registered by the Comptroller.

(f) Book-Entry-Only System. The Bonds issued in exchange for an Initial Bond shall be initially issued in the form of a separate single fully registered Bond for each of the maturities thereof. Upon initial issuance, the ownership of each such Bond shall be registered in the name of Cede & Co., as nominee of

The Depository Trust Company, New York, New York ("DTC"), and except as provided in subsection (g) hereof, all of the outstanding Bonds shall be registered in the name of Cede & Co., as nominee of DTC.

With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the Issuer and the Paying Agent/Registrar shall have no responsibility or obligation to any securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC was created ("DTC Participant") to hold securities to facilitate the clearance and settlement of securities transactions among DTC Participants or to any person on behalf of whom such a DTC Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, the Issuer and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other person, other than a Registered Owner of Bonds, as shown on the Registration Books, of any notice with respect to the Bonds, or (iii) the payment to any DTC Participant or any other person, other than a Registered Owner of Bonds, as shown in the Registration Books of any amount with respect to principal of or interest on the Bonds. Notwithstanding any other provision of this Ordinance to the contrary, the Issuer and the Paying Agent/Registrar shall be entitled to treat and consider the person in whose name each Bond is registered in the Registration Books as the absolute owner of such Bond for the purpose of payment of principal and interest with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Paying Agent/Registrar shall pay all principal of and interest on the Bonds only to or upon the order of the Registered Owners, as shown in the Registration Books as provided in this Ordinance, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Issuer's obligations with respect to payment of principal of and interest on the Bonds to the extent of the sum or sums so paid. No person other than a Registered Owner, as shown in the Registration Books, shall receive a Bond evidencing the obligation of the Issuer to make payments of principal and interest pursuant to this Ordinance. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Ordinance with respect to interest checks being mailed to the Registered Owner at the close of business on the Record Date, the words "Cede & Co." in this Ordinance shall refer to such new nominee of DTC.

The previous execution and delivery of the Blanket Issuer Letter of Representations with respect to obligations of the Issuer is hereby ratified and confirmed; and the provisions thereof shall be fully applicable to the Bonds.

(g) Successor Securities Depository; Transfers Outside Book-Entry-Only System. In the event that the Issuer determines that DTC is incapable of discharging its responsibilities described herein and in the Blanket Issuer Letter of Representations to DTC or that it is in the best interest of the beneficial owners of the Bonds that they be able to obtain certificated Bonds, the Issuer shall (i) appoint a successor securities depository, qualified to act as such under Section 17A of the Securities and Exchange Act of 1934, as amended, notify DTC and DTC Participants of the appointment of such successor securities depository and transfer one or more separate Bonds to such successor securities depository or (ii) notify DTC and DTC Participants of the availability through DTC of Bonds and transfer one or more separate certificated Bonds to DTC Participants having Bonds credited to their DTC accounts. In such event, the Bonds shall no longer be restricted to being registered in the Registration Books in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names Registered Owners transferring or exchanging Bonds shall designate, in accordance with the provisions of this Ordinance.

(h) Payments to Cede & Co. Notwithstanding any other provision of this Ordinance to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, in the manner provided in the Blanket Issuer Letter of Representations to DTC.

(i) Cancellation of Initial Bonds. On the closing date, one Initial Bond, representing the entire principal amount of a Series of the Bonds, payable in stated installments to the purchaser designated in Section 10 or its designee, executed by manual or facsimile signature of the Mayor and City Secretary of the Issuer, approved by the Attorney General, and registered and manually signed by the Comptroller, will be delivered to such purchaser or its designee. Upon payment for such Initial Bond, the Paying Agent/Registrar shall cancel such Initial Bond and deliver to DTC on behalf of such purchaser one registered definitive Bond for each year of maturity of the Bonds, in the aggregate principal amount of all of the Bonds for such maturity. To the extent that the Paying Agent/Registrar is eligible to participate in DTC's FAST System, pursuant to an agreement between the Paying Agent/Registrar and DTC, the Paying Agent/Registrar shall hold the definitive Bonds in safekeeping for DTC.

(j) Conditional Notice of Redemption. With respect to any optional redemption of the Bonds, unless the prerequisites to such redemption required by this Ordinance have been met and moneys sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice shall state that said redemption may, at the option of the Issuer, be conditional upon the satisfaction of such prerequisites and receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption and sufficient moneys are not received, such notice shall be of no force and effect, the Issuer shall not redeem such Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

SECTION 4. FORM OF BONDS. The form of the Bonds, including the form of Paying Agent/Registrar's Authentication Certificate, the form of Assignment and the form of Comptroller's Registration Certificate to be attached to the Bonds initially issued and delivered pursuant to this Ordinance, shall be, respectively, substantially as follows, with such appropriate variations, omissions or insertions as are permitted or required by this Ordinance, and with the Form of Bond to be modified pursuant to, and completed with information set forth in, the Pricing Certificate.

(a) [Form of Bond]

NO. R-	UNITED STATES OF AMERICA STATE OF TEXAS CITY OF DENTON GENERAL OBLIGATION REFUNDING [AND IMPROVEMENT] BOND SERIES 2026	PRINCIPAL AMOUNT \$_____
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Interest Rate	Dated Date	Maturity Date	CUSIP No.
	_____, 20__	February 15, ____	

REGISTERED OWNER:

PRINCIPAL AMOUNT:

DOLLARS

ON THE MATURITY DATE specified above, the City of Denton, in Denton County, Texas (the "Issuer"), being a political subdivision and municipal corporation of the State of Texas, hereby promises to pay to the Registered Owner specified above, or registered assigns (hereinafter called the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above. The Issuer promises to pay interest on the unpaid principal amount hereof (calculated on the basis of a 360-day year of twelve 30-day months) from the Delivery Date at the Interest Rate per annum specified above. Interest is payable on _____, 20__ and semiannually on each _____ and _____ thereafter to the Maturity Date specified above, or the date of redemption prior to maturity; except, if this Bond is required to be authenticated and the date of its authentication is later than the first Record Date (hereinafter defined), such Principal Amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date; provided, however, that if on the date of authentication hereof the interest on the Bond or Bonds, if any, for which this Bond is being exchanged is due but has not been paid, then this Bond shall bear interest from the date to which such interest has been paid in full.

THE PRINCIPAL OF AND INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Bond shall be paid to the Registered Owner hereof upon presentation and surrender of this Bond at maturity, or upon the date fixed for its redemption prior to maturity, at the principal corporate trust office of BOKF, NA, Dallas, Texas, which is the "Paying Agent/Registrar" for this Bond. The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the Registered Owner hereof on each interest payment date by check or draft, dated as of such interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the Issuer required by the ordinance authorizing the issuance of this Bond (the "Bond Ordinance") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check or draft shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the Registered Owner hereof, at its address as it appeared on the last business day of the month preceding each such date (the "Record Date") on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described. In addition, interest may be paid by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Registered Owner. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Issuer. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each Registered Owner of a Bond appearing on the Registration Books at the close of business on the last business day next preceding the date of mailing of such notice.

ANY ACCRUED INTEREST due at maturity or upon the redemption of this Bond prior to maturity as provided herein shall be paid to the Registered Owner upon presentation and surrender of this Bond for redemption and payment at the principal corporate trust office of the Paying Agent/Registrar. The Issuer covenants with the Registered Owner of this Bond that on or before each principal payment date, interest payment date, and accrued interest payment date for this Bond it will make available to the Paying Agent/Registrar, from the "Interest and Sinking Fund" created by the Bond Ordinance, the amounts required

to provide for the payment, in immediately available funds, of all principal of and interest on the Bonds, when due.

IF THE DATE for the payment of the principal of or interest on this Bond shall be a Saturday, Sunday, a legal holiday or a day on which banking institutions in the city where the principal corporate trust office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day that is not such a Saturday, Sunday, legal holiday or day on which banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

THIS BOND is one of a series of Bonds dated _____, 20__, authorized in accordance with the Constitution and laws of the State of Texas in the principal amount of \$_____ (i) for the public purpose of refunding the Refunded Obligations, [(ii) for the purpose of the acquisition of property and making improvements for public purposes in the Issuer, to wit: (A) street improvements, (B) fire public safety facilities, and (C) drainage and flood control improvements,] and (iii) to pay the costs associated with the issuance of the Bonds.

ON _____, 20__, or on any date thereafter, the Bonds of this series may be redeemed prior to their scheduled maturities, at the option of the Issuer, with funds derived from any available and lawful source, as a whole, or in part, and, if in part, the particular Bonds, or portions thereof, to be redeemed shall be selected and designated by the Issuer (provided that a portion of a Bond may be redeemed only in an integral multiple of \$5,000), at a redemption price equal to the principal amount to be redeemed plus accrued interest to the date fixed for redemption.

[THE BONDS scheduled to mature on _____ in the years ____ and ____ (the "Term Bonds") are subject to scheduled mandatory redemption by the Paying Agent/Registrar by lot, or by any other customary method that results in a random selection, at a price equal to the principal amount thereof, plus accrued interest to the redemption date, out of moneys available for such purpose in the interest and sinking fund for the Bonds, on the dates and in the respective principal amounts, set forth in the following schedule:

Term Bond Maturity: February 15, 20__		Term Bond Maturity: February 15, 20__	
Mandatory Redemption Date	Principal Amount	Mandatory Redemption Date	Principal Amount
February 15, 20__	\$ _____	February 15, 20__	\$ _____
February 15, 20__	_____	February 15, 20__	_____
February 15, 20__	_____	February 15, 20__	_____
February 15, 20__ (maturity)	_____	February 15, 20__ (maturity)	_____

The principal amount of Term Bonds of a stated maturity required to be redeemed on any mandatory redemption date pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the Issuer, by the principal amount of any Term Bonds of the same maturity which, at least 50 days prior to a mandatory redemption date (1) shall have been acquired by the Issuer at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the Issuer at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase, or (3) shall have been redeemed pursuant to

the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.]

AT LEAST 30 days prior to the date fixed for any redemption of Bonds or portions thereof prior to maturity a written notice of such redemption shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, to the Registered Owner of each Bond to be redeemed at its address as it appeared on the 45th day prior to such redemption date; provided, however, that the failure of the Registered Owner to receive such notice, or any defect therein or in the sending or mailing thereof, shall not affect the validity or effectiveness of the proceedings for the redemption of any Bond. By the date fixed for any such redemption due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Bonds or portions thereof that are to be so redeemed. If such written notice of redemption is sent and if due provision for such payment is made, all as provided above, the Bonds or portions thereof that are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the Registered Owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment. If a portion of any Bond shall be redeemed, a substitute Bond or Bonds having the same maturity date, bearing interest at the same rate, in any denomination or denominations in any integral multiple of \$5,000, at the written request of the Registered Owner, and in aggregate principal amount equal to the unredeemed portion thereof, will be issued to the Registered Owner upon the surrender thereof for cancellation, at the expense of the Issuer, all as provided in the Bond Ordinance.

IF AT THE TIME OF MAILING of notice of optional redemption there shall not have either been deposited with the Paying Agent/Registrar or legally authorized escrow agent immediately available funds sufficient to redeem all the Bonds called for redemption, such notice may state that it is conditional, and is subject to the deposit of the redemption moneys with the Paying Agent/Registrar or legally authorized escrow agent at or prior to the redemption date or any prerequisite set forth in such notice of redemption. If such redemption is not effectuated, the Paying Agent/Registrar shall, within five days thereafter, give notice in the manner in which the notice of redemption was given that such moneys were not so received or such prerequisites were not met and shall rescind the redemption.

ALL BONDS OF THIS SERIES are issuable solely as fully registered bonds, without interest coupons, in the denomination of any integral multiple of \$5,000. As provided in the Bond Ordinance, this Bond may, at the request of the Registered Owner or the assignee or assignees hereof, be assigned, transferred, converted into and exchanged for a like aggregate principal amount of fully registered Bonds, without interest coupons, payable to the appropriate Registered Owner, assignee or assignees, as the case may be, having the same denomination or denominations in any integral multiple of \$5,000 as requested in writing by the appropriate Registered Owner, assignee or assignees, as the case may be, upon surrender of this Bond to the Paying Agent/Registrar for cancellation, all in accordance with the form and procedures set forth in the Bond Ordinance. Among other requirements for such assignment and transfer, this Bond must be presented and surrendered to the Paying Agent/Registrar, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment of this Bond or any portion or portions hereof in any integral multiple of \$5,000 to the assignee or assignees in whose name or names this Bond or any such portion or portions hereof is or are to be registered. The Form of Assignment printed or endorsed on this Bond may be executed by the Registered Owner to evidence the assignment hereof, but such method is not exclusive, and other instruments of assignment satisfactory to the Paying Agent/Registrar may be used to evidence the assignment of this Bond or any portion or portions hereof from time to time by the Registered Owner. The Paying Agent/Registrar's reasonable standard or customary fees and charges for assigning, transferring, converting and exchanging any Bond or portion thereof will be paid by the Issuer. In any circumstance, any taxes or governmental

charges required to be paid with respect thereto shall be paid by the one requesting such assignment, transfer, conversion or exchange, as a condition precedent to the exercise of such privilege. The Paying Agent/Registrar shall not be required to make any such transfer, conversion, or exchange (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or (ii) with respect to any Bond or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

IN THE EVENT any Paying Agent/Registrar for the Bonds is changed by the Issuer, resigns, or otherwise ceases to act as such, the Issuer has covenanted in the Bond Ordinance that it promptly will appoint a competent and legally qualified substitute therefor, and cause written notice thereof to be mailed to the Registered Owners of the Bonds.

IT IS HEREBY certified, recited and covenanted that this Bond has been duly and validly authorized, issued and delivered; that all acts, conditions and things required or proper to be performed, exist and be done precedent to or in the authorization, issuance and delivery of this Bond have been performed, existed and been done in accordance with law; and that annual ad valorem taxes sufficient to provide for the payment of the interest on and principal of this Bond, as such interest comes due and such principal matures, have been levied and ordered to be levied against all taxable property in said Issuer, and have been pledged for such payment, within the limit prescribed by law.

THE ISSUER HAS RESERVED THE RIGHT to amend the Bond Ordinance as provided therein, and under some (but not all) circumstances amendments thereto must be approved by the Registered Owners of a majority in aggregate principal amount of the outstanding Bonds.

BY BECOMING the Registered Owner of this Bond, the Registered Owner thereby acknowledges all of the terms and provisions of the Bond Ordinance, agrees to be bound by such terms and provisions, acknowledges that the Bond Ordinance is duly recorded and available for inspection in the official minutes and records of the governing body of the Issuer, and agrees that the terms and provisions of this Bond and the Bond Ordinance constitute a contract between each Registered Owner hereof and the Issuer.

IN WITNESS WHEREOF, the Issuer has caused this Bond to be signed with the manual or facsimile signature of the Mayor of the Issuer (or in the Mayor's absence, of the Mayor Pro-Tem) and countersigned with the manual or facsimile signature of the City Secretary of said Issuer, and has caused the official seal of the Issuer to be duly impressed, or placed in facsimile, on this Bond.

(signature)
City Secretary

(signature)
Mayor

(SEAL)

[INSERT BOND INSURANCE LEGEND, IF ANY]

(b) [Form of Paying Agent/Registrar's Authentication Certificate]

PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

(To be executed if this Bond is not accompanied by an executed Comptroller's Registration Certificate)

It is hereby certified that this Bond has been issued under the provisions of the Bond Ordinance described in the text of this Bond; and that this Bond has been issued in conversion or replacement of, or in exchange for, a bond, bonds, or a portion of a bond or bonds of a series that originally was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

Dated: _____

BOKF, NA, Dallas, Texas
Paying Agent/Registrar

By: _____
Authorized Representative

(c) [Form of Assignment]

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto _____.

Please insert Social Security or Taxpayer Identification Number of Transferee

(Please print or typewrite name and address, including zip code, of Transferee.)

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____, attorney, to register the transfer of the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

NOTICE: Signature(s) must be guaranteed by an eligible guarantor institution participating in a securities transfer association recognized signature guarantee program.

NOTICE: The signature above must correspond with the name of the Registered Owner as it appears upon the front of this bond in every particular, without alteration or enlargement or any change whatsoever.

(d) [Form of Comptroller's Registration Certificate]

COMPTROLLER'S REGISTRATION CERTIFICATE: REGISTER NO. _____

I hereby certify that this Bond has been examined, certified as to validity and approved by the Attorney General of the State of Texas, and that this Bond has been registered by the Comptroller of Public Accounts of the State of Texas.

Witness my signature and seal this

Comptroller of Public Accounts of the State of Texas

(COMPTROLLER'S SEAL)

(e) [Initial Bond Insertions]

(i) The Initial Bonds shall be in the form set forth in paragraph (a) of this Section, except that:

A. immediately under the name of the Bond, the headings "Interest Rate" and "Maturity Date" shall both be completed with the words "As shown below" and "CUSIP No. _____" shall be deleted.

B. the first paragraph shall be deleted and the following will be inserted:

"THE CITY OF DENTON, TEXAS, in Denton County, Texas (the "Issuer"), being a political subdivision and municipal corporation of the State of Texas, hereby promises to pay to the Registered Owner specified above, or registered assigns (hereinafter called the "Registered Owner"), on February 15 in each of the years, in the principal installments and bearing interest at the per annum rates set forth in the following schedule:

<u>Years</u>	<u>Principal Installments (\$)</u>	<u>Interest Rates (%)</u>
--------------	------------------------------------	---------------------------

(Information from Pricing Certificate to be inserted)

The Issuer promises to pay interest on the unpaid principal amount hereof (calculated on the basis of a 360-day year of twelve 30-day months) from the Delivery Date at the respective Interest Rate per annum specified above. Interest is payable on _____, 20__, and semiannually on each _____ and _____ thereafter to the date of payment of the principal installment specified above, or the date of redemption prior to maturity; except, that if this Bond is required to be authenticated and the date of its authentication is later than the first Record Date (hereinafter defined), such Principal Amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date; provided, however, that if on the date of authentication hereof the interest on the Bond or Bonds, if any, for which this Bond is being exchanged is due but has not been paid, then this Bond shall bear interest from the date to which such interest has been paid in full."

C. The Initial Bond shall be numbered "T-1."

SECTION 5. INTEREST AND SINKING FUND.

(a) A special Interest and Sinking Fund (the "Interest and Sinking Fund") is hereby created solely for the benefit of the Bonds, and the Interest and Sinking Fund shall be established and maintained by the Issuer at an official depository bank of the Issuer. The Interest and Sinking Fund shall be kept separate and apart from all other funds and accounts of the Issuer, and shall be used only for paying the interest on and principal of the Bonds. All ad valorem taxes levied and collected for and on account of the Bonds, together with any accrued interest received upon sale of the Bonds, shall be deposited, as collected, to the credit of the Interest and Sinking Fund. During each year while any of the Bonds or interest thereon are outstanding and unpaid, the governing body of the Issuer shall compute and ascertain a rate and amount of ad valorem tax which will be sufficient to raise and produce the money required to pay the interest on the Bonds as such interest becomes due, and to provide and maintain a sinking fund adequate to pay the principal of its Bonds as such principal matures or is scheduled for redemption (but never less than 2% of the original principal amount of the Bonds as a sinking fund each year). Said tax shall be based on the latest approval tax rolls of the Issuer, with full allowance being made for tax delinquencies and the cost of tax collection. Said rate and amount of ad valorem tax is hereby levied, and is hereby ordered to be levied, against all taxable property in the Issuer for each year while any of the Bonds or interest thereon are outstanding and unpaid; and said tax shall be assessed and collected each such year and deposited to the credit of the aforesaid Interest and Sinking Fund. Said ad valorem taxes sufficient to provide for the payment of the interest on and principal of the Bonds, as such interest comes due and such principal matures or is scheduled for redemption, are hereby pledged for such payment, within the limit prescribed by law. Notwithstanding the requirements of this Section, if Surplus Revenues or other lawfully available moneys of the Issuer are actually on deposit or budgeted and appropriated to be deposited in the Interest and Sinking Fund in advance of the time when ad valorem taxes are scheduled to be levied for any year, then the amount of taxes that otherwise would have been required to be levied pursuant to this Section may be reduced to the extent and by the amount of the Surplus Revenues or other lawfully available funds then on deposit or budgeted and appropriated to be deposited in the Interest and Sinking Fund. For purposes of this Section, "Surplus Revenues" means revenues derived by the Issuer from the ownership and operation of the Issuer's Utility System (consisting of its combined waterworks system, sanitary sewer system, and electric light and power system) that remain after the payment of all maintenance and operation expenses thereof, and all debt service, reserve and other requirements in connection with all of the Issuer's revenue obligations (now or hereafter outstanding) or contractual obligations (now or hereafter existing) which are payable from all or any part of the net revenues of the Issuer's Utility System. If Surplus Revenues are budgeted and appropriated for deposit into the Interest and Sinking Fund, the Issuer:

- (i) shall transfer and deposit in the Interest and Sinking Fund each month an amount of not less than 1/12th of the annual debt service on the Bonds to be paid from Surplus Revenues until the amount on deposit in the Interest and Sinking Fund equals the amount required for annual debt service on the Bonds;
- (ii) shall establish, adopt and maintain an annual budget that provides for either the monthly deposit of sufficient Surplus Revenues and/or tax revenues, the monthly deposit of any other legally available funds on hand at the time of the adoption of the annual budget, or a combination thereof, into the Interest and Sinking Fund for the repayment of the Bonds; and
- (iii) shall at all times maintain and collect sufficient Utility System rates and charges in conjunction with any other legally available funds that, after payment of the costs of operating and maintaining the Utility System, produce revenues in an amount not less than the debt service requirements of all outstanding Utility System revenue bonds of the Issuer and other obligations of the Issuer which are

secured in whole or in part by a pledge of revenues of the Utility System and for which the Issuer is budgeting the repayment of such obligations from the revenues of the Utility System, or the Issuer shall provide documentation which evidences the levy of an ad valorem tax rate dedicated to the Interest and Sinking Fund, in conjunction with any other legally available funds except Utility System rates and charges, sufficient for the repayment of Utility System debt service requirements.

(b) Chapter 1208, Texas Government Code, applies to the issuance of the Bonds and the pledge of the taxes granted by the Issuer under this Section and Section 9, respectively, and is therefore valid, effective, and perfected. Should Texas law be amended at any time while the Bonds are outstanding and unpaid, the result of such amendment being that the pledge of the taxes granted by the Issuer under this Section is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, in order to preserve to the Registered Owners of the Bonds a security interest in said pledge, the Issuer agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Texas Business & Commerce Code and enable a filing of a security interest in said pledge to occur.

SECTION 6. DEFEASANCE OF BONDS.

(a) Any Bond and the interest thereon shall be deemed to be paid, retired and no longer outstanding (a "Defeased Bond") within the meaning of this Ordinance, except to the extent provided in subsection (d) of this Section, when payment of the principal of such Bond, plus interest thereon to the due date (whether such due date be by reason of maturity or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar in accordance with an escrow agreement or other instrument (the "Future Escrow Agreement") for such payment (1) lawful money of the United States of America sufficient to make such payment or (2) Government Obligations that mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, and when proper arrangements have been made by the Issuer with the Paying Agent/Registrar for the payment of its services until all Defeased Bonds shall have become due and payable. At such time as a Bond shall be deemed to be a Defeased Bond hereunder, as aforesaid, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes herein levied and pledged as provided in this Ordinance, and such principal and interest shall be payable solely from such money or Government Obligations. Notwithstanding any other provision of this Ordinance to the contrary, it is hereby provided that any determination not to redeem Defeased Bonds that is made in conjunction with the payment arrangements specified in Subsection (a)(i) or (ii) of this Section shall not be irrevocable, provided that: (1) in the proceedings providing for such payment arrangements, the Issuer expressly reserves the right to call the Defeased Bonds for redemption; (2) gives notice of the reservation of that right to the Registered Owners of the Defeased Bonds immediately following the making of the payment arrangements; and (3) directs that notice of the reservation be included in any redemption notices that it authorizes.

(b) Any moneys so deposited with the Paying Agent/Registrar may at the written direction of the Issuer be invested in Government Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from such Government Obligations received by the Paying Agent/Registrar that is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, shall be turned over to the Issuer, or deposited as directed in writing by the Issuer. Any Future Escrow Agreement pursuant to which the money and/or Government Obligations are held for the payment of Defeased Bonds may contain provisions permitting the investment or reinvestment of such moneys in Government Obligations or the substitution of other Government Obligations upon the satisfaction of the requirements specified in Subsection (a)(i) or (ii) of this Section. All income from such Government

Obligations received by the Paying Agent/Registrar which is not required for the payment of the Defeased Bonds, with respect to which such money has been so deposited, shall be remitted to the Issuer or deposited as directed in writing by the Issuer.

(c) Unless modified in the Pricing Certificate, the term "Government Obligations" means any securities and obligations now or hereafter authorized by state law that are eligible to discharge obligations such as the Bonds, including (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the Issuer adopts or approves the proceedings authorizing the financial arrangements, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the Issuer adopts or approves the proceedings authorizing the financial arrangements, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent.

(d) Until all Defeased Bonds shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for such Defeased Bonds the same as if they had not been defeased, and the Issuer shall make proper arrangements to provide and pay for such services as required by this Ordinance.

(e) In the event that the Issuer elects to defease less than all of the principal amount of Bonds of a maturity, the Paying Agent/Registrar shall select, or cause to be selected, such amount of Bonds by such random method as it deems fair and appropriate.

SECTION 7. DAMAGED, MUTILATED, LOST, STOLEN, OR DESTROYED BONDS.

(a) Replacement Bonds. In the event any outstanding Bond is damaged, mutilated, lost, stolen or destroyed, the Paying Agent/Registrar shall cause to be printed, executed and delivered, a new Bond of the same principal amount, maturity and interest rate, as the damaged, mutilated, lost, stolen or destroyed Bond, in replacement for such Bond in the manner hereinafter provided.

(b) Application for Replacement Bonds. Application for replacement of damaged, mutilated, lost, stolen or destroyed Bonds shall be made by the Registered Owner thereof to the Paying Agent/Registrar. In every case of loss, theft or destruction of a Bond, the Registered Owner applying for a replacement Bond shall furnish to the Issuer and to the Paying Agent/Registrar such security or indemnity as may be required by them to save each of them harmless from any loss or damage with respect thereto. Also, in every case of loss, theft or destruction of a Bond, the Registered Owner shall furnish to the Issuer and to the Paying Agent/Registrar evidence to their satisfaction of the loss, theft or destruction of such Bond, as the case may be. In every case of damage or mutilation of a Bond, the Registered Owner shall surrender to the Paying Agent/Registrar for cancellation the Bond so damaged or mutilated.

(c) No Default Occurred. Notwithstanding the foregoing provisions of this Ordinance, in the event any such Bond shall have matured, and no default has occurred that is then continuing in the payment of the principal of, redemption premium, if any, or interest on the Bond, the Issuer may authorize the payment of the same (without surrender thereof except in the case of a damaged or mutilated Bond) instead of issuing a replacement Bond, provided security or indemnity is furnished as above provided in this Section.

(d) Charge for Issuing Replacement Bonds. Prior to the issuance of any replacement Bond, the Paying Agent/Registrar shall charge the Registered Owner of such Bond with all legal, printing, and other expenses in connection therewith. Every replacement Bond issued pursuant to the provisions of this Section by virtue of the fact that any Bond is lost, stolen or destroyed shall constitute a contractual obligation of the Issuer whether or not the lost, stolen or destroyed Bond shall be found at any time, or be enforceable by anyone, and shall be entitled to all the benefits of this Ordinance equally and proportionately with any and all other Bonds duly issued under this Ordinance.

(e) Authority for Issuing Replacement Bonds. In accordance with Sec. 1206.022, Government Code, this Section 7 of this Ordinance shall constitute authority for the issuance of any such replacement Bond without necessity of further action by the governing body of the Issuer or any other body or person, and the duty of the replacement of such Bonds is hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such Bonds in the form and manner and with the effect, as provided in Section 3(a) of this Ordinance for Bonds issued in conversion and exchange for other Bonds.

SECTION 8. CUSTODY, APPROVAL, AND REGISTRATION OF BONDS; BOND COUNSEL'S OPINION; CUSIP NUMBERS AND CONTINGENT INSURANCE PROVISION, IF OBTAINED; ENGAGEMENT OF BOND COUNSEL.

(a) The Mayor of the Issuer is hereby authorized to have control of the Initial Bonds and all necessary records and proceedings pertaining to the Bonds pending its delivery and its investigation, examination, and approval by the Attorney General, and its registration by the Comptroller. Upon registration of an Initial Bond said Comptroller (or a deputy designated in writing to act for said Comptroller) shall manually sign the Comptroller's Registration Certificate attached to such Bond, and the seal of said Comptroller shall be impressed, or placed in facsimile, on such Bond. The approving legal opinion of the Issuer's Bond Counsel and the assigned CUSIP numbers may, at the option of the Issuer, be printed on the Bonds issued and delivered under this Ordinance, but neither shall have any legal effect, and shall be solely for the convenience and information of the Registered Owners of the Bonds. In addition, if bond insurance is obtained, the Bonds may bear an appropriate legend as provided by the insurer.

(b) The obligation of the Purchaser to accept delivery of the Bonds is subject to the Purchaser being furnished with the final, approving opinion of McCall, Parkhurst & Horton L.L.P., bond counsel to the Issuer, which opinion shall be dated as of and delivered on the date of initial delivery of the Bonds to the Purchaser. The engagement of such firm as bond counsel to the Issuer in connection with the issuance, sale and delivery of the Bonds is hereby approved and confirmed. The execution and delivery of an engagement letter between the Issuer and such firm, with respect to such services as bond counsel, is hereby authorized in such form as may be approved by the Mayor, and the Mayor is hereby authorized to execute such engagement letter.

SECTION 9. COVENANTS REGARDING TAX EXEMPTION OF INTEREST ON THE BONDS.

(a) Covenants. The Issuer covenants to take any action necessary to assure, or refrain from any action that would adversely affect, the treatment of the Bonds as obligations described in section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation. In furtherance thereof, the Issuer covenants as follows:

(1) to take any action to assure that no more than 10 percent of the proceeds of the Bonds or the projects financed therewith (less amounts deposited to a reserve fund, if any) are used for any

"private business use," as defined in section 141(b)(6) of the Code or, if more than 10 percent of the proceeds or the projects financed or refinanced therewith are so used, such amounts, whether or not received by the Issuer, with respect to such private business use, do not, under the terms of this Ordinance or any underlying arrangement, directly or indirectly, secure or provide for the payment of more than 10 percent of the debt service on the Bonds, in contravention of section 141(b)(2) of the Code;

(2) to take any action to assure that in the event that the "private business use" described in subsection (1) hereof exceeds 5 percent of the proceeds of the Bonds or the projects financed therewith (less amounts deposited into a reserve fund, if any) then the amount in excess of 5 percent is used for a "private business use" that is "related" and not "disproportionate," within the meaning of section 141(b)(3) of the Code, to the governmental use;

(3) to take any action to assure that no amount that is greater than the lesser of \$5,000,000, or 5 percent of the proceeds of the Bonds (less amounts deposited into a reserve fund, if any) is directly or indirectly used to finance loans to persons, other than state or local governmental units, in contravention of section 141(c) of the Code;

(4) to refrain from taking any action that would otherwise result in the Bonds being treated as "private activity bonds" within the meaning of section 141(b) of the Code;

(5) to refrain from taking any action that would result in the Bonds being "federally guaranteed" within the meaning of section 149(b) of the Code;

(6) to refrain from using any portion of the proceeds of the Bonds, directly or indirectly, to acquire or to replace funds that were used, directly or indirectly, to acquire investment property (as defined in section 148(b)(2) of the Code) that produces a materially higher yield over the term of the Bonds, other than investment property acquired with:

(A) proceeds of the Bonds invested for a reasonable temporary period of 3 years or less or, in the case of a refunding bond, for a period of 90 days or less until such proceeds are needed for the purpose for which the bonds are issued,

(B) amounts invested in a bona fide debt service fund, within the meaning of section 1.148-1(b) of the rules and regulations of the United States Department of the Treasury ("Treasury Regulations"), and

(C) amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed 10 percent of the proceeds of the Bonds;

(7) to otherwise restrict the use of the proceeds of the Bonds or amounts treated as proceeds of the Bonds, as may be necessary, so that the Bonds do not otherwise contravene the requirements of section 148 of the Code (relating to arbitrage);

(8) to refrain from using the proceeds of the Bonds or proceeds of any prior bonds to pay debt service on another issue more than 90 days after the date of issue of the Bonds in contravention of the requirements of section 149(d) of the Code (relating to advance refundings); and

(9) to pay to the United States of America at least once during each five-year period (beginning on the date of delivery of the Bonds) an amount that is at least equal to 90 percent of the "Excess

Earnings," within the meaning of section 148(f) of the Code and to pay to the United States of America, not later than 60 days after the Bonds have been paid in full, 100 percent of the amount then required to be paid as a result of Excess Earnings under section 148(f) of the Code.

(b) Rebate Fund. In order to facilitate compliance with the above covenant (a)(9), a "Rebate Fund" is hereby established by the Issuer for the sole benefit of the United States of America, and such Rebate Fund shall not be subject to the claim of any other person, including without limitation the Bondholders. The Rebate Fund is established for the additional purpose of compliance with section 148 of the Code.

(c) Use of Proceeds. The Issuer understands that the term "proceeds" includes "disposition proceeds" as defined in the Treasury Regulations and, in the case of refunding bonds, transferred proceeds (if any) and proceeds of the refunded bonds expended prior to the date of issuance of the Bonds. It is the understanding of the Issuer that the covenants contained herein are intended to assure compliance with the Code and any regulations or rulings promulgated by the United States Department of the Treasury pursuant thereto. In the event that regulations or rulings are hereafter promulgated that modify or expand provisions of the Code, as applicable to the Bonds, the Issuer will not be required to comply with any covenant contained herein to the extent that such failure to comply, in the opinion of nationally recognized bond counsel, will not adversely affect the exemption from federal income taxation of interest on the Bonds under section 103 of the Code. In the event that regulations or rulings are hereafter promulgated that impose additional requirements applicable to the Bonds, the Issuer agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally recognized bond counsel, to preserve the exemption from federal income taxation of interest on the Bonds under section 103 of the Code. In furtherance of such intention, the Issuer hereby authorizes and directs the Mayor or Pricing Officer to execute any documents, certificates or reports required by the Code and to make such elections, on behalf of the Issuer, that may be permitted by the Code as are consistent with the purpose for the issuance of the Bonds.

(d) Allocation of, and Limitation on, Expenditures for the Projects. The Issuer covenants to account for the expenditure of sale proceeds and investment earnings to be used for the construction and acquisition of the Improvement Projects on its books and records in accordance with the requirements of the Code. The Issuer recognizes that in order for the proceeds to be considered used for the reimbursement of costs, the proceeds must be allocated to expenditures within 18 months of the later of the date that (1) the expenditure is made, or (2) the Improvement Projects are completed; but in no event later than three years after the date on which the original expenditure is paid. The foregoing notwithstanding, the Issuer recognizes that in order for proceeds to be expended under the Code, the sale proceeds or investment earnings must be expended no more than 60 days after the earlier of (1) the fifth anniversary of the delivery of the Bonds, or (2) the date the Bonds are retired. The Issuer agrees to obtain the advice of nationally-recognized bond counsel if such expenditure fails to comply with the foregoing to assure that such expenditure will not adversely affect the tax-exempt status of the Bonds. For purposes hereof, the issuer shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

(e) Disposition of Projects. The Issuer covenants that the property constituting the Improvement Projects and the projects refinanced by the Bonds will not be sold or otherwise disposed in a transaction resulting in the receipt by the Issuer of cash or other compensation, unless any action taken in connection with such disposition will not adversely affect the tax-exempt status of the Bonds. For purposes of the foregoing, the Issuer may rely on an opinion of nationally-recognized bond counsel that the action taken in connection with such sale or other disposition will not adversely affect the tax-exempt status of the Bonds. For purposes of the foregoing, the portion of the property comprising personal property and disposed in the ordinary course shall not be treated as a transaction resulting in the receipt of cash or other compensation.

For purposes hereof, the Issuer shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

SECTION 10. SALE OF BONDS AND APPROVAL OF OFFICIAL STATEMENT; FURTHER PROCEDURES.

(a) Each Series of Bonds shall be sold and delivered subject to the provisions of Section 1 and Section 2 hereof through a negotiated sale, competitive sale or private placement and pursuant to the terms and provisions of a purchase contract or a notice of sale and official bid form (in each case, a "Purchase Agreement"), the terms and provisions of which are to be determined by the Pricing Officer in accordance with Section 2 hereof, and in which the purchaser or purchasers of the Bonds (the "Purchaser") shall be designated. The Pricing Officer is hereby authorized to execute and deliver one or more Purchase Agreement for and on behalf of the Issuer. The Bonds shall initially be registered in the name of the Purchaser or its designee.

(b) The Issuer hereby approves the form and content of the draft preliminary official statement relating to the Bonds and any addenda, supplement or amendment thereto, and approves the distribution of one or more preliminary official statement or other preliminary offering document in the reoffering of the Bonds by the Purchaser in final form, with such changes therein or additions thereto as the Pricing Officer may deem advisable. The Pricing Officer is hereby authorized, in the name and on behalf of the Issuer, to approve, distribute, and deliver one or more final official statement or other final offering document relating to the Bonds to be used by the Purchaser in the marketing of the Bonds.

(c) The Pricing Officer is authorized, in connection with effecting the sale of the Bonds, to obtain from a municipal bond insurance company so designated in the Pricing Certificate (the "Insurer") a municipal bond insurance policy (the "Insurance Policy") in support of the Bonds. To that end, should the Pricing Officer exercise such authority and commit the Issuer to obtain a municipal bond insurance policy, for so long as the Insurance Policy is in effect, the requirements of the Insurer relating to the issuance of the Insurance Policy as set forth in the Pricing Certificate are incorporated by reference into this Ordinance and made a part hereof for all purposes, notwithstanding any other provision of this Ordinance to the contrary. The Pricing Officer shall have the authority to execute any documents to effect the issuance of the Insurance Policy by the Insurer, including commitment agreements, membership agreements in mutual insurance companies and other similar agreements.

(d) The Mayor and Mayor Pro Tem, the City Manager, Pricing Officer and City Secretary and all other officers, employees and agents of the Issuer, and each of them, shall be and they are hereby expressly authorized, empowered and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge and deliver in the name and under the corporate seal and on behalf of the Issuer a Paying Agent/Registrar Agreement with the Paying Agent/Registrar and all other instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Ordinance, the Pricing Certificate, the Bonds, the sale of the Bonds, any Purchase Agreement and any official statement or other offering document. In case any officer whose signature shall appear on any Bond shall cease to be such officer before the delivery of such Bond, such signature shall nevertheless be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery.

SECTION 11. INTEREST EARNINGS ON BOND PROCEEDS. Interest earnings derived from the investment of proceeds from the sale of the Bonds issued for the Improvement Projects shall be used along with other Bond proceeds for the Improvement Projects; provided that after completion of such

purpose, if any of such interest earnings remain on hand, such interest earnings shall be deposited in the Interest and Sinking Fund. It is further provided, however, that any interest earnings on Bond proceeds that are required to be rebated to the United States of America pursuant to Section 9 hereof in order to prevent the Bonds from being arbitrage bonds shall be so rebated and not considered as interest earnings for the purposes of this Section.

SECTION 12. CONSTRUCTION FUND OR ACCOUNT; INVESTMENTS.

(a) The proceeds of sale of the Bonds, excluding any accrued interest received from the initial purchaser of the Bonds and any other amounts to be deposited into the Interest and Sinking Fund, any amounts to be deposited into the escrow fund under the escrow agreement approved in Section 16 of this Ordinance and amounts to pay costs of issuance of the Bonds, shall be deposited in one or more construction funds or accounts for use, along with any investment earnings thereon, by the Issuer for payment of all lawful costs associated with the acquisition and construction of the Improvement Projects as hereinbefore provided. Upon payment of all such costs, any moneys remaining on deposit in said funds or accounts, including investment earnings, shall be transferred to the Interest and Sinking fund. Amounts so deposited to the Interest and Sinking Fund shall be used in the manner described in Section 5 of this Ordinance.

(b) The Issuer may invest proceeds of the Bonds (including investment earnings thereon) issued for Improvement Projects and amounts deposited into the Interest and Sinking Fund in investments authorized by the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended; provided, however, that the Issuer hereby covenants that the proceeds of the sale of the Bonds will be used as soon as practicable for the purposes for which the Bonds are issued.

(c) All deposits authorized or required by this Ordinance shall be secured to the fullest extent required by law for the security of public funds.

SECTION 13. COMPLIANCE WITH RULE 15c2-12.

(a) Definitions. As used in this Section, the following terms have the meanings ascribed to such terms below:

"Financial Obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) a guarantee of (i) or (ii); provided however, that a "financial obligation" shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

"MSRB" means the Municipal Securities Rulemaking Board.

"Rule" means SEC Rule 15c2-12, as amended from time to time.

"SEC" means the United States Securities and Exchange Commission.

(b) Annual Reports.

(i) The Issuer shall provide annually to the MSRB, in the electronic format prescribed by the MSRB, financial information and operating data (the "Annual Operating Report") with respect to the Issuer of the general type included in the final official statement authorized by this Ordinance, being the information described in the Pricing Certificate. The Issuer will additionally provide financial

statements of the Issuer (the "Financial Statements"), that will be (i) prepared in accordance with the accounting principles described in the Pricing Certificate or such other accounting principles as the Issuer may be required to employ from time to time pursuant to State law or regulation and shall be in substantially the form included in the final official statement and (ii) audited, if the Issuer commissions an audit of such Financial Statements and the audit is completed within the period during which they must be provided. The Issuer will update and provide the Annual Operating Report within six months after the end of each fiscal year and the Financial Statements within 12 months of the end of each fiscal year, in each case beginning with the fiscal year ending in and after 2026. The Issuer may provide the Financial Statements earlier, including at the time it provides its Annual Operating Report, but if the audit of such Financial Statements is not complete within 12 months after any such fiscal year end, then the Issuer shall file unaudited Financial Statements within such 12-month period and audited Financial Statements for the applicable fiscal year, when and if the audit report on such Financial Statements becomes available. All documents provided to the MSRB pursuant to this Section shall be accompanied by identifying information as prescribed by the MSRB.

(ii) If the Issuer changes its fiscal year, it will notify the MSRB of the change (and of the date of the new fiscal year end) prior to the next date by which the Issuer otherwise would be required to provide financial information and operating data pursuant to this Section. The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document, if it is available from the MSRB) that theretofore has been provided to the MSRB or filed with the SEC.

(c) Event Notices.

(i) The Issuer shall notify the MSRB in an electronic format as prescribed by the MSRB, in a timely manner (but not in excess of ten business days after the occurrence of the event) of any of the following events with respect to the Bonds, if such event is material within the meaning of the federal securities laws:

1. Non-payment related defaults;
2. Modifications to rights of holders of the Bonds;
3. Bond calls;
4. Release, substitution, or sale of property securing repayment of the Bonds;
5. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;
6. Appointment of a successor or additional trustee or the change of name of a trustee; and
7. Incurrence of a Financial Obligation of the Issuer or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect security holders.

(ii) The Issuer shall notify the MSRB in an electronic format as prescribed by the MSRB, in a timely manner (but not in excess of ten business days after the occurrence of the event) of any of the following events with respect to the Bonds, without regard to whether such event is considered material within the meaning of the federal securities laws:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material events affecting the tax-exempt status of the Bonds;
6. Tender offers;
7. Defeasances;
8. Rating changes;
9. Bankruptcy, insolvency, receivership or similar event of an obligated person; and
10. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties.

(iii) The Issuer shall notify the MSRB, in a timely manner, of any failure by the Issuer to provide financial information or operating data in accordance with subsection (b) of this Section by the time required by such subsection.

(d) Limitations, Disclaimers, and Amendments.

(i) The Issuer shall be obligated to observe and perform the covenants specified in this Section for so long as, but only for so long as, the Issuer remains an "obligated person" with respect to the Bonds within the meaning of the Rule, except that the Issuer in any event will give notice of any deposit made in accordance with this Ordinance or applicable law that causes the Bonds no longer to be outstanding.

(ii) The provisions of this Section are for the sole benefit of the Registered Owners and beneficial owners of the Bonds, and nothing in this Section, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The Issuer undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Section and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the Issuer's financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Section or otherwise, except as expressly provided herein. The Issuer does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

(iii) UNDER NO CIRCUMSTANCES SHALL THE ISSUER BE LIABLE TO THE REGISTERED OWNER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE ISSUER, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS SECTION, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

(iv) No default by the Issuer in observing or performing its obligations under this Section shall comprise a breach of or default under this Ordinance for purposes of any other provision of this Ordinance. Nothing in this Section is intended or shall act to disclaim, waive, or otherwise limit the duties of the Issuer under federal and state securities laws.

(v) Notwithstanding anything to the contrary in Section 14 hereof, the provisions of this Section may be amended by the Issuer from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Issuer, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the Registered Owners of a majority in aggregate principal amount (or any greater amount required by any other provision of this Ordinance that authorizes such an amendment) of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the Issuer (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the Registered Owners and beneficial owners of the Bonds. The Issuer may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the Issuer so amends the provisions of this Section, it shall include with any amended financial information or operating data next provided in accordance with subsection (b) of this Section an explanation, in narrative form, of the reason for the amendment and of the impact of any change in the type of financial information or operating data so provided.

(e) Amendment of the Rule. The provisions of this Section shall be revised by the Pricing Officer to reflect the requirements of the Rule if the Rule is amended after the adoption of this Ordinance but prior to the delivery of the Bonds so as to permit an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule. Any such revisions shall be set forth in the Pricing Certificate and are incorporated by reference into this Ordinance and made a part hereof for all purposes, notwithstanding any other provision of this Ordinance to the contrary.

SECTION 14. METHOD OF AMENDMENT. The Issuer hereby reserves the right to amend this Ordinance subject to the following terms and conditions, to-wit:

(a) The Issuer may from time to time, without the consent of any holder, except as otherwise required by paragraph (b) below, amend or supplement this Ordinance in order to (i) cure any ambiguity, defect or omission in this Ordinance that does not materially adversely affect the interests of the holders, (ii) grant additional rights or security for the benefit of the holders, (iii) add events of default as shall not be inconsistent with the provisions of this Ordinance and that shall not materially adversely affect the interests of the holders, (iv) qualify this Ordinance under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect, or (v) make such other provisions in regard to matters or questions arising under this Ordinance as shall not be inconsistent with the provisions of this Ordinance and that shall not in the opinion of the Issuer's Bond Counsel materially adversely affect the interests of the holders.

(b) Except as provided in paragraph (a) above, the holders of Bonds aggregating in principal amount a majority of the aggregate principal amount of then outstanding Bonds that are the subject of a proposed amendment shall have the right from time to time to approve any amendment hereto that may be deemed

necessary or desirable by the Issuer; provided, however, that without the consent of 100% of the holders in aggregate principal amount of the then outstanding Bonds that are the subject of a proposed amendment, nothing herein contained shall permit or be construed to permit amendment of the terms and conditions of this Ordinance or in any of the Bonds so as to:

- (1) Make any change in the maturity of any of the affected outstanding Bonds;
- (2) Reduce the rate of interest borne by any of the affected outstanding Bonds;
- (3) Reduce the amount of the principal of, or redemption premium, if any, payable on any affected outstanding Bonds;
- (4) Modify the terms of payment of principal or of interest or redemption premium on affected outstanding Bonds or impose any condition with respect to such payment; or
- (5) Change the minimum percentage of the principal amount of Bonds necessary for consent to such amendment.

(c) If at any time the Issuer shall desire to amend this Ordinance under this Section, the Issuer shall send by U.S. mail to each Registered Owner of the affected Bonds a copy of the proposed amendment and cause notice of the proposed amendment to be published at least once in a financial publication published in The City of New York, New York or in the State of Texas. Such published notice shall briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file at the office of the Issuer for inspection by all holders of such Bonds.

(d) Whenever at any time within one year from the date of publication of such notice the Issuer shall receive an instrument or instruments executed by the holders of at least a majority in aggregate principal amount of all of the Bonds then outstanding that are required for the amendment, which instrument or instruments shall refer to the proposed amendment and that shall specifically consent to and approve such amendment, the Issuer may adopt the amendment in substantially the same form.

(e) Upon the adoption of any amendatory Ordinance pursuant to the provisions of this Section, this Ordinance shall be deemed to be modified and amended in accordance with such amendatory Ordinance, and the respective rights, duties, and obligations of the Issuer and all holders of such affected Bonds shall thereafter be determined, exercised, and enforced, subject in all respects to such amendment.

(f) Any consent given by the holder of a Bond pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of the publication of the notice provided for in this Section, and shall be conclusive and binding upon all future holders of the same Bond during such period. Such consent may be revoked at any time after six months from the date of the publication of said notice by the holder who gave such consent, or by a successor in title, by filing notice with the Issuer, but such revocation shall not be effective if the holders of a majority in aggregate principal amount of the affected Bonds then outstanding, have, prior to the attempted revocation, consented to and approved the amendment.

For the purposes of establishing ownership of the Bonds, the Issuer shall rely solely upon the registration of the ownership of such Bonds on the Registration Books kept by the Paying Agent/Registrar.

SECTION 15. DEFAULT AND REMEDIES.

(a) Events of Default. Each of the following occurrences or events for the purpose of this Ordinance is hereby declared to be an Event of Default:

(i) the failure to make payment of the principal of or interest on any of the Bonds when the same becomes due and payable; or

(ii) default in the performance or observance of any other covenant, agreement or obligation of the Issuer, the failure to perform which materially, adversely affects the rights of the Registered Owners of the Bonds, including, but not limited to, their prospect or ability to be repaid in accordance with this Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any Registered Owner to the Issuer.

(b) Remedies for Default.

(i) Upon the happening of any Event of Default, then and in every case, any Registered Owner or an authorized representative thereof, including, but not limited to, a trustee or trustees therefor, may proceed against the Issuer for the purpose of protecting and enforcing the rights of the Registered Owners under this Ordinance, by mandamus or other suit, action or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief permitted by law, including the specific performance of any covenant or agreement contained herein, or thereby to enjoin any act or thing that may be unlawful or in violation of any right of the Registered Owners hereunder or any combination of such remedies.

(ii) It is provided that all such proceedings shall be instituted and maintained for the equal benefit of all Registered Owners of Bonds then outstanding.

(c) Remedies Not Exclusive.

(i) No remedy herein conferred or reserved is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or under the Bonds or now or hereafter existing at law or in equity; provided, however, that notwithstanding any other provision of this Ordinance, the right to accelerate the debt evidenced by the Bonds shall not be available as a remedy under this Ordinance.

(ii) The exercise of any remedy herein conferred or reserved shall not be deemed a waiver of any other available remedy.

(iii) By accepting the delivery of a Bond authorized under this Ordinance, such Registered Owner agrees that the certifications required to effectuate any covenants or representations contained in this Ordinance do not and shall never constitute or give rise to a personal or pecuniary liability or charge against the officers, employees or agents of the Issuer or the members of its governing body.

SECTION 16. APPROVAL OF ESCROW AGREEMENT AND TRANSFER OF FUNDS. In furtherance of authority granted by Section 1207.007(b), Texas Government Code, the Mayor or a Pricing Officer are further authorized to enter into and execute on behalf of the Issuer with the escrow agent named therein, an escrow or similar agreement, in the form and substance as shall be approved by the Pricing Officer, which agreement will provide for the payment in full of the Refunded Obligations. In addition, the Mayor, Pricing Officer or other officer of the Issuer is authorized to purchase such securities, to execute

such subscriptions for the purchase of the Escrowed Securities, (as defined in the agreement), if any, and to authorize such contributions to the escrow fund as provided in the agreement.

SECTION 17. REDEMPTION OF REFUNDED OBLIGATIONS.

(a) Subject to the execution and delivery of a Purchase Agreement with the Purchaser, the Issuer hereby directs that the Refunded Obligations be called for redemption on the dates and at such prices as set forth in the Pricing Certificate. The Pricing Officer is hereby authorized and directed to issue or cause to be issued the Notice of Redemption of the Refunded Obligations in substantially the form set forth in Exhibit A attached hereto, completed with information from the Pricing Certificate, to the paying agent/registrars(s) for the Refunded Obligations.

(b) In addition, the paying agent/registrars(s) for the Refunded Obligations is hereby directed to provide the appropriate notices of redemption and defeasance as specified by the ordinances authorizing the issuance of the Refunded Obligations and is hereby directed to make appropriate arrangements so that the Refunded Obligations may be redeemed on their respective redemption dates. The Refunded Obligations shall be presented for redemption at the paying agent/registrars therefore, and shall not bear interest after the date fixed for redemption.

(c) If the redemption of the Refunded Obligations results in the partial refunding of any maturity of the Refunded Obligations, the Pricing Officer shall direct the paying agent/registrars(s) for the Refunded Obligations to designate at random and by lot which of the Refunded Obligations will be payable from and secured solely from ad valorem taxes of the Issuer pursuant to the ordinance of the Issuer authorizing the issuance of such Refunded Obligations (the "Refunded Obligation Ordinance"). The paying agent/registrars(s) shall notify by first-class mail all registered owners of all affected obligations of such maturities that: (i) a portion of such obligations have been refunded and are secured until final maturity solely with cash and investments maintained by the escrow agent in the escrow fund, (ii) the principal amount of all affected obligations of such maturities registered in the name of such registered owner that have been refunded and are payable solely from cash and investments in the Escrow Fund and the remaining principal amount of all affected obligations of such maturities registered in the name of such registered owner, if any, have not been refunded and are payable and secured solely from ad valorem taxes of the Issuer described in the Refunded Obligation Ordinance, (iii) the registered owner is required to submit his or her Refunded Obligations to the paying agent/registrars(s), for the purposes of re-registering such registered owner's obligations and assigning new CUSIP numbers in order to distinguish the source of payment for the principal and interest on such obligations, and (iv) payment of principal of and interest on such obligations may, in some circumstances, be delayed until such obligations have been re-registered and new CUSIP numbers have been assigned as required by (iii) above.

(d) The source of funds for payment of the principal of and interest on the Refunded Obligations on their respective maturity or redemption dates shall be from the funds placed in escrow with the escrow agent, pursuant to an escrow agreement approved in Section 16 of this Ordinance.

SECTION 18. APPROPRIATION. To pay the debt service coming due on the Bonds, if any, prior to receipt of the taxes levied to pay such debt service, there is hereby appropriated from current funds on hand, which are hereby certified to be on hand and available for such purpose, an amount, which together with capitalized interest received from the sale of the Bonds, if any, will be sufficient to pay such debt service, and such amount shall be used for no other purpose.

SECTION 19. EFFECTIVE DATE. In accordance with the provisions of Texas Government Code Section 1201.028, this Ordinance shall be effective immediately upon its adoption by the City Council.

SECTION 20. SEVERABILITY. If any section, article, paragraph, sentence, clause, phrase or word in this Ordinance, or application thereof to any persons or circumstances is held invalid or unconstitutional by a court of competent jurisdiction, such holding shall not affect the validity of the remaining portion of this Ordinance, despite such invalidity, which remaining portions shall remain in full force and effect.

The motion to approve this ordinance was made by _____ and seconded by _____.
The ordinance was passed and approved by the following vote [__ - __ - __]:

	Aye	Nay	Abstain	Absent
Mayor, Chris Watts:	_____	_____	_____	_____
Jordan Villareal, District 1:	_____	_____	_____	_____
Nick Stevens, District 2:	_____	_____	_____	_____
Suzi Rumohr, District 3:	_____	_____	_____	_____
Joe Holland, District 4:	_____	_____	_____	_____
George Ferrie, At Large Place 5:	_____	_____	_____	_____
Jill Jester, At Large Place 6:	_____	_____	_____	_____

PASSED AND APPROVED this the 14th day of July, 2026.

_____, MAYOR

ATTEST:
KRISTI FOGLE, CITY SECRETARY

BY: _____

APPROVED AS TO LEGAL FORM:
MACK REINWAND, CITY ATTORNEY

BY: _____

SCHEDULE I

November 7, 2023 Election Voted Bonds

<u>Purpose</u>	<u>Amount Authorized</u>	<u>Amount Previously Issued*</u>	<u>Unissued Balance</u>	<u>Amount Being Issued*</u>	<u>Remaining Balance</u>
Street Improvements	\$45,125,000	\$7,000,000	\$38,125,000	\$18,125,000	\$20,000,000
Drainage and Flood Control Improvements	\$58,860,000	\$16,268,000	\$42,592,000	\$25,595,000	\$16,997,000
Park System Improvements	\$33,450,000	\$10,450,000	\$23,000,000	\$0	\$23,000,000
Fire and Animal Control Public Safety Facilities	\$42,015,000	\$41,512,000	\$503,000	\$503,000	\$0
Active Adult Center Facility	\$47,360,000	\$0	\$47,360,000	\$0	\$47,360,000
New South Branch Library	\$49,545,000	\$2,500,000	\$47,045,000	\$0	\$47,045,000
Affordable Housing Projects	\$15,000,000	\$0	\$15,000,000	\$0	\$15,000,000

* Includes principal and premium

SCHEDULE II

Schedule of Eligible Refunded Obligations

City of Denton Certificates of Obligation, Series 2014

City of Denton General Obligation Refunding and Improvement Bonds, Series 2014

City of Denton Certificates of Obligation, Series 2015

City of Denton General Obligation Refunding and Improvement Bonds, Series 2015

City of Denton Certificates of Obligation, Series 2016

City of Denton General Obligation Refunding and Improvement Bonds, Series 2016

City of Denton General Obligation Refunding Bonds, Series 2016

City of Denton Utility System Revenue Bonds, Series 2017

EXHIBIT A

Notice of Redemption

NOTICE IS HEREBY GIVEN that the City of Denton, Texas has called for redemption the outstanding obligations of the City described as follows (the "Refunded Obligations"):

City of Denton _____, **Series 20**__, dated _____, 2012, scheduled to mature on February 15, 20__ through February 15 20__, aggregating \$_____ (and being all of the outstanding bonds of said series scheduled to mature on and after February 15, 20__);

Redemption Date: _____, 20__; redeemable at a redemption price of par plus accrued interest at the principal corporate offices of The Bank of New York Mellon Trust Company, N.A., only upon presentation by the owner thereof.

This notice of redemption and the payment of the redemption price of the Refunded Obligations is conditioned upon the deposit of moneys, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar or legally authorized escrow agent no later than the Redemption Date, and the City retains the right to rescind such notice at any time prior to the Redemption Date, and this notice of redemption shall be of no effect unless such moneys are so deposited on or prior to the Redemption Date. If such redemption is not effectuated, the Paying Agent/Registrar shall, within five days thereafter, give notice in the manner in which the notice of redemption was given that such moneys were not so received and shall rescind the redemption.

If moneys sufficient for the payment of such redemption price are held by or on behalf of the paying agent, the described Refunded Obligations shall become due and payable on the redemption date specified, and the interest thereon shall cease to accrue from and after the redemption date.

In compliance with section 3406 of the Internal Revenue Code of 1986, payors making certain payments due on debt securities may be obligated to deduct and withhold 30 percent of such payment from the remittance to any payee who has failed to provide such payor with a valid taxpayer identification number. To avoid the imposition of the withholding of tax, such payees should submit a taxpayer identification number when surrendering the Refunded Obligations for redemption.

NOTICE IS FURTHER GIVEN that all Refunded Obligations should be submitted to one of the following address:

<u>First Class/Registered/ Certified Mail</u>	<u>Express Delivery</u>	<u>Hand Delivery</u>
The Bank of New York Mellon Trust Company, N.A. Transfers/Redemptions 500 Ross Street, Suite 625 Pittsburgh, PA 15262	The Bank of New York Mellon Trust Company, N.A. Transfers/Redemptions 500 Ross Street, Suite 625 Pittsburgh, PA 15262	The Bank of New York Mellon Trust Company, N.A. Corporate Trust Window 101 Barclay Street New York, NY 10286

Dated: _____, 20__

By: The Bank of New York Mellon Trust Company, National Association



City Council Bond Ordinances



2023 Bond Program

	Budget	Bond Ordinance
2023 Bond Election Prop A Streets	\$ 18,125,000	\$ 18,125,000
2023 Bond Election Prop B Oakland & Detention	15,595,000	15,595,000
2023 Bond Election Prop B PEC 3 & 4 Drainage	10,000,000	10,000,000
2023 Bond Election Prop D Public Safety Public Art	503,000	503,000
2023 Bond Program Total	\$ 44,223,000	\$ 44,223,000

2026 Debt Refunding

Average Interest Rate of Refunded Bonds	5.00%
Projected Interest Rate	3.65%

Refunding Bonds Opportunity	Principal Refund	Maturities Refund
Certificates of Obligation, Series 2016	\$ 22,010,000	2028-2043
Utility System Revenue Bonds, Series 2017	142,270,000	2027-2036
Outstanding Debt Eligible for Refunding	107,835,000	2027-2046
Total Refunding Opportunity	\$ 272,115,000	

Total Projected Savings*	
2016 CO and 2017 Utility System Revenue	\$ 14,281,686

Projected Savings by Debt Type					
General Fund	Solid Waste	Water	Wastewater	Electric	Total
\$ 79,385	\$ 224,614	\$ 164,646	\$ 79,313	\$ 13,733,729	\$14,281,686

*Preliminary, subject to change

GO Bond Sale

2023 Bond Program	\$ 44,223,000
Potential Refundings	272,115,000
Issuance Cost*	-
GO Bond Sale Total	\$ 316,338,000

*Covered by CO Sale

Notice of Intent to Issue COs

- Council approved May 5, 2026.
- Published in Denton Record Chronicle on May 13th & 20th.
- This Bond Ordinance to authorize the sale of COs is at least 46 day after the first publication per state law.

General Government COs

	Notice of Intent	Bond Ordinance
Fleet Management Improvements	\$ 500,000	\$ 500,000
Technology Services Improvements	5,520,957	5,520,957
General Government Internal Services Total	\$ 6,020,957	\$ 6,020,957
Facility Improvements	\$ 11,725,000	\$ 4,106,639
Linda McNatt Animal Shelter	4,500,000	4,500,000
Fire Station 5	400,000	400,000
Fire Station 6	1,100,000	1,100,000
Parks Improvements	1,375,000	1,375,000
Traffic/Transportation Improvements	6,950,000	6,950,000
Fleet Vehicle/Equipment Replacements	5,564,000	5,564,000
Drainage Improvements	4,416,805	4,416,805
Streets Roadway Improvements	21,675,473	21,675,473
General Government Total	\$ 57,706,278	\$ 50,087,917
Grand Total General Government	\$ 63,727,235	\$ 56,108,874

Solid Waste CO Projects

	Notice of Intent	Bond Ordinance
Organics Program Infrastructure	\$ 14,000,000	\$ 14,000,000
Vehicles - Replacements	2,965,000	2,965,000
Vehicles - New Additions	448,000	448,000
Solid Waste Total	\$ 17,413,000	\$ 17,413,000

Water Utility CO Projects

	Notice of Intent	Bond Ordinance
Booster Pump Stations	\$ 1,000,000	\$ 1,000,000
Field Service Replacement	1,050,000	1,050,000
Oversize Water Lines	5,000,000	5,000,000
Replace Lines	11,685,000	11,685,000
Taps, Fire Hydrants, & Meters	3,799,130	3,799,130
Plant Improvements	12,272,750	12,272,750
Transmission Lines	10,167,280	10,167,280
Water Total	\$ 44,974,160	\$ 44,974,160

Wastewater Utility CO Projects

	Notice of Intent	Bond Ordinance
Collection System Upgrade	\$ 8,949,620	\$ 8,949,620
Lift Station Improvements	5,500,000	5,500,000
Facility Improvements	25,000	25,000
Oversize Lines	4,345,200	4,345,200
Taps, Fire Hydrants, & Meters	201,510	201,510
Replace Lines	31,232,580	31,232,580
Plant Improvements	63,651,875	63,651,875
Wastewater Total	\$ 113,905,785	\$ 113,905,785

Electric Utility CO Projects

	Notice of Intent	Bond Ordinance
Automated Meter Reading	\$ 1,805,000	\$ 1,805,000
Distribution Substations	10,902,510	10,902,510
Distribution Transformers	18,816,490	18,816,490
Feeder Extensions & Improvements	8,399,338	8,399,338
New Residential & Commercial	6,795,250	6,795,250
Power Factor Improvement	291,000	291,000
Street Lighting	460,000	460,000
Transmission Lines	1,500,000	1,500,000
Transmission Substations	900,000	900,000
Technology - Software & Hardware	4,000,000	4,000,000
Electric Relocation	4,565,000	4,565,000
Electric Total	\$ 58,434,588	\$ 58,434,588

CO Bond Sale Summary

General Government	\$	56,108,874
Solid Waste		17,413,000
Water		44,974,160
Wastewater		113,905,785
Electric		58,434,588
Subtotal	\$	290,836,407
Issuance Cost*		4,163,593
CO Bond Sale Total	\$	295,000,000

*Shared with GO Sale

Next Steps

- **July 22, 2026**
 - GO/CO Sale 2026
- **August 6, 2026**
 - GO Refunding Sale 2026A (Utility System Revenue Bonds)
- **August 20, 2026**
 - Preliminary close and delivery of funds for GO/CO 2026
- **September 3, 2026**
 - Preliminary close and delivery of funds for GO Refunding 2026A

Questions





City of Denton

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

AGENDA INFORMATION SHEET

DEPARTMENT: Finance

ACM: Christine Taylor

DATE: July 14, 2026

SUBJECT

Consider adoption of an ordinance considering all matters incident and related to the issuance, sale and delivery of up to \$295,000,000 in principal amount of "City of Denton Certificates of Obligation, Series 2026"; authorizing the issuance of the certificates; delegating the authority to certain city officials to execute certain documents relating to the sale of the certificates; approving and authorizing instruments and procedures relating to said certificates; enacting other provisions relating to the subject; and providing an effective date. The Public Utilities Board recommends approval (6-0).

BACKGROUND

On May 5, 2026, the City Council adopted Ordinance Nos. 26-0323 and 26-0324 directing the publication of Notice of Intentions (NOI) to issue Certificates of Obligation (COs) for General Government, Solid Waste, Water, Wastewater and Electric projects. The notices were published in a newspaper of general circulation (Denton Record Chronicle) on May 13, 2026, and May 20, 2026, as required by state law. The notices were also posted on the City of Denton website.

COs require NOIs to be issued early in the bond sale process calculating costs based on current market conditions and CO Utility project totals. General Obligation (GO) and CO bond sale costs are a shared expense. The estimated issuance cost used in the COs NOI process will be used to cover the GO bond sale costs.

The COs will be issued as a single series of obligations totaling \$295,000,000. The below table summarizes the totals for each fund and the estimated associated issuance cost.

General Government	\$ 56,108,874
Solid Waste	17,413,000
Water	44,974,160
Wastewater	113,905,785
Electric	58,434,588
Estimate Issuance Cost*	4,163,593
CO Bond Sale Total	\$ 295,000,000
*Shared with GO Sale	

The adopted FY 2025-26 Reimbursement Ordinance No. 25-1624 included \$339,775,213 in General Government, Solid Waste, Water, Wastewater and Electric projects however, the project list amounts were reduced by \$48.938 million after an internal analysis of funding and product availability as well as project timelines, reducing the Bond Sale project list to \$290,836,407 for these funds.

It is important to note that the City sells bonds in accordance with the useful life of the asset that is being acquired. For example, vehicles are typically sold with bonds that will be paid within five years. The 2026 bond sale includes debt issuance terms below. All issued debt will have a 9-year call option.

- General Government \$48,644,444 will be 20-year debt, \$1,900,430 will be 10-year debt and \$5,564,000 will be 5-year debt.
- Solid Waste \$14,000,000 will be 20-year and \$3,413,000 will be 5-year debt.
- Water \$44,974,160 will be 20-year debt.
- Wastewater \$70,596,875 will be 30-year debt and \$43,308,910 will be 20-year debt.
- Electric \$54,434,588 will be 30-year debt and \$4,000,000 will be 10-year debt.

Since bond market conditions can change rapidly, staff is recommending that the City Council approve a delegated parameters sale for the COs. The parameters ordinance sets the following requirements in order to complete the sale of the COs. By doing so, City staff will be authorized to execute the sale without additional approval.

- Maximum amount of sale is \$295,000,000
- Final stated maturity of February 15, 2056
- Maximum net effective interest rate of 5.250%
- Delegation authority ends January 14, 2027

Below is a list of the recommended CO funded projects.

Solid Waste Fleet Shop FF&E (Int. Svc. - Fleet)	\$ 500,000
Radios & Modems (Tech Services)	1,900,430
Infrastructure Replacement (Tech Services)	1,745,527
Citywide Fiber Replacement (Tech Services)	1,875,000
Internal Service Total	\$ 6,020,957
Vehicle Replacement - General Fund (Motorpool)	\$ 5,564,000
Capital Replacements (Facilities)	3,030,888
Parking Lot Replacements (Facilities)	1,075,751
Linda McNatt Animal Shelter (Facilities)	4,500,000
Fire Station 5 (Facilities)	400,000
Fire Station 6 (Facilities)	1,100,000
Briarcliff Park (Parks)	1,375,000
Traffic Signal Design and Rebuilds (Traffic)	1,950,000
ADA Transition Plan Improvements (Transportation)	2,000,000
HSIP Projects (Transportation)	500,000
Road Safety Improvements (Transportation)	2,500,000
Ryan Road Widening (Streets)	1,000,000
Elm / Locust Phase 2 (Streets)	1,000,000
Neighborhood 2&6 (Streets)	6,500,000

Neighborhood 1B (Streets)	6,800,000
Bonnie Brae Phase 3 (Streets)	2,500,000
Westgate Drive Phase 2 (Streets)	3,875,473
Bonnie Brae Phase 6 (Drainage)	300,000
Westgate Drive Phase 2 (Drainage)	1,725,965
Elm / Locust Phase 2 (Drainage)	2,000,000
Westgate Drive Phase 1 (Drainage)	390,840
General Government Total	\$50,087,917

Vehicles - Replacements	\$ 2,965,000
Vehicles - New Additions	448,000
Organics Program Infrastructure	14,000,000
Solid Waste Total	\$ 17,413,000

Supplement to Bond Election 2019 Projects - Neighbor	\$ 3,500,000
Supplement to Bond Election 2019 Projects - Neighbor	500,000
McKenna Park BPS Rehab & Fence Replacement	1,000,000
Annual Field Service Replacements	1,050,000
Oversize Participation Agreements	5,000,000
LCR (Lead and Copper Rule) Compliance	1,000,000
LCR (Lead and Copper Rule) Remediation	1,000,000
Water Distribution Replacement Program	2,500,000
Bonnie Brae (Phase 6)	1,800,000
Bonnie Brae (Phase 3)	775,000
PEC Phase 3/4 Water Upgrades	100,000
Westgate Road (Phase 2)	510,000
Water Taps	308,000
Fire Hydrant Installs	32,130
Water Meters	459,000
AMI/AMR Replacements	3,000,000
Sampling Station Upgrades	102,000
Large Valve Replacements	65,280
Transmission Line Condition Repairs	1,000,000
Ray Roberts Parallel 60" Transmission Line	500,000
24" Robson Ranch Transmission Main ((D-1))	600,000
WMP Projects 17 & 20	7,650,000
12/16" US 380 Water Line (Project 27)	250,000
Roselawn Elevated Storage Tank Improvements	200,000
SCADAOT/IT Delineation	250,000
Pump Station CIP-CI2 Conversion	100,000
SWBPS - AC System Replacement	50,000
Lake Lewisville Raw Water Station Rehab	2,000,000

RRWTP Capacity Rerate and Performance Upgrades	1,000,000
RRWTP Disinfection Conversion and Chemical Improv	1,500,000
RRWTP Raw Water Bldg. Electric Room AC Replacem	12,750
RRWTP Ozone Generator Cleaning	550,000
RRWTP Automated Source Water Monitoring	100,000
LLWTP Sludge Dewatering Improvement Project	3,250,000
LLWTP Filter Media Replacement	510,000
LLWTP Condition Assessment & DPR Study	2,400,000
LLWTP Ozone Building AC Installation - ASAP	200,000
LLWTP Plant Electrical Building AC Replacement	50,000
LLWTP Automated Source Water Monitoring	100,000

Water Total **\$ 44,974,160**

Milam Creek Basin Wastewater Line and Lift Station	\$ 1,000,000
Hobson Lift Station Force Main Replacement	500,000
Cooper Creek Lift Station Improvement Project	1,000,000
Robson West Lift Station	2,000,000
Lift Station Replacement	1,000,000
Beneficial Reuse Concrete Improvement	25,000
12/15-inch Robson Ranch Interceptor (HC: O-4)	949,620
Pipe/Force Main Condition Assessment	-
21/27/30-inch Roark Branch Interceptor Phase 2 (HC:	8,000,000
Clear Creek Water Reclamation Plant (CCWRP)	4,000,000
Hickory Creek Water Reclamation Plant Ph 1 (HC: O-	1,000,000
Hickory Creek Peak Flow Basin Improvements	2,295,000
Hickory Creek Force Main Replacement	510,000
PCWRP Expansion to 26 MGD and 75 MGD Headw	55,596,875
SCADA/HMI Upgrade Water Rec	250,000
Supplement to Bond Election 2019 Projects - Neighbor	3,500,000
Oversize Participation	4,345,200
Wastewater Taps	51,510
Manhole Repair/Replace/Lining	150,000
Clear Creek Interceptor	10,000,000
Annual Field Service Replacements	562,020
Collector Replacement Program	2,500,000
Cole Ranch Interceptor	6,250,000
Lakeview Ranch Interceptor	717,060
North Masch Branch Sewer	3,060,000
PEC Phase 3/4 Sewer Upgrades	400,000
Private Laterals Replacement	25,500
Mingo/Ruddell/Quiet Zone Sewer Upgrades	918,000
Bonnie Brae (Phase 3)	3,300,000

Wastewater Total **\$ 113,905,785**

Distribution Substations	\$ 10,902,510
Transmission Substation	900,000
Distribution Transformers	18,816,490
Automated Meter Reading	1,805,000
Feeder Extension and Improve	8,399,338
New Residential and Commercial	6,795,250
Power Factor Improvement	291,000
Street Lighting	460,000
Transmission Lines	1,500,000
Technology - Software/Hardware	4,000,000
Electric - Relocations	4,565,000
Electric Total	\$ 58,434,588
Total CO Bond Project List	\$ 290,836,407

RECOMMENDATION

Staff recommends adoption of the ordinance.

PRIOR ACTION/REVIEW (Council, Boards, Commissions)

On October 21, 2025, the City Council adopted reimbursement ordinance (Ord. 25-1624) authorizing General Obligation Bonds and Certificates of Obligation funded projects in preparation of the 2026 Bond Sale.

On May 5, 2026, the City Council adopted ordinances (Ord. 26-0323, 26-0324) directing the publication of Notice of Intentions to Issue Certificates of Obligation of the City of Denton.

On June 22, 2026, the Public Utilities Board recommended this item to the City Council for consideration.

EXHIBITS

1. Agenda Information Sheet
2. Draft Preliminary Official Statement 2026 Series
3. CO Ordinance
4. Presentation

Respectfully submitted:
Matt Hamilton
Chief Financial Officer

Prepared by:
Randee Klingele
Treasury Manager

(See "Continuing Disclosure of Information" herein)

Dated July 15, 2026

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, interest on the Certificates will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "Tax Matters" herein, including the alternative minimum tax on certain corporations.

THE CERTIFICATES WILL NOT BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.



\$281,260,000*
CITY OF DENTON, TEXAS
(Denton County)
CERTIFICATES OF OBLIGATION, SERIES 2026

Dated Date: July 15, 2026
Interest Accrues from Delivery Date

Due: February 15, as shown on page 2

PAYMENT TERMS . . . Interest on the \$281,260,000* City of Denton, Texas Certificates of Obligation, Series 2026 (the "Certificates") will accrue from the delivery date (the "Delivery Date"), will be payable February 15 and August 15 of each year, commencing February 15, 2027, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. **No physical delivery of the Certificates will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "The Obligations - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas (see "The Obligations - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas, (the "State") particularly Subchapter C of Chapter 271, Texas Local Government Code (the Certificate of Obligation Act of 1971), as amended, and Texas Government Code, Chapter 1371, as amended, and constitute direct obligations of the City of Denton, Texas (the "City"), payable from a combination of (i) the levy and collection of a direct annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge of surplus net revenues of the City's Utility System not in excess of \$1,000, as provided in the Certificate Ordinance (defined herein) authorizing the Certificates (see "The Obligations - Authority for Issuance").

PURPOSE . . . Proceeds from the sale of the Certificates will be used for the purchase, construction and acquisition of certain real and personal property, to wit: (a) acquisition of vehicles and equipment for the fire, police, building inspections, community improvement services, animal services, streets and traffic control, facilities management, airport, technology services, fleet management, warehouse management, and parks and recreation departments; (b) renovations to, and equipping of, existing municipal buildings, including the acquisition and installation of replacement heating, venting and air conditioning equipment, roofing, flooring and parking facilities; (c) acquiring, constructing and installing building security systems, including security system technology equipment and software, for municipal buildings; (d) constructing, reconstructing, renovating, installing and equipping municipal parks; (e) acquisition and installation of technology equipment, including radio equipment, computer equipment and software, and fiber replacement, for various municipal departments; (f) constructing and improving streets, including traffic signalization, landscaping, drainage, sidewalks, utility line relocations and the acquisition of land and rights-of-way therefor; (g) acquisition of equipment for, and acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to, the City's drainage and storm sewer systems; (h) acquisition of vehicles and equipment for, and acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to, the City's solid waste disposal system; (i) acquisition of equipment for, and acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to, public safety facilities for the fire department, (j) acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to the Linda McNatt Animal Care & Adoption Center; (k) acquisition of equipment for, and acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to, the City's waterworks and wastewater system; and (l) acquisition of equipment for, and acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to, the City's electric light and power system; and also for the purpose of paying all or a portion of the City's contractual obligations for professional services, including engineers, architects, attorneys, map makers, auditors, and financial advisors, in connection with said projects and for paying the costs associated with the issuance of the Certificates (see "Plan of Financing").

MATURITY SCHEDULE

See page 2

SEPARATE ISSUES . . . The Certificates are being offered by the City concurrently with the "City of Denton, Texas General Obligation Refunding and Improvement Bonds, Series 2026" (the "Bonds") under a common official statement, and the Certificates and Bonds are hereinafter sometimes referred to collectively as the "Obligations." The Certificates and Bonds are separate and distinct securities offerings being issued and sold independently except for the common Official Statement, and, while the Obligations share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, the federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations and other features.

LEGALITY . . . The Certificates are offered for delivery when, as and if issued and received by the Initial Purchaser of the Certificates subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, Dallas, Texas (see Appendix C, "Forms of Bond Counsel's Opinions").

DELIVERY . . . It is expected that the Certificates will be available for delivery through The Depository Trust Company on August 20, 2026.

SEALED BIDS DUE JULY 21, 2026, AT 9:45 AM, CDT**

* Preliminary, subject to change. See "Adjustment of Principal Amount and/or Types of Bids" in the Notice of Sale for the Certificates.
** Place and Time of Bid Opening . . . The City will accept bids for the sale of the Certificates on a day during the period beginning July 21, 2026 and initially ending August 4, 2026. At least 12 hours prior to the sale of the Certificates, Hilltop Securities Inc., as Municipal Advisor to the City, will communicate, through Parity and Bloomberg, the date and time for submission of bids. The Municipal Advisor, acting on behalf of the City, shall accept bids up to the time specified in the notice as hereinbefore described.

MATURITY SCHEDULE*

CUSIP Prefix: 248867⁽¹⁾

Principal Amount	15-Feb Maturity	Interest Rate	Yield	CUSIP Suffix ⁽¹⁾	Principal Amount	15-Feb Maturity	Interest Rate	Yield	CUSIP Suffix ⁽¹⁾
\$ 6,970,000	2027				\$ 13,290,000	2042			
7,190,000	2028				13,990,000	2043			
7,565,000	2029				14,660,000	2044			
7,940,000	2030				15,315,000	2045			
8,355,000	2031				16,005,000	2046			
8,245,000	2032				5,340,000	2047			
8,675,000	2033				5,605,000	2048			
9,110,000	2034				5,875,000	2049			
9,590,000	2035				6,160,000	2050			
10,080,000	2036				6,460,000	2051			
10,360,000	2037				6,780,000	2052			
10,880,000	2038				7,125,000	2053			
11,445,000	2039				7,480,000	2054			
12,030,000	2040				7,855,000	2055			
12,645,000	2041				8,240,000	2056			

(1) CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services ("CGS") managed on behalf of the American Bankers Association by FactSet Research Systems Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the City, the Municipal Advisor, or the Initial Purchaser of the Certificates take any responsibility for the accuracy of such numbers.

REDEMPTION . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2036, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "The Obligations – Optional Redemption").

* Preliminary, subject to change. See "Adjustment of Principal Amount and/or Types of Bids" in the Notice of Sale for the Certificates.

Dated July 15, 2026

Ratings:
Fitch: "AA+"
S&P: "AA+"
(See "Other Information -
Ratings" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "Tax Matters" herein, including the alternative minimum tax on certain corporations.

THE BONDS WILL NOT BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.



\$62,715,000*
CITY OF DENTON, TEXAS
(Denton County)
GENERAL OBLIGATION REFUNDING AND IMPROVEMENT BONDS,
SERIES 2026

Dated Date: July 15, 2026
Interest Accrues from Delivery Date

Due: February 15, as shown on page 4

PAYMENT TERMS . . . Interest on the \$62,715,000* City of Denton, Texas General Obligation Refunding and Improvement Bonds, Series 2026 (the "Bonds") will accrue from the delivery date (the "Delivery Date"), will be payable February 15 and August 15 of each year, commencing February 15, 2027, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "The Obligations - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas (see "The Obligations - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas, (the "State") including particularly Texas Government Code, Chapters 1207, 1371 and 1331, as amended, and are direct obligations of the City of Denton, Texas (the "City"), payable from an annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, as provided in the Bond Ordinance (defined herein) authorizing the Bonds (see "The Obligations - Authority for Issuance" and "The Obligations - Security and Source of Payment").

PURPOSE . . . Proceeds of the Bonds are expected to be used for (i) various street improvements, (ii) drainage and flood control improvements; (iii) fire public safety facilities; (iv) refunding the obligations described in Schedule I - Schedule of Refunded Obligations (the "Refunded Obligations") for debt service savings, and (v) paying the costs associated with the issuance of the Bonds. (see "Plan of Financing").

MATURITY SCHEDULE

See page 4

SEPARATE ISSUES . . . The Bonds are being offered by the City concurrently with the "City of Denton, Texas Certificates of Obligation, Series 2026" (the "Certificates"), under a common Official Statement, and the Bonds and Certificates are hereinafter sometimes referred to collectively as the "Obligations." The Bonds and Certificates are separate and distinct securities offerings being issued and sold independently except for the common Official Statement, and, while the Obligations share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, the federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations and other features.

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the Initial Purchaser of the Bonds subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, Dallas, Texas (see Appendix C, "Forms of Bond Counsel's Opinions").

DELIVERY . . . It is expected that the Bonds will be available for delivery through The Depository Trust Company on August 20, 2026.

SEALED BIDS DUE JULY 21, 2026, AT 10:15 AM, CDT**

* Preliminary, subject to change. See "Adjustment of Principal Amount and/or Types of Bids" in the Notice of Sale for the Bonds.

** Place and Time of Bid Opening . . . The City will accept bids for the sale of the Bonds on a day during the period beginning July 21, 2026 and initially ending August 4, 2026. At least 12 hours prior to the sale of the Bonds, Hilltop Securities Inc., as Municipal Advisor to the City, will communicate, through Parity and Bloomberg, the date and time for submission of bids. The Municipal Advisor, acting on behalf of the City, shall accept bids up to the time specified in the notice as hereinbefore described.

MATURITY SCHEDULE*

CUSIP Prefix: 248867⁽¹⁾

<u>Principal Amount</u>	<u>15-Feb Maturity</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Suffix⁽¹⁾</u>	<u>Principal Amount</u>	<u>15-Feb Maturity</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Suffix⁽¹⁾</u>
\$ 1,280,000	2027				\$ 2,075,000	2037			
3,640,000	2028				2,175,000	2038			
3,830,000	2029				2,290,000	2039			
4,015,000	2030				2,400,000	2040			
4,225,000	2031				2,530,000	2041			
4,440,000	2032				5,040,000	2042			
4,670,000	2033				5,295,000	2043			
1,780,000	2034				2,930,000	2044			
1,875,000	2035				3,060,000	2045			
1,970,000	2036				3,195,000	2046			

(1) CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services ("CGS") managed on behalf of the American Bankers Association by FactSet Research Systems Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the City, the Municipal Advisor, or the Initial Purchaser of the Certificates take any responsibility for the accuracy of such numbers.

REDEMPTION . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2036, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "The Obligations – Optional Redemption").

DRAFT

* Preliminary, subject to change. See "Adjustment of Principal Amount and/or Types of Bids" in the Notice of Sale for the Bonds.

This Official Statement, which includes the cover pages, the Schedule and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation, or sale.

No dealer, broker, salesperson, or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon.

For purposes of compliance with Rule 15c 2-12 of the Securities and Exchange Commission (the "Rule"), this document constitutes an Official Statement of the City with respect to the Obligations that has been "deemed final" by the City as of its date except for the omission of no more than the information permitted by the Rule.

The information set forth herein has been obtained from the City and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the representation, promise, or guarantee of the Municipal Advisor. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein since the date hereof. See "Other Information - Continuing Disclosure of Information" for a description of the City's undertaking to provide certain information on a continuing basis.

Neither the City nor its Municipal Advisor make any representation as to the accuracy, completeness, or adequacy of the information supplied by The Depository Trust Company for use in this Official Statement.

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES, AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE, AND ACHIEVEMENTS TO BE DIFFERENT FROM FUTURE RESULTS, PERFORMANCE, AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS.

THE OBLIGATIONS ARE EXEMPT FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE OBLIGATIONS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTION IN WHICH THE OBLIGATIONS HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

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The cover pages hereof, this page and the appendices included herein and any addenda, supplement or amendment hereto, are part of the Preliminary Official Statement.

PRELIMINARY OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Preliminary Official Statement. The offering of the Bonds and Certificates to potential investors is made only by means of this entire Preliminary Official Statement. No person is authorized to detach this summary from this Preliminary Official Statement or to otherwise use it without the entire Preliminary Official Statement.

- THE CITY** The City of Denton (the "City") is a political subdivision and municipal corporation of the State of Texas (the "State"), located in Denton County, Texas. The City covers approximately 97.411 square miles (see "Introduction - Description of the City").
- THE BONDS** The City's \$62,715,000* General Obligation Refunding and Improvement Bonds, Series 2026 are to mature on February 15 in the years 2027 through 2046 (see "The Obligations - Description of the Obligations").
- THE CERTIFICATES** The City's \$281,260,000* Certificates of Obligation, Series 2026 are to mature on February 15 in the years 2027 through 2056 (see "The Obligations - Description of the Obligations").
- PAYMENT OF INTEREST** Interest on the Obligations accrues from the Delivery Date (defined herein) and is payable February 15, 2027 and each August 15 and February 15 thereafter until maturity or prior redemption (see "The Obligations - Description of the Obligations" and "The Obligations - Optional Redemption").
- AUTHORITY FOR ISSUANCE**..... The Certificates are issued pursuant to the Constitution and general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and Texas Government Code, Chapter 1371, as amended, and an ordinance (the "Authorizing Certificate Ordinance") of the City in which the City Council delegated to the City Manager or the Chief Financial Officer (each, a "Pricing Officer" authority to complete the sale of the Certificates. The terms of the sale will be included in a "Pricing Certificate," which will complete the sale of the Certificates (the Authorizing Certificate Ordinance and the Pricing Certificate for the Certificates are jointly referred to as the "Certificate Ordinance") (see "The Obligations - Authority for Issuance").
- The Bonds are issued pursuant to the Constitution and general laws of the State, including particularly Texas Government Code, Chapters 1207, 1371 and 1331, as amended, and an ordinance (the "Authorizing Bond Ordinance") of the City in which the City Council delegated to a Pricing Officer authority to complete the sale of the Bonds. The terms of the sale will be included in a "Pricing Certificate," which will complete the sale of the Bonds (the Authorizing Bond Ordinance and the Pricing Certificate for the Bonds are jointly referred to as the "Bond Ordinance") (see "The Obligations - Authority for Issuance").
- SECURITY FOR THE CERTIFICATES**..... The Certificates constitute direct obligations of the City, payable from a combination of (i) a direct annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge (not to exceed \$1,000) of surplus net revenues of the City's Utility System (see "The Obligations - Security and Source of Payment").
- SECURITY FOR THE BONDS** The Bonds constitute direct obligations of the City, payable from a direct annual ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the City (see "The Obligations - Security and Source of Payment").
- REDEMPTION** The City reserves the right, at its option, to redeem Bonds and Certificates, as the case may be, having stated maturities on and after February 15, 2036, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "The Obligations - Optional Redemption").
- TAX EXEMPTION**..... In the opinion of Bond Counsel, the interest on the Obligations will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "Tax Matters" herein.

* Preliminary, subject to change.

USE OF PROCEEDS Proceeds from the sale of the Certificates will be used for the purchase, construction and acquisition of certain real and personal property, to wit: (a) acquisition of vehicles and equipment for the fire, police, building inspections, community improvement services, animal services, streets and traffic control, facilities management, airport, technology services, fleet management, warehouse management, and parks and recreation departments; (b) renovations to, and equipping of, existing municipal buildings, including the acquisition and installation of replacement heating, venting and air conditioning equipment, roofing, flooring and parking facilities; (c) acquiring, constructing and installing building security systems, including security system technology equipment and software, for municipal buildings; (d) constructing, reconstructing, renovating, installing and equipping municipal parks; (e) acquisition and installation of technology equipment, including radio equipment, computer equipment and software, and fiber replacement, for various municipal departments; (f) constructing and improving streets, including traffic signalization, landscaping, drainage, sidewalks, utility line relocations and the acquisition of land and rights-of-way therefor; (g) acquisition of equipment for, and acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to, the City's drainage and storm sewer systems; (h) acquisition of vehicles and equipment for, and acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to, the City's solid waste disposal system; (i) acquisition of equipment for, and acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to, public safety facilities for the fire department, (j) acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to the Linda McNatt Animal Care & Adoption Center; (k) acquisition of equipment for, and acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to, the City's waterworks and wastewater system; and (l) acquisition of equipment for, and acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to, the City's electric light and power system; and also for the purpose of paying all or a portion of the City's contractual obligations for professional services, including engineers, architects, attorneys, map makers, auditors, and financial advisors, in connection with said projects and for paying the costs associated with the issuance of the Certificates (see "Plan of Financing").

Proceeds of the Bonds are expected to be used for (i) various street improvements, (ii) drainage and flood control improvements; (ii) fire public safety facilities; (iv) refunding the obligations described in Schedule I – Schedule of Refunded Obligations (the “Refunded Obligations”) for debt service savings, and (v) paying the costs associated with the issuance of the Bonds. (see "Plan of Financing").

RATINGS..... The Obligations and the presently outstanding general obligation debt of the City are rated "AA+" by Fitch Ratings ("Fitch") and "AA+" by S&P Global Ratings ("S&P"), a division of S&P Global Inc. See "Other Information – Ratings" herein.

BOOK-ENTRY-ONLY SYSTEM..... The definitive Obligations will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Obligations may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. No physical delivery of the Obligations will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Obligations will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Obligations (see "The Obligations - Book-Entry-Only System").

PAYMENT RECORD..... The City has never defaulted on the payment of its tax-supported indebtedness.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated Population ⁽¹⁾	Net Taxable Assessed Valuation ⁽²⁾	Net Taxable Assessed Valuation Per Capita	Net Tax Debt Outstanding at End of Fiscal Year ⁽⁸⁾	Per Capita Net Funded Tax Debt	Ratio Net Tax Debt to Net Taxable Assessed Valuation	% of Total Tax Collections
2022	146,950	\$ 14,403,105,063 ⁽³⁾	98,014	\$ 354,343,240	2,411	2.46%	99.75%
2023	150,624	16,721,123,624 ⁽⁴⁾	111,012	392,635,000	2,607	2.35%	99.55%
2024	150,842	19,219,843,947 ⁽⁵⁾	127,417	522,720,000	3,465	2.72%	99.38%
2025	155,375	21,110,331,781 ⁽⁶⁾	135,867	524,460,000	3,375	2.48%	99.30%
2026	158,933	22,409,601,039 ⁽⁷⁾	141,000	632,080,000 ⁽⁹⁾	3,977	2.82%	In Process ⁽¹⁰⁾

- (1) Source: City Officials.
- (2) Valuations shown are certified taxable assessed values reported by the Denton Central Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records. Source: Denton Central Appraisal District as of July 25, 2025.
- (3) Excludes tax incremental value of approximately \$236,666,283 that is not available for the City's general obligations and debt of City.
- (4) Excludes tax incremental value of approximately \$263,821,022 that is not available for the City's general obligations and debt of City.
- (5) Excludes tax incremental value of approximately \$321,617,493 that is not available for the City's general obligations and debt of City.
- (6) Excludes tax incremental value of approximately \$644,341,698 that is not available for the City's general obligations and debt of City.
- (7) Excludes tax incremental value of approximately \$720,242,092 that is not available for the City's general obligations and debt of City.
- (8) Excludes self-supported general obligation debt.
- (9) Projected. Includes a portion of the Obligations and excludes the Refunded Obligations. Preliminary, subject to change.
- (10) In process of collection.

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CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

<u>City Council</u>	<u>Term Expires</u>
Chris Watts Mayor	May, 2028
Jordan E. Villarreal Councilmember, District 1	May, 2027
Nick Stevens Mayor Pro Tem, District 2	May, 2027
Suzi Rumohr Councilmember, District 3	May, 2027
Joe Holland Councilmember, District 4	May, 2027
George Ferrie Councilmember, At Large Place 5	May, 2028
Jill Jester Councilmember, At Large Place 6	May, 2028

SELECTED ADMINISTRATIVE STAFF

<u>Name</u>	<u>Position</u>
Cassandra Ogden	Interim City Manager
Frank Dixon	Assistant City Manager
Christine Taylor	Assistant City Manager
Kenneth Hedges	Interim Assistant City Manager
Matt Hamilton	Chief Financial Officer
Randee Klingele	Treasury Manager
Kristi Fogle	Interim City Secretary
Mack Reinwand	City Attorney

CONSULTANTS AND ADVISORS

Auditors Weaver and Tidwell, L.L.P.
Dallas, Texas

Bond Counsel McCall, Parkhurst & Horton L.L.P.
Dallas, Texas

Municipal Advisor Hilltop Securities Inc.
Fort Worth, Texas

For additional information regarding the City, please contact:

Matt Hamilton, Chief Financial Officer	Laura Alexander
Mack Reinwand-City Attorney	Steven Murray
City of Denton	Hilltop Securities Inc.
215 E. McKinney Street	777 Main Street, Suite 1525
Denton, Texas 76201	or Fort Worth, Texas 76102
(940) 349-8244	(817) 332-9710

PRELIMINARY OFFICIAL STATEMENT

RELATING TO

CITY OF DENTON, TEXAS

\$281,260,000*

CERTIFICATES OF OBLIGATION, SERIES 2026

\$62,715,000*

**GENERAL OBLIGATION REFUNDING AND
IMPROVEMENT BONDS, SERIES 2026**

INTRODUCTION

This Preliminary Official Statement, which includes the Schedule and Appendices hereto, provides certain information regarding the issuance of \$281,260,000* City of Denton, Texas Certificates of Obligation, Series 2026 (the "Certificates") and \$62,715,000* City of Denton, Texas General Obligation Refunding and Improvement Bonds, Series 2026 (the "Bonds"). The Bonds and the Certificates (collectively the "Obligations") are separate and distinct securities offerings being authorized for issuance under separate ordinances (the "Bond Ordinance" and the "Certificate Ordinance", respectively, each as defined below, and collectively the "Ordinances") adopted by the City Council of the City, but are being offered and sold pursuant to a common Official Statement, and while the Bonds and Certificates share certain common attributes, each issue is separate and apart from the other and should be reviewed and analyzed independently, including the kind and type of obligation being issued, its terms of payment, the security for its payment, the rights of the holders, the federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations and the covenants and agreements made with respect thereto. The City Council will adopt an ordinance on July 14, 2026 authorizing the issuance of the Bonds (the "Authorizing Bond Ordinance"). In the Authorizing Bond Ordinance, as permitted by the provisions of Chapter 1371, Texas Government Code, as amended, the City Council delegated the authority to the City Manager or the Chief Financial Officer (each, a "Pricing Officer") to establish the terms and details of the Bonds and to effect the sale of the Bonds pursuant to a "Pricing Certificate" (the Authorizing Bond Ordinance and the Pricing Certificate for the Bonds are jointly referred to as the "Bond Ordinance"). The City Council will adopt an ordinance on July 14, 2026 authorizing the issuance of the Certificates (the "Authorizing Certificate Ordinance"). In the Authorizing Certificate Ordinance, as permitted by the provisions of Chapters 1371, Texas Government Code, as amended, the City Council delegated the authority to a Pricing Officer to establish the terms and details of the Certificates and to effect the sale of the Certificates pursuant to a "Pricing Certificate" (the Authorizing Certificate Ordinance and the Pricing Certificate for the Certificates are jointly referred to as the "Certificate Ordinance"). Capitalized terms used in this Preliminary Official Statement have the same meanings assigned to such terms in each respective Ordinance, except as otherwise indicated herein.

There follows in this Preliminary Official Statement descriptions of the Obligations and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Municipal Advisor, Hilltop Securities Inc., Fort Worth, Texas.

DESCRIPTION OF THE CITY . . . The City of Denton, Texas (the "City") is a political subdivision located in Denton County operating as a home-rule city under the laws of the State of Texas (the "State") and a charter approved by the voters in 1959. The City operates under the Council/Manager form of government where the Mayor and six Councilmembers are elected for staggered two-year terms. The City Council formulates operating policy for the City while the City Manager is the chief administrative officer. The City is approximately 97.411 square miles in area.

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* Preliminary, subject to change.

PLAN OF FINANCING

PURPOSE . . . Proceeds from the sale of the Certificates will be used for the purchase, construction and acquisition of certain real and personal property, to wit (a) acquisition of vehicles and equipment for the fire, police, building inspections, community improvement services, animal services, streets and traffic control, facilities management, airport, technology services, fleet management, warehouse management, and parks and recreation departments; (b) renovations to, and equipping of, existing municipal buildings, including the acquisition and installation of replacement heating, venting and air conditioning equipment, roofing, flooring and parking facilities; (c) acquiring, constructing and installing building security systems, including security system technology equipment and software, for municipal buildings; (d) constructing, reconstructing, renovating, installing and equipping municipal parks; (e) acquisition and installation of technology equipment, including radio equipment, computer equipment and software, and fiber replacement, for various municipal departments; (f) constructing and improving streets, including traffic signalization, landscaping, drainage, sidewalks, utility line relocations and the acquisition of land and rights-of-way therefor; (g) acquisition of equipment for, and acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to, the City's drainage and storm sewer systems; (h) acquisition of vehicles and equipment for, and acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to, the City's solid waste disposal system; (i) acquisition of equipment for, and acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to, public safety facilities for the fire department, (j) acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to the Linda McNatt Animal Care & Adoption Center; (k) acquisition of equipment for, and acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to, the City's waterworks and wastewater system; and (l) acquisition of equipment for, and acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to, the City's electric light and power system; and also for the purpose of paying all or a portion of the City's contractual obligations for professional services, including engineers, architects, attorneys, map makers, auditors, and financial advisors, in connection with said projects and for paying the costs associated with the issuance of the Certificates.

Proceeds of the Bonds are expected to be used for (i) various street improvements, (ii) drainage and flood control improvements; (iii) fire public safety facilities; (iv) refunding the obligations described in Schedule I – Schedule of Refunded Obligations (the “Refunded Obligations”) for debt service savings, and (v) paying the costs associated with the issuance of the Bonds.

REFUNDED OBLIGATIONS . . . A description and identification of the Refunded Obligations appears on Schedule I attached hereto. The Refunded Obligations are being called for redemption on August 21, 2026* (the "Redemption Date"). The principal and interest due on the Refunded Obligations are to be paid on the Redemption Date from funds to be deposited with the paying/agent registrar for the Refunded Obligations (the “Refunded Bonds Paying Agent”). The Bond Ordinance will provide that, with respect to the Refunded Obligations, a portion of the proceeds from the sale of the Bonds, will be irrevocably deposited with the Refunded Obligations Paying Agent on the Redemption Date. By deposit of such proceeds with the Refunded Obligations Paying Agent, the City will have effected the defeasance of all the Refunded Obligations in accordance with the applicable law.

* Preliminary, subject to change.

THE OBLIGATIONS

DESCRIPTION OF THE OBLIGATIONS . . . The Obligations are dated July 15, 2026, and mature on February 15 in each of the years and in the amounts shown on page 2 and page 4 hereof. Interest will accrue from the date of initial delivery thereof (the "Delivery Date"), will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15 and August 15 of each year, commencing February 15, 2027 until maturity or prior redemption. The definitive Obligations will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Obligations will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Obligations will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Obligations. See "The Obligations - Book-Entry-Only System" herein.

AUTHORITY FOR ISSUANCE . . . The Certificates are being issued pursuant to the Constitution and general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and Texas Government Code, Chapter 1371, as amended, and the Certificate Ordinance.

The Bonds are being issued pursuant to the Constitution and general laws of the State, particularly Chapters 1207, 1371 and 1331, Texas Government Code, as amended, and the Bond Ordinance.

SECURITY AND SOURCE OF PAYMENT . . .

The Certificates . . . The Certificates constitute direct obligations of the City, payable from a combination of (i) a direct annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge (not to exceed \$1,000) of surplus net revenues of the City's Utility System (consisting of the electric system and the waterworks and sewer system).

The Bonds . . . The Bonds constitute direct obligations of the City and the principal thereof and interest thereon are payable from an annual ad valorem tax levied by the City, within the limits prescribed by law, upon all taxable property in the City, as provided in the Bond Ordinance.

TAX RATE LIMITATION . . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt, including the Obligations, within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$2.50 per \$100 Taxable Assessed Valuation for all City purposes. The Home Rule Charter of the City adopts the constitutionally authorized maximum tax rate of \$2.50 per \$100 Taxable Assessed Valuation. Administratively, the Attorney General of the State will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all general obligation debt, as calculated at the time of issuance and based on 90% tax collection factor.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem the Obligations having stated maturities on and after February 15, 2036 in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2035 or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds or Certificates are to be redeemed, the City may select the maturities of Bonds or Certificates, as the case may be, to be redeemed. If less than all the Bonds or Certificates of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds or Certificates, as the case may be, are in Book-Entry-Only form) shall determine by lot the Bonds or Certificates, or portions thereof, within such maturity to be redeemed. If a Bond or Certificate (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond or Certificate (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

With respect to any optional redemption of the Bonds or Certificates, as the case may be, unless certain prerequisites to such redemption required by the respective Ordinance have been met and money sufficient to pay the principal of and premium, if any, and interest on the Bonds or Certificates, as the case may be, to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption will, at the option of the City, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the City will not redeem such Bonds or Certificates, as the case may be, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that the Bonds or Certificates, as the case may be, have not been redeemed.

NOTICE OF REDEMPTION . . . Not less than 30 days prior to a redemption date for the Obligations, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Obligations to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. IF AN OBLIGATION (OR ANY PORTION OF ITS PRINCIPAL SUM) SHALL HAVE BEEN DULY CALLED FOR REDEMPTION AND NOTICE OF SUCH REDEMPTION DULY GIVEN, THEN UPON THE REDEMPTION DATE SUCH OBLIGATION (OR THE PORTION OF ITS PRINCIPAL SUM TO BE REDEEMED) SHALL BECOME DUE AND PAYABLE, AND, IF MONIES FOR THE PAYMENT OF THE REDEMPTION PRICE ARE HELD FOR THE PURPOSE OF SUCH PAYMENT BY THE PAYING AGENT/REGISTRAR AND ALL OTHER CONDITIONS TO REDEMPTION ARE SATISFIED, INTEREST SHALL CEASE TO ACCRUE AND BE PAYABLE FROM AND AFTER THE REDEMPTION DATE ON THE PRINCIPAL AMOUNT REDEEMED.

DEFEASANCE . . . The Ordinances provide that any Obligation and the interest thereon shall be deemed to be paid, retired, and no longer outstanding (a "Defeased Obligation") within the meaning of such Ordinance when payment of the principal of such Obligation, plus interest thereon to the due date either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar in accordance with an escrow agreement or other instrument (a "Future Escrow Agreement") for such payment (1) lawful money of the United States of America sufficient to make such payment or (2) Government Obligations which mature as to principal and interest in such amounts and at such times as will ensure the availability, without reinvestment, of sufficient money to provide for such payment, and when proper arrangements have been made by the City with the Paying Agent/Registrar for the payment of its services until all Defeased Obligations shall have become due and payable, and thereafter the City will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased bonds, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Government Obligations. At such time as an Obligation shall be deemed to be a Defeased Obligation hereunder, as aforesaid, such Obligation and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes herein levied and pledged as provided in the Ordinance, and such principal and interest shall be payable solely from such money or Government Obligations.

Any moneys so deposited with or made available to the Paying Agent/Registrar may at the written direction of the City also be invested in Government Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from such Government Obligations received by the Paying Agent/Registrar which is not required for the payment of the Obligations and interest thereon, with respect to which such money has been so deposited, shall be turned over to the City, or deposited as directed in writing to the City. Any Future Escrow Agreement pursuant to which the money and/or Government Obligations are held for the payment of Defeased Obligations may contain provisions permitting the investment or reinvestment of such moneys in Government Obligations or the substitution of other Government Obligations upon the satisfaction of the requirements specified in (1) or (2) above.

The Ordinances provide that "Government Obligations" means any securities and obligations now or hereafter authorized by state law that are eligible to discharge obligations such as the Obligations. The Pricing Officer may restrict such eligible securities and obligations as deemed appropriate. In the event the Pricing Officer restricts such eligible securities and obligations, the final Official Statement will reflect the new authorized Government Obligations. Current State law permits defeasance with the following types of securities: (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the Issuer adopts or approves the proceedings authorizing the financial arrangements, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the Issuer adopts or approves the proceedings authorizing the financial arrangements, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. There is no assurance that current State law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Obligations. Because the Ordinances do not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Government Obligations or those for any other Government Obligations will be maintained at any particular rating category.

Upon such deposit as described above, such Defeased Obligations shall no longer be regarded to be outstanding obligations payable from ad valorem taxes levied by the City or from the other revenues pledged to their payment in the Ordinances, but will be payable only from the funds and Government Obligations deposited in escrow and will not be considered debt of the City for any purpose. After firm banking and financial arrangements for the discharge and final payment or redemption of the Obligations have been made as described above, all rights of the City to initiate proceedings to call the Obligations for redemption or take any other action amending the terms of the Obligations are extinguished; provided, however, that the right to call the Obligations for redemption is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Obligations for redemption; and (ii) gives notice of the reservation of that right to the owners of the Obligations immediately following the making of the firm banking and financial arrangements; (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

BOOK-ENTRY-ONLY SYSTEM . . . *This section describes how ownership of the Obligations is to be transferred and how the principal of, premium, if any, and interest on the Obligations are to be paid to and accredited by DTC while the Obligations are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Obligations, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Obligations), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Obligations. The Obligations will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each maturity of the Obligations in the aggregate principal amount thereof and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Obligations on DTC's records. The ownership interest of each actual purchaser of each Obligation ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owners entered into the transaction. Transfers of ownership interest in the Obligations are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Obligations, except in the event that use of the book-entry system for the Obligations is discontinued.

To facilitate subsequent transfers, all Obligations deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Obligations with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Obligations; DTC's records reflect only the identity of the Direct Participant to whose account such Obligations are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Obligations may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Obligations, such as redemptions, tenders, defaults, and proposed amendments to the Obligation documents. For example, Beneficial Owners of Obligations may wish to ascertain that the nominee holding the Obligations for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Obligations within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the Obligations unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Obligations will be made to DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as in the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to DTC is the responsibility of the City, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Obligations at any time by giving reasonable notice to the City and the Paying Agent/Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Obligation certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Obligations will be printed and delivered.

Use of Certain Terms in Other Sections of this Official Statement. In reading this Official Statement it should be understood that while the Obligations are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Obligations, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinances will be given only to DTC.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the City, the Municipal Advisor or the Initial Purchasers.

EFFECT OF TERMINATION OF BOOK-ENTRY-ONLY SYSTEM . . . In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the City, printed Obligations will be issued to the holders and the Obligations will be subject to transfer, exchange and registration provisions as set forth in the Ordinances and summarized under "The Obligations - Transfer, Exchange and Registration" below.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar for the Bonds and the Certificates is BOKF, NA, Dallas, Texas. In the Ordinances, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds and Certificates are duly paid and any successor Paying Agent/Registrar shall be a commercial bank, trust company, financial institution or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds and Certificates. Upon any change in the Paying Agent/Registrar for the Bonds and Certificates, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds and Certificates, as applicable, by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

In the event the use of the Book-Entry-Only system is discontinued, principal of the Bonds and Certificates is payable to the registered holder appearing on the registration books of the Paying Agent/Registrar (the "Registered Owner") at the designated corporate trust office of the Paying Agent/Registrar upon surrender of the Bonds and Certificates for payment; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Obligations, all payments will be made as described under "The Obligations - Book-Entry-Only System" herein. Interest on the Bonds and Certificates is payable to the Register Owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (identified below) and such interest shall be paid by the Paying Agent/Registrar by check mailed, first class postage prepaid, to the Register Owner or by such other arrangement, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of the Registered Owner. If the date for the payment of the principal of or interest on the Bonds and Certificates shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the designated corporate office of the Paying Agent/Registrar is located is authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, printed Obligations will be delivered to the Registered Owners and thereafter the Obligations may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender of such printed Obligations to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the Registered Owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Obligations may be assigned by the execution of an assignment form on the Obligations or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Obligations will be delivered by the Paying Agent/Registrar, in lieu of the Obligations being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new Registered Owner or his designee. To the extent possible, new Obligations issued in an

exchange or transfer of Obligations will be delivered to the Registered Owner or assignee of the Registered Owner in not more than three business days after the receipt of the Obligations to be canceled, and the written instrument of transfer or request for exchange duly executed by the Registered Owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Obligations registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Obligations surrendered for exchange or transfer. See "The Obligations—Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Obligations. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Obligation called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the Registered Owner of the uncalled balance of an Obligation.

RECORD DATE FOR INTEREST PAYMENT . . . The record date ("Record Date") for the interest payable on the Bonds and Certificates on any interest payment date means the close of business on the last business day of the month next preceding such interest payment date.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Registered Owner of a Bond and Certificate appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

AMENDMENTS . . . In each Ordinance, the City has reserved the right to amend the Ordinance without the consent of any holder of the respective Obligation for the purpose of amending or supplementing the Ordinance to (i) cure any ambiguity, defect or omission therein that does not materially adversely affect the interests of the holders, (ii) grant additional rights or security for the benefit of the holders, (iii) add events of default as shall not be inconsistent with the provisions of the Ordinance that do not materially adversely affect the interests of the holders, (iv) qualify the Ordinance under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect or (v) make such other provisions in regard to matters or questions arising under the Ordinance that are not inconsistent with the provisions thereof and which, in the opinion of Bond Counsel for the City, do not materially adversely affect the interests of the holders.

Each Ordinance further provides that the holders of the Bonds or Certificates, as applicable, aggregating in principal amount a majority of the outstanding Bonds or Certificates, as the case may be, shall have the right from time to time to approve any amendment not described above to the applicable Ordinance if it is deemed necessary or desirable by the City; provided, however, that without the consent of 100% of the holders in original principal amount of the then outstanding Bonds or Certificates so affected, no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Bonds or Certificates; (ii) reducing the rate of interest borne by any of the outstanding Bonds or Certificates; (iii) reducing the amount of the principal of, or redemption premium, if any, payable on any outstanding Bonds or Certificates; (iv) modifying the terms of payment of principal or of interest or redemption premium on outstanding Bonds or Certificates, or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Bonds or Certificates necessary for consent to such amendment. Reference is made to the Ordinances for further provisions relating to the amendment thereof.

REMEDIES . . . Each Ordinance establishes specific events of default with respect to the respective series of Obligations. If the City defaults in the payment of the principal of or interest on the Bonds or Certificates when due or the City defaults in the observance or performance of any of the covenants, conditions, or obligations of the City, the failure to perform which materially, adversely affects the rights of the owners thereof, including but not limited to, their prospect or ability to be repaid in accordance with the respective Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the City, each Ordinance provides that any registered owner of a respective Obligation is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the respective Obligations or Ordinance and the City's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Obligations in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinances do not provide for the appointment of a trustee to represent the interest of the owners of the respective Obligations upon any failure of the City to perform in accordance with the terms of the Ordinances, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. The Texas Supreme Court has ruled in *Tooke v. City of Mexia* 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Furthermore, *Tooke*, and subsequent jurisprudence, held that a municipality is not immune from suit for torts committed in the performance of its proprietary functions, as it is for torts committed in the performance of its governmental functions (the "Proprietary-Governmental Dichotomy"). Governmental functions are those that are enjoined on a municipality by law and are given by the State as a part of the State's sovereignty, to be exercised by the municipality in the interest of the general public, while proprietary functions are those that a municipality may, in its discretion, perform in the interest of the inhabitants of municipality. In *Wasson Interests, Ltd., V. City of Jacksonville*, No. 489 S.W.3d 427 (Tex. 2016), ("Wasson") the Texas Supreme Court (the "Court") addressed whether the distinction between governmental and

proprietary acts (as found in tort-based causes of action) applies to the breach of contract claims against municipalities. The Court analyzed the rationale behind the Proprietary-Governmental Dichotomy to determine that "a city's proprietary functions are not done pursuant to the "will of the people" and protecting such municipalities "via the State's immunity is not an efficient way to ensure efficient allocation of State resources". While the Court recognized that the distinction between government and proprietary functions is not clear, the Wasson opinion held the Proprietary-Governmental Dichotomy applies in contract-claims context. Therefore, in regard to municipal contract cases (as in tort claims), it is incumbent on the courts to determine whether a function is proprietary or governmental based upon the statutory guidance and definitions found in the Texas Civil Practice and Remedies Code. Notwithstanding the foregoing new case law issued by the Court, such sovereign immunity issues have not been adjudicated in relation to bond matters (specifically, in regard to the issuance of municipal debt). Each situation will be prospectively evaluated based on the facts and circumstances surrounding the contract in question to determine if a suit, and subsequently, a judgment, is justiciable against a municipality. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, owners of Obligations may not be able to bring such a suit against the City for breach of the Obligations or Ordinance covenants in the absence of City action. Chapter 1371, Texas Government Code ("Chapter 1371"), which pertains to the issuance of public securities by issuers such as the City, permits the City to waive sovereign immunity in the proceedings authorizing its debt, but in connection with the issuance of the Obligations, the City has not waived sovereign immunity. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the Registered Owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds or the Certificates. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Obligationholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinions of Bond Counsel will note that all opinions relative to the enforceability of the Obligations are qualified with respect to the customary rights of debtors relative to their creditors, by principles of governmental immunity, and by general principles of equity which permit the exercise of judicial discretion.

Initially, the only Registered Owner of the Bonds and Certificates will be Cede & Co., as DTC's nominee. See "The Obligations - Book-Entry-Only System" herein for a description of the duties of DTC with regard to ownership of the Bonds and Certificates.

TAX INFORMATION

AD VALOREM TAX LAW . . . The appraisal of property within the City is the responsibility of the Denton Central Appraisal District (the "Appraisal District"). Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, the Appraisal District is required under V.T.C.A., Title I, Tax Code, as amended (the "Property Tax Code") to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining the market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. State law requires the appraised value of a residence homestead to be based solely on the property's value as a residence homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a residence homestead for a tax year to an amount that would not exceed the lesser of (1) the market value of the property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of (a) 10% of the property's appraised value in the preceding tax year, plus (b) the property's appraised value in the preceding tax year, plus (c) the market value of all new improvements to the property. The value placed upon property within the Appraisal District is subject to review by an Appraisal Review Board, consisting of members appointed by the Board of Directors of the Appraisal District. The Appraisal District is required to review the value of property within the Appraisal District at least every three years. The City may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the City by petition filed with the Appraisal Review Board.

Reference is made to the Property Tax Code, for identification of property subject to taxation; property exempt or which may be exempted from taxation, if claimed; the appraisal of property for ad valorem taxation purposes; and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Article VIII of the State Constitution ("Article VIII") and State law provide for certain exemptions from property taxes, the valuation of agricultural and open-space lands at productivity value, and the exemption of certain personal property from ad valorem taxation.

Under Section 1-b, Article VIII, and State law, the governing body of a political subdivision, at its option, may grant an exemption of not less than \$3,000 of the market value of the residence homestead of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision. Once authorized, such exemption may be repealed or decreased or increased in amount (i) by the governing body of the political subdivision or (ii) by a favorable vote of a majority of the qualified voters at an election called by the governing body of the political subdivision, which election must be called upon receipt of a petition signed by at least 20% of the number of qualified voters who voted in the preceding election of the political subdivision. In the case of a decrease, the amount of the exemption may not be reduced to less than \$3,000 of the market value.

The surviving spouse of an individual who qualifies for the foregoing exemption for the residence homestead of a person 65 or older (but not the disabled) is entitled to an exemption for the same property in an amount equal to that of the exemption for which the deceased spouse qualified if (i) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (ii) the surviving spouse was at least 55 years of age at the time of the death of the individual's spouse and (iii) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse.

In addition to any other exemptions provided by the Property Tax Code, the governing body of a political subdivision, at its option, may grant an exemption of up to 20% of the market value of residence homesteads, with a minimum exemption of \$5,000.

In the case of residence homestead exemptions granted under Section 1-b, Article VIII, ad valorem taxes may continue to be levied against the value of homesteads exempted where ad valorem taxes have previously been pledged for the payment of debt if cessation of the levy would impair the obligation of the contract by which the debt was created.

Under Article VIII and State law, the governing body of a county, municipality or junior college district may provide for a freeze on total amount of ad valorem taxes levied on the residence homestead of a disabled person or persons 65 years of age or older above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon receipt of a petition signed by five percent of the registered voters of the county, municipality or junior college district, an election must be held to determine by majority vote whether to establish such a limitation on taxes paid on residence homesteads of persons 65 years of age or who are disabled. Upon providing for such exemption, the total amount of taxes imposed on such homestead cannot be increased except for improvements (other than maintenance, repairs or improvements required to comply with governmental requirements) and such freeze is transferable to a different residence homestead. Also, a surviving spouse of a taxpayer who qualifies for the freeze on ad valorem taxes is entitled to the same exemption so long as the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse and the spouse was at least 55 years of age at the time of the death of the individual's spouse. Once established such freeze cannot be repealed or rescinded.

State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from \$5,000 to a maximum of \$12,000, dependent upon the degree of disability or whether the exemption is applicable to a surviving spouse or children; provided, however, that beginning in the 2009 tax year, a disabled veteran who receives from the United States Department of Veterans Affairs or its successor 100 percent disability compensation due to a service-connected disability and a rating of 100 percent disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead. In addition, effective January 1, 2012, and subject to certain conditions, surviving spouses of a deceased veteran who had received a disability rating of 100% will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries.

Article VIII provides that eligible owners of both agricultural land (Section 1-d) and open-space land (Section 1-d-1), including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified under both Section 1-d and 1-d-1.

Nonbusiness personal property, such as automobiles or light trucks, are exempt from ad valorem taxation unless the governing body of a political subdivision elects to tax this property. Boats owned as nonbusiness property are exempt from ad valorem taxation.

Article VIII, Section 1-j, provides for "freeport property" to be exempted from ad valorem taxation. Freeport property is defined as goods detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Notwithstanding such exemption, counties, school districts, junior college districts and cities may tax such tangible personal property provided official action to tax the same was taken before April 1, 1990. Decisions to continue to tax may be reversed in the future; decisions to exempt freeport property are not subject to reversal.

Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of "goods-in-transit." "Goods-in-transit" is defined by Section 11.253 of the Property Tax Code, as personal property acquired or imported into Texas and transported to another location in the State or outside of the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory. Section 11.253 permits local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax "goods-in-transit" during the following tax year. After taking such official action, the goods-in-transit remain subject to taxation by the local governmental entity until the governing body of the governmental entity rescinds or repeals its previous actions to tax goods-in-transit. A taxpayer may only receive either the freeport exemption or the "goods-in-transit" exemption for items of personal property.

The City or Denton County may create one or more tax increment financing districts ("TIF") within the City or Denton County, as applicable, and freeze the taxable values of property in the TIF at the value at the time of its creation. Other overlapping taxing units levying taxes in the TIF may agree to contribute all or part of future ad valorem taxes levied and collected against the value of property in the TIF in excess of the "frozen values" to pay or finance the costs of certain public improvements in the TIF. Taxes levied by the City against the values of real property in the TIF in excess of the "frozen" value are not available for general city use but are restricted to paying or financing "project costs" within the TIF. The City also may enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The City in turn agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. The City has active reinvestment zones for tax abatements and tax increment financing zones for tax increment financing purposes. See "Tax Information - Tax Incentive Policy, – Property Tax Abatement" and "- Tax Increment Financing and Public Improvement District" and "Table 1 - Valuation, Exemptions and General Obligation Debt".

The City is also authorized, pursuant to Chapter 380, Texas Local Government Code, as amended ("Chapter 380"), to establish programs to promote state or local economic development and to stimulate business and commercial activity in the City. In accordance with a program established pursuant to Chapter 380, the City may make loans or grants of public funds such as ad valorem taxes or sales taxes for economic development purposes, however no obligations secured by ad valorem taxes may be issued for such purposes unless approved by voters of the City. The City has entered into several Chapter 380 Agreements. See "Tax Information - Chapter 380 Agreements".

NO-NEW-REVENUE TAX RATE AND VOTER-APPROVAL TAX RATE . . . The Following terms as used in this section have the meanings provided below:

"adjusted" means lost values are not included in the calculation of the prior year's taxes and new values are not included in the current year's taxable values.

"de minimis rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted), plus the rate that produces an additional \$500,000 in tax revenue when applied to the current year's taxable value, plus the debt service tax rate.

"foregone revenue amount" means the greater of zero or the amount expressed in dollars calculated according to the following formula: the voter-approval tax rate less the actual tax rate, then multiplied by the taxing unit's current total value in the applicable preceding tax year.

"no-new-revenue tax rate" means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year's total tax levy (adjusted) from the current year's total taxable values (adjusted).

"special taxing unit" means a city for which the maintenance and operations tax rate proposed for the current tax year is 2.5 cents or less per \$100 of taxable value.

"unused increment rate" means the greater of (i) zero; or (ii) the sum of the foregone revenue amount for each of the tax years 2022 foregone revenue amount, the 2023 foregone revenue amount, and 2025 foregone revenue amount divided by the current total value..

"voter-approval tax rate" mean the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted) multiplied by 1.035, plus the debt service tax rate, plus the "unused increment rate".

The City's tax rate consists of two components: (1) a rate for funding of maintenance and operations expenditures in the current year (the "maintenance and operations tax rate"), and (2) a rate for funding debt service in the current year (the "debt service tax rate"). Under State law, the assessor for the City must submit an appraisal roll showing the total appraised, assessed, and taxable values for all property in the City to the City Council by August 1 of each year, or as soon as practicable thereafter.

A city must annually calculate its "voter-approval tax rate" and "no-new-revenue tax rate" (as such terms are defined above) in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the city and the county tax assessor-collector for each county in which all or part of the city is located. A city must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year.

As described below, the Property Tax Code provides that if a city adopts a tax rate that exceeds its voter-approval tax rate or, in certain cases, its "de minimis rate", an election must be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

A city may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such city participates has delivered notice to each taxpayer of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase.

For cities with a population of 30,000 or more as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the voter-approval tax rate, that city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

For cities with a population less than 30,000 as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the greater of (i) the voter-approval tax rate or (ii) the de minimis rate, the city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate. However, for any tax year during which a city has a population of less than 30,000 as of the most recent federal decennial census and does not qualify as a special taxing unit, if a city's adopted tax rate is equal to or less than the de minimis rate but greater than both (a) the no-new-revenue tax rate, multiplied by 1.08, plus the debt service tax rate or (b) the city's voter-approval tax rate, then a valid petition signed by at least three percent of the registered voters in the city would require that an election be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

Any city located at least partly within an area declared a disaster area by the Governor of the State or the President of the United States during the current year may calculate its "voter-approval tax rate" using a 1.08 multiplier, instead of 1.035, until the earlier of (i) the second tax year in which such city's total taxable appraised value exceeds the taxable appraised value on January 1 of the year the disaster occurred, or (ii) the third tax year after the tax year in which the disaster occurred.

State law provides cities and counties in the State the option of assessing a maximum one-half percent (1/2%) sales and use tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional sales and use tax for ad valorem tax reduction is approved and levied, the no-new-revenue tax rate and voter-approval tax rate must be reduced by the amount of the estimated sales tax revenues to be generated in the current tax year.

The calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact the City's ability to set a debt service tax rate in each year sufficient to pay debt service on all of the City's tax-supported debt obligations, including the Obligations.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

PROPERTY ASSESSMENT AND TAX PAYMENT . . . Property within the City is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process that uses pricing information contained in the most recently published Early Release Overview of the Annual Energy Outlook published by the United States Energy Information Administration, as well as appraisal formulas developed by the State Comptroller of Public Accounts. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and the final installment due on August 1.

PENALTIES AND INTEREST . . . Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

Month	Cumulative Penalty	Cumulative Interest	Total
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July	12	6	18

After July, the penalty remains at 12%, and interest accrues at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid. A delinquent tax continues to incur the penalty interest as long as the tax remains unpaid, regardless of whether a judgment for the delinquent tax has been rendered. The purpose of imposing such interest is to compensate the taxing unit for revenue lost because of the delinquency. In addition, if an account is delinquent in July, an attorney's collection fee of up to 20% may be added to the total tax penalty and interest charge. Under certain circumstances, taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed. In general, property subject to the City's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

CITY APPLICATION OF TAX CODE . . . The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of \$50,000. Disabled taxpayers also receive a \$50,000 exemption.

The City grants an additional one-half of one percent, or a minimum of \$5,000 exemption of the market value of residence homesteads.

See Table 1 for a listing of the amounts of the exemptions described above.

Ad valorem taxes are not levied by the City against the exempt value of residence homesteads for the payment of debt.

The City does not tax nonbusiness personal property.

Denton County began collecting taxes for the City during the fiscal year 2006-07.

The City does not allow split payments, and discounts are not allowed.

The City does not tax freeport property.

The City collects the additional one-half cent sales tax for reduction of ad valorem taxes.

The City does tax "goods-in-transit".

The City has adopted the tax freeze (limitation) for citizens who are disabled or are 65 years of age or older.

The City has adopted a tax abatement policy.

The City participates in two tax increment reinvestment zones, which were created in 2010 and 2012.

TAX INCREMENT FINANCING AND PUBLIC IMPROVEMENT DISTRICT . . . The City participates in two tax increment reinvestment zones, Reinvestment Zone Number One, City of Denton, Texas (the "Downtown TIRZ"), and Reinvestment Zone Number Two, City of Denton, Texas (the "Westpark TIRZ"), which were created in 2010 and 2012, respectively.

- Grant agreements committing funds in an aggregate amount not to exceed \$250,000 of Downtown TIRZ funds have been approved in this Fiscal Year 2025-26.
- On December 17, 2024, the Denton City Council amended Ordinance No. 2010-316 by expanding the boundaries and extending the term of the Downtown TIRZ. The life of the zone was extended to December 31, 2040, or when the budget of \$50.2 million is collected. The 2025 tax year (FY 2025-2026) is the first year to capture incremental revenue above the 2024 base tax year for the expanded boundaries (TIRZ 1A).

The City participates in two Public Improvement Districts ("PIDs"), Rayzor Ranch Public Improvement District No. 1 and the Denton Tourism Public Improvement District. These PIDs, created in 2014 and 2024 respectively, are authorized by Chapter 372 of the Texas Local Government Code.

Additional information on the tax increment reinvestment zones and the PIDs can be found in the Annual Comprehensive Financial Report, Notes to Basic Financial Statements, IV. Detailed Notes on All Funds, B. Property Tax Revenue.

TAX INCENTIVE POLICY . . . The City enters into economic development incentive agreements consisting of property tax abatement agreements and Chapter 380 agreements with entities to promote development and redevelopment within the City, stimulate commercial activity, generate additional sales tax, and enhance the property tax base and economic vitality of the City. A summary of newly initiated agreements and terminated agreements follows.

PROPERTY TAX ABATEMENTS . . . One property tax abatement was approved December 16, 2025 for Novartis Gene Therapies. Novartis is a Swiss pharmaceutical corporation, formed in 1996, which selected Denton for an expansion of its radiopharmaceutical manufacturing operations. The Tax Abatement Agreement includes a 50% abatement on new improvements up to \$2,337,960 for a period of ten years.

CHAPTER 380 AGREEMENTS . . . Three Chapter 380 Agreements have been approved in this Fiscal Year 2025-26.

- Novartis Gene Therapies was awarded a 50% sales tax rebate up to \$199,688 for the construction and equipping of the facility, a stratified job-based grant up to \$300,000 on qualified jobs and an environmental remediation grant up to \$395,000. The company will produce pharmaceuticals for radioligand therapy (RLT), a cancer treatment, targeting prostate and advanced gastroenteropancreatic cancer. The facility will undergo environmental remediation and renovations of approximately 40,000 square feet to suit the manufacturing process. The company estimates the investment in the building, machinery, equipment, and improvements to the land will be \$280 million. The project plans to create 150 jobs with an average salary of greater than \$124,000
- Panel Rey/PR Gypsum was granted a five-year performance-based ad valorem tax rebate at 60% estimated at \$170,357 and a one-time relocation grant in the amount of \$50,000. In addition, the company was awarded a stratified job-based grant not to exceed \$16,500. This is the first manufacturing expansion into the United States for a company that produces joint compound used in the construction of residential and commercial projects. Panel Rey is seeking to purchase an existing 60,000 square foot building as Phase I of their U.S. expansion. The company's planned investment in the building, machinery, and equipment will be approximately \$15 million. The project involves plans to create 20 jobs with a weighted salary of \$72,733.
- KratoeSky was awarded an eight-year performance-based ad valorem tax rebate at 65% estimated at \$498,564, a 50% sales tax rebate up to \$94,500 for the construction and equipping of the facility, a headquarters grant of \$50,000 and a job-based grant up to \$227,000 on qualified jobs with residency bonus. KratoeSky is an autonomous Unmanned Aircraft Systems (UAS) manufacturing company focused on building the foundational infrastructure for large-scale autonomy. The company plans to inject \$23.5 Million in capital investment into the project with \$12.6 million in improvements and \$10.9 in business personal property. Additionally, the company plans on creating 258 jobs with an average salary of \$78,787 within a five-year period.
- Additional information on all of the tax abatement and Chapter 380 agreements may be found in Appendix B – Excerpts from the City of Denton, Texas Annual Comprehensive Financial Report, Notes to Basic Financial Statements, V. Other Information. F Tax Abatements.

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TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2025/26 Market Valuation Established by Denton Central Appraisal District		\$ 29,460,030,190
Less Exemptions/Reductions at 100% Market Value:		
Residence Homestead Exemptions	\$ 114,305,042	
Over 65 Exemptions	489,296,202	
Disabled Persons Exemptions	10,740,171	
Disabled Veterans Exemptions	270,463,697	
Agricultural Land Use Productivity	615,875,116	
Historical/Other Exemptions	7,001,241	
Freeport Exemptions	485,263,098	
Abatement Exemptions	7,644,389	
Pollution Exemptions	21,227,105	
Charitable Organization Exemptions	108,195,755	
Homestead Cap Adjustment	297,286,423	
Circuit Breaker Limitation	173,940,132	
Misc and Personal Property	6,115,647	
Totally Exempt Property	<u>3,722,833,041</u>	<u>6,330,187,059</u>
2025/26 Taxable Assessed Valuation (as of 7-25-2025)		\$ 23,129,843,131
2025/26 Incremental Taxable Assessed Value of Real Property within Reinvestment Zones		<u>(720,242,092)</u>
2025/26 Net Taxable Assessed Valuation available for General Obligations and Debt of City (as of 7-25-2025)		<u><u>\$ 22,409,601,039</u></u>
City Funded Debt Payable from Ad Valorem Taxes ⁽¹⁾		
General Obligation Bonds (as of 4-30-26)	\$ 452,520,000	
Certificates of Obligation (as of 4-30-26)	982,140,000 ⁽²⁾	
The Bonds	62,715,000 ⁽³⁾	
The Certificates	<u>281,260,000 ⁽³⁾</u>	
Funded Debt Payable from Ad Valorem Taxes		\$ 1,778,635,000
Less Self-Supporting General Obligation Debt ⁽⁴⁾		
Utility System General Obligation Debt	\$ 1,077,495,000 ⁽⁵⁾⁽⁷⁾	
Airport System General Obligation Debt	5,645,000	
Solid Waste System General Obligation Debt	<u>63,415,000 ⁽⁶⁾⁽⁷⁾</u>	<u>1,146,555,000</u>
Net Tax Supported Debt Payable from Ad Valorem Taxes		<u><u>\$ 632,080,000</u></u>
Interest and Sinking Fund as of 4-30-26 (estimated)		\$ 21,120,235
Ratio Total Funded Debt to Net Taxable Assessed Valuation		7.94%
Ratio Net Funded Debt to Net Taxable Assessed Valuation		2.82%
2026 Estimated Population - 158,933		
Per Capita Net Taxable Assessed Valuation - \$141,000		
Per Capita Total Funded Debt - \$11,191		
Per Capita Net Funded Debt - \$3,977		

- (1) The above statement of indebtedness does not include \$174,120,000 Utility System Revenue Bonds, \$127,350,000 Utility System Revenue Refunding Bonds, \$300,000,000 Utility System Revenue Extendable Commercial Paper Notes, Series A, or \$19,790,000 Utility System Revenue Notes as these bonds and notes are payable solely from the net revenues of the Utility System (the "System"), as defined in the ordinances authorizing such bonds and notes.
- (2) Excludes the Refunded Obligations. Preliminary, subject to change.
- (3) Preliminary, subject to change.
- (4) As a matter of policy, the City pays debt service on its general obligation debt issued to fund improvements to its Utility System and Solid Waste System from surplus revenues of these Systems (see "Table 7 – General Obligation Debt Service Requirements" and "Table 9 – Computation of Self-Supporting Debt"). This policy may be subject to change in the future.
- (5) The City's Utility System is comprised of the City's entire existing electric, light and power system and the waterworks and sewer system. Drainage is managed under the waterworks and wastewater system. The City's Utility System General Obligation Debt has been issued to finance or refinance Utility System improvements and contractual obligations and is paid, or is expected to be paid, from Utility System revenues. In addition, the City has \$174,120,000 Utility System Revenue Bonds, \$127,350,000 Utility System Revenue Refunding Bonds, and \$19,790,000 Utility System Revenue Notes outstanding payable from a pledge of Utility System revenues.
- (6) The City's Solid Waste System General Obligation Debt has been issued to finance or refinance Solid Waste System improvements and is paid, or is expected to be paid, from Solid Waste System revenues. The City has no outstanding Solid Waste System Revenue Bonds.
- (7) Includes a portion of the Obligations and excludes a portion of the Refunded Obligations. Preliminary, subject to change.

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY ⁽¹⁾

Category	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2026		2025		2024	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single Family	\$ 13,463,031,079	45.70%	\$ 13,235,361,992	49.04%	\$ 12,640,265,177	55.07%
Real, Residential, Multi-Family	3,611,192,084	12.26%	3,246,994,776	12.03%	3,010,316,741	13.12%
Real, Vacant Lots/Tracts	378,223,670	1.28%	330,248,139	1.22%	382,596,204	1.67%
Real, Acreage (Land Only)	621,048,215	2.11%	559,319,855	2.07%	576,294,402	2.51%
Real, Farm and Ranch Improvements	244,345,357	0.83%	253,790,382	0.94%	215,962,158	0.94%
Real, Commercial and Industrial	4,630,614,465	15.72%	4,254,925,028	15.77%	3,803,222,853	16.57%
Real, Oil, Gas, and Other Mineral Reserves	55,965,402	0.19%	48,857,763	0.18%	120,209,519	0.52%
Real and Tangible Personal, Utilities	215,844,160	0.73%	194,805,531	0.72%	178,025,520	0.78%
Tangible Personal, Commercial and Industrial	2,165,102,582	7.35%	2,040,653,199	7.56%	1,703,709,612	7.42%
Tangible Personal, Other	37,810,994	0.13%	34,036,056	0.13%	23,932,876	0.10%
Real and Special Property, Inventory	317,525,853	1.08%	233,176,418	0.86%	298,489,803	1.30%
Totally Exempt	3,719,326,329	12.62%	2,556,714,515	9.47%	-	0.00%
Total Appraised Value Before Exemptions	\$29,460,030,190	100.00%	\$26,988,883,654	100.00%	\$22,953,024,865	100.00%
Less: Total Exemptions/Reductions	(6,330,187,059)		(5,234,210,175)		(3,077,816,211)	
Less: Tax Increment Value	(720,242,092)		(644,341,698)		(655,364,707)	
Net Taxable Assessed Value	\$22,409,601,039		\$21,110,331,781		\$19,219,843,947	

Category	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2023		2022	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single Family	\$ 10,290,861,945	53.71%	\$ 8,179,274,977	30.31%
Real, Residential, Multi-Family	2,581,359,659	13.47%	2,192,401,019	8.12%
Real, Vacant Lots/Tracts	423,344,124	2.21%	314,300,099	1.16%
Real, Acreage (Land Only)	429,021,486	2.24%	361,523,875	1.34%
Real, Farm and Ranch Improvements	182,206,679	0.95%	157,873,244	0.58%
Real, Commercial and Industrial	3,299,538,286	17.22%	3,032,461,538	11.24%
Real, Oil, Gas, and Other Mineral Reserves	87,640,017	0.46%	48,516,939	0.18%
Real and Tangible Personal, Utilities	152,340,178	0.80%	142,991,907	0.53%
Tangible Personal, Commercial and Industrial	1,507,941,787	7.87%	1,425,520,232	5.28%
Tangible Personal, Other	23,831,628	0.12%	23,969,949	0.09%
Real Property, Inventory	181,149,319		137,388,170	0.51%
Totally Exempt	-	0.00%	-	0.00%
Total Appraised Value Before Exemptions	\$19,159,235,108	99.05%	\$16,016,221,949	59.34%
Less: Total Exemptions/Reductions	(2,177,190,370)		(1,376,450,603)	
Less: Tax Increment Value	(260,921,114)		(236,666,283)	
Net Taxable Assessed Value	\$16,721,123,624		\$14,403,105,063	

(1) Valuations shown are certified taxable assessed values reported by the Denton Central Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records. For the Fiscal Year ended 2026, the values were reported on July 25, 2025 based on information as of January 1, 2025.

TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended	Estimated Population ⁽¹⁾	Net Taxable Assessed Valuation ⁽²⁾	Net Taxable Assessed Valuation Per Capita	Net Tax Debt Outstanding at End of Year ⁽⁸⁾	Ratio Net Tax Debt to Net Taxable Assessed Valuation	Net Funded Tax Debt Per Capita
2022	146,950	\$ 14,403,105,063 ⁽³⁾	\$ 98,014	\$ 354,343,240	2.46%	\$ 2,411
2023	150,624	16,721,123,624 ⁽⁴⁾	111,012	392,635,000	2.35%	2,607
2024	150,842	19,219,843,947 ⁽⁵⁾	127,417	522,720,000	2.72%	3,465
2025	155,375	21,110,331,781 ⁽⁶⁾	135,867	524,460,000	2.48%	3,375
2026	158,933	22,409,601,039 ⁽⁷⁾	141,000	632,080,000 ⁽⁹⁾	2.82%	3,977

- (1) Source: City Officials.
- (2) Valuations shown are certified taxable assessed values reported by the Denton Central Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records. Source: Denton Central Appraisal District as of July 25, 2025.
- (3) Excludes tax incremental value of approximately \$236,666,283 that is not available for the City's general obligations and debt of City.
- (4) Excludes tax incremental value of approximately \$263,821,022 that is not available for the City's general obligations and debt of City.
- (5) Excludes tax incremental value of approximately \$321,617,493 that is not available for the City's general obligations and debt of City.
- (6) Excludes tax incremental value of approximately \$644,341,698 that is not available for the City's general obligations and debt of City.
- (7) Excludes tax incremental value of approximately \$720,242,092 that is not available for the City's general obligations and debt of City.
- (8) Excludes self-supported general obligation debt.
- (9) Projected. Includes a portion of the Obligations Excludes the Refunded Obligations. Preliminary, subject to change.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	Distribution			% Current Collections	% Total Collections
		General Fund	Interest and Sinking Fund	Tax Levy ⁽¹⁾		
2022	\$ 0.56582	\$ 0.35044	\$ 0.21538	\$ 79,382,757	99.68%	99.75%
2023	0.56068	0.35643	0.20425	91,758,521	99.44%	99.55%
2024	0.56068	0.35478	0.20590	106,515,412	99.54%	99.38%
2025	0.58542	0.33478	0.25064	120,022,186	99.30%	99.30%
2026	0.59542	0.33478	0.26064	130,611,877	In Process of Collection	

- (1) Tax levy for the year 2026 is based on the adjusted certified value. Prior years represent adjusted values that include all supplements through July 25, 2025. Includes tax incremental reinvestment zone revenues.

TABLE 5 - TEN LARGEST TAXPAYERS ⁽¹⁾

Name of Taxpayer	Nature of Property	2025/26 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Paccar Inc.	Diesel Truck Manufacturing	\$153,971,503	0.67%
RR Town Center Associates LLC	Retail	103,453,509	0.45%
Denton ICC 35 LLC	Business Park	93,054,752	0.40%
Southwire Company, LLC	Manufacturing	85,175,168	0.37%
TRDWind Timberlinks Borrower LLC	Apartments	81,000,000	0.35%
Exeter Denton Land LP	Distribution	78,469,221	0.34%
Atmos Energy Mid-Tex Distribution	Gas Utility	76,435,710	0.33%
GEP XI Denton 2 LP	Apartments	75,000,000	0.32%
Epic Development Inc.	Apartments	73,362,019	0.32%
DIN1 Land LTD	Distribution	73,173,402	0.32%
		<u>\$893,095,284</u>	<u>3.86%</u>

- (1) Source: Denton Central Appraisal District.

GENERAL OBLIGATION DEBT LIMITATION . . . No general obligation debt limitation is imposed on the City under current State law or the City's Home Rule Charter (see "The Obligations – Tax Rate Limitation" for a description of the limitations on ad valorem tax rates).

TABLE 6 - ESTIMATED OVERLAPPING TAX DEBT

Expenditures of the various taxing entities within the territory of the City are paid out of ad valorem taxes levied by such entities on properties within the City. Such entities are independent of the City and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax debt ("Tax Debt") was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the City, the City has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain entities listed may have issued additional Tax Debt since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional Tax Debt, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the City.

Taxing Jurisdiction	2025/26	2025/26	Total	Estimated	City's	Authorized
	Taxable					
	Assessed	Rate	Debt	Applicable	Funded Debt	Debt As Of
	Value				As of 5-31-26	5-31-26
City of Denton	\$22,409,601,039 ⁽¹⁾	\$0.59542	\$ 632,080,000 ⁽²⁾	100.00%	\$ 632,080,000 ⁽²⁾	\$ 169,402,000 ⁽³⁾
Argyle Independent School District	5,816,552,187	1.17300	655,515,923	6.53%	42,805,190	205,565,000
Denton County	207,352,205,545	0.18600	787,916,036	11.99%	94,471,133	324,090,625
Denton Independent School District	31,328,814,917	1.20700	2,317,774,209	57.01%	1,321,363,077	-
Krum Independent School District	2,118,376,515	1.19500	206,870,995	4.85%	10,033,243	46,200,000
Ponder Independent School District	1,142,270,556	1.27700	60,521,894	8.85%	5,356,188	294,640,000
Sanger Independent School District	2,129,420,106	1.14300	135,981,559	0.32%	435,141	-
Total Direct and Overlapping Funded Debt					<u>\$2,106,543,971</u>	
Ratio of Direct and Overlapping Funded Debt to Taxable Assessed Valuation.....					9.40%	
Per Capita Overlapping Funded Debt.....					\$ 5,738.76	

(1) Excludes tax incremental value of approximately \$720,242,092 that is not available for the City's general obligations and debt of City.

(2) Includes a portion of the Obligations. Excludes the Refunded Obligations and self-supporting. See Tables 1 and 9 herein for more detailed information on the City's general obligation self-supporting debt. Preliminary, subject to change.

(3) Reflects remaining authorization after the issuance of the Bonds. Preliminary, subject to change.

TABLE 7 – PRO FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ended 9/30	Outstanding Debt Service ⁽¹⁾			The Bonds ⁽²⁾		The Certificates ⁽³⁾		Total Outstanding	Less: Self-Supporting Solid Waste Debt Service ⁽⁴⁾	Less: Self-Supporting Utility Debt Service ⁽⁴⁾	Less: Self-Supporting Airport Debt Service	Total Net Debt Service Requirements	% of Principal Retired
	Principal	Interest	Total	Principal	Interest	Principal	Interest						
2026	\$ 77,960,000	\$ 65,125,946	\$ 143,085,946	\$ -	\$ -	\$ -	\$ -	\$ 143,085,946	\$ 6,507,026	\$ 78,287,033	\$ 745,650	\$ 57,546,237	
2027	78,505,000	60,796,131	139,301,131	1,280,000	3,007,527	6,970,000	13,310,998	163,869,657	7,852,894	90,186,170	682,900	65,147,693	
2028	75,195,000	57,071,675	132,266,675	3,640,000	2,927,338	7,190,000	13,146,931	159,170,944	7,846,563	87,081,731	651,025	63,591,625	
2029	74,355,000	53,427,628	127,782,628	3,830,000	2,740,588	7,565,000	12,778,056	154,696,272	7,519,338	85,837,681	640,950	60,698,303	
2030	75,880,000	49,800,144	125,680,144	4,015,000	2,544,463	7,940,000	12,390,431	152,570,038	7,112,463	85,940,406	641,100	58,876,069	22.86%
2031	70,880,000	46,341,491	117,221,491	4,225,000	2,338,463	8,355,000	11,983,056	144,123,010	6,072,088	80,718,506	645,550	56,686,866	
2032	72,585,000	43,060,838	115,645,838	4,440,000	2,121,838	8,245,000	11,568,056	142,020,731	5,136,388	81,071,731	644,203	55,168,409	
2033	72,745,000	39,776,022	112,521,022	4,670,000	1,894,088	8,675,000	11,145,056	138,905,166	5,079,588	78,556,006	651,550	54,618,022	
2034	74,650,000	36,502,253	111,152,253	1,780,000	1,732,838	9,110,000	10,700,431	134,475,522	4,480,638	78,057,606	520,800	51,416,478	
2035	73,170,000	33,335,109	106,505,109	1,875,000	1,641,463	9,590,000	10,232,931	129,844,503	4,167,188	76,533,956	405,528	48,737,831	45.75%
2036	71,890,000	30,290,828	102,180,828	1,970,000	1,545,338	10,080,000	9,741,181	125,517,347	3,926,138	74,371,281	402,713	46,817,216	
2037	72,440,000	27,255,059	99,695,059	2,075,000	1,444,213	10,360,000	9,230,181	122,804,453	3,457,038	73,676,294	404,238	45,266,884	
2038	73,800,000	24,148,134	97,948,134	2,175,000	1,337,963	10,880,000	8,699,181	121,040,278	3,390,288	73,696,744	395,375	43,557,872	
2039	73,415,000	21,019,416	94,434,416	2,290,000	1,226,338	11,445,000	8,141,056	117,536,810	3,388,763	73,704,088	71,900	40,372,059	
2040	74,345,000	17,947,297	92,292,297	2,400,000	1,109,088	12,030,000	7,554,181	115,385,566	3,387,863	73,062,800	69,200	38,865,703	68.99%
2041	73,815,000	14,905,631	88,720,631	2,530,000	985,838	12,645,000	6,937,306	111,818,775	3,382,894	72,474,863	71,700	35,889,319	
2042	67,095,000	11,984,966	79,079,966	5,040,000	796,588	13,290,000	6,288,931	104,495,485	3,450,550	67,848,203	69,100	33,127,631	
2043	59,860,000	9,342,019	69,202,019	5,295,000	538,213	13,990,000	5,606,931	94,632,163	2,950,625	63,208,931	71,400	28,401,206	
2044	57,250,000	6,901,034	64,151,034	2,930,000	341,744	14,660,000	4,936,494	87,019,272	1,826,891	63,160,669	-	22,031,713	
2045	37,235,000	4,909,297	42,144,297	3,060,000	210,713	15,315,000	4,280,791	65,010,800	1,663,934	51,477,156	-	11,869,709	89.68%
2046	17,230,000	3,798,341	21,028,341	3,195,000	71,888	16,005,000	3,585,663	43,885,891	1,124,131	35,885,584	-	6,876,175	
2047	14,820,000	3,206,741	18,026,741	-	-	5,340,000	3,098,725	26,465,466	-	26,465,466	-	-	
2048	11,780,000	2,709,166	14,489,166	-	-	5,605,000	2,838,781	22,932,946	-	22,932,947	-	-	
2049	12,230,000	2,261,147	14,491,147	-	-	5,875,000	2,566,131	22,932,278	-	22,932,278	-	-	
2050	12,305,000	1,799,913	14,104,913	-	-	6,160,000	2,280,300	22,545,212	-	22,545,213	-	-	95.63%
2051	11,615,000	1,337,491	12,952,491	-	-	6,460,000	1,980,575	21,393,065	-	21,393,066	-	-	
2052	10,200,000	891,200	11,091,200	-	-	6,780,000	1,661,888	19,533,087	-	19,533,088	-	-	
2053	8,630,000	492,253	9,122,253	-	-	7,125,000	1,322,953	17,570,206	-	17,570,206	-	-	
2054	4,900,000	200,719	5,100,719	-	-	7,480,000	966,956	13,547,675	-	13,547,675	-	-	
2055	1,840,000	46,000	1,886,000	-	-	7,855,000	593,166	10,334,166	-	10,334,166	-	-	99.56%
2056	-	-	-	-	-	8,240,000	200,850	8,440,850	-	8,440,850	-	-	100.00%
	<u>\$1,512,620,000</u>	<u>\$670,683,887</u>	<u>\$2,183,303,887</u>	<u>\$ 62,715,000</u>	<u>\$30,556,521</u>	<u>\$281,260,000</u>	<u>\$199,768,173</u>	<u>\$2,757,603,580</u>	<u>\$93,723,282</u>	<u>\$ 1,730,532,396</u>	<u>\$ 7,784,881</u>	<u>\$ 925,563,022</u>	

DEBT INFORMATION

(1) "Outstanding Debt" does not include lease/purchase obligations or the Refunded Obligations, however, it does include self-supporting debt. Preliminary, subject to change.
 (2) Average life of the issue - 10.059 years. Interest on the Bonds has been calculated at the rate of 4.07% for purposes of illustration. Preliminary, subject to change.
 (3) Average life of the issue - 14.766 years. Interest on the Certificates has been calculated at the rate of 4.45% for purposes of illustration. Preliminary, subject to change.
 (4) Includes a portion of the Obligations. Excludes a portion of the Refunded Obligations. Preliminary, subject to change.

TABLE 8 - INTEREST AND SINKING FUND BUDGET PROJECTION ⁽¹⁾

Budgeted Tax Supported Debt Service Requirements and Fiscal Charges, Fiscal Year Ending 9/30/2026	\$ 143,561,695	
Interest and Sinking Fund Balance as of 9/30/25	\$ 2,594,012	
Budgeted Interest and Sinking Fund Tax Levy	55,556,965	
Budgeted From Revenue Supported Sources	87,852,998	
Budgeted Interest Income	151,732	<u>146,155,707</u>
Estimated Balance, 9/30/26		<u><u>\$ 2,594,012</u></u>

(1) Source: City's Annual Program of Services for Fiscal Year 2025/26.

TABLE 9 - COMPUTATION OF SELF-SUPPORTING DEBT

Net Revenue from Solid Waste System, Fiscal Year Ended 9-30-25	\$ 10,843,590 ⁽¹⁾
Less: Solid Waste System Revenue Bond Requirements, 2026 Fiscal Year	<u>-</u>
Balance Available for Other Purposes	\$ 10,843,590
Solid Waste System General Obligation Bond Requirements, 2026 Fiscal Year	<u>(6,507,026)</u>
Balance	<u><u>\$ 4,336,564</u></u>
Net Revenue from Utility System (Electric System and Waterworks and Wastewater System), Fiscal Year Ended 9-30-25	\$ 139,717,993 ⁽¹⁾
Less: Utility System Revenue Bond Requirements, 2026 Fiscal Year	<u>(33,156,363)</u>
Balance Available for Other Purposes	\$ 106,561,630
Utility System General Obligation Bond Requirements, 2026 Fiscal Year	<u>(78,287,033)</u>
Balance	<u><u>\$ 28,274,597</u></u>
Net Revenue from Airport, Fiscal Year Ended 9-30-25	\$ 809,767 ⁽¹⁾
Less: Airport Revenue Bond Requirements, 2026 Fiscal Year	<u>-</u>
Balance Available for Other Purposes	\$ 809,767
Airport General Obligation Bond Requirements, 2026 Fiscal Year	<u>(745,650)</u>
Balance	<u><u>\$ 64,117</u></u>

(1) Does not deduct franchise fees and/or return on investment paid to the General Fund.

TABLE 10 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

Purpose	Date Authorized	Amount Authorized	Amount Heretofore Issued	Amount Being Issued ⁽¹⁾	Unissued Balance
Street	11/7/2023	\$ 45,125,000	\$ 7,000,000	\$ 18,125,000	\$ 20,000,000
Drainage & Flood Control	11/7/2023	58,860,000	16,268,000	25,595,000	16,997,000
Parks	11/7/2023	33,450,000	10,450,000	-	23,000,000
Public Safety Facilities	11/7/2023	42,015,000	41,512,000	503,000	-
Affordable Housing	11/7/2023	15,000,000	-	-	15,000,000
Active Adult Center	11/7/2023	47,360,000	-	-	47,360,000
Library	11/7/2023	49,545,000	2,500,000	-	47,045,000
		<u>\$291,355,000</u>	<u>\$ 77,730,000</u>	<u>\$44,223,000</u>	<u>\$ 169,402,000</u>

(1) Includes premium on the Bonds. Preliminary, subject to change.

ANTICIPATED ISSUANCE OF ADDITIONAL GENERAL OBLIGATION DEBT . . . As shown in Table 10 above, after the issuance of the Bonds, the City will have \$169,402,000 voted but unissued debt remaining from the November 7, 2023 authorization. The City's \$132,145,000 General Obligation Refunding Bonds, Series 2026A are anticipated to be offered for sale August 6, 2026 to refund a portion of the City's outstanding Utility System Revenue Bonds. In June of 2020, the City established a commercial paper note program which allows for the issuance, at one time, or from time to time, of up to \$100,000,000 aggregate principal amount of commercial paper notes (the "*CP Notes*") in order to finance public improvements authorized in the November 7, 2023 bond election. The CP Notes are secured by ad valorem taxes and proceeds from "rolls" of CP Notes and from bonds issued under the November 7, 2023 authorization. As of May 1, 2026, no CP Notes are outstanding. The City may also issue tax-supported debt other than voter approved general obligation bonds to fund public improvements, such as certificates of obligation or tax anticipation notes, without submitting a measure to the voters, but in certain instances, subject to voter petition rights for a referendum. Further, the City may issue tax-supported debt other than voter approved general obligation bonds to refund bonds or other obligations not currently payable from or supported by ad valorem taxes, such as the City's Utility System revenue bonds. The City anticipates the issuance of approximately \$69.927 million in tax supported debt in fiscal year 2027.

TABLE 11 - OTHER OBLIGATIONS

The City is a lessor in various noncancelable leases of land, building, and equipment. During fiscal year 2025, the City recognized \$255,461 in lease revenue and \$50,602 in interest revenue.

As of September 30, 2024, the City's lease receivable balance of \$3,541,476 was comprised of the following:

Governmental Activities		
One equipment lease with rents received totaling \$159,652 during the fiscal year 2025, at an interest rate of 0.582%, with a remaining lease term of 2 years		159,652
Four land leases with rents received totaling \$858,211 during the fiscal year 2025, at an interest rate of 1.882%, with a remaining lease term of 43 years		858,211
Business-type Activities		
Various land leases with rents received totaling \$141,222 during the fiscal year 2025, at an interest rate of 1.473% to 3.053% to with remaining lease terms ranging from 10 to 45 years		2,169,652
		<u>\$ 3,187,515</u>

The lease receivables are expected to be received in subsequent years as follows:

Fiscal Year	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2026	\$ 114,464	\$ 17,556	\$ 176,181	\$ 32,558
2027	67,620	16,966	176,181	30,041
2028	34,160	16,718	176,181	27,477
2029	36,437	16,484	176,181	24,865
2030	36,644	16,220	176,181	22,203
2031-2035	106,562	79,305	859,064	69,683
2036-2040	115,800	76,473	175,603	30,610
2041-2044	506,177	262,215	254,080	19,198
	<u>\$ 1,017,864</u>	<u>\$ 501,937</u>	<u>\$ 2,169,652</u>	<u>\$ 256,635</u>

The City has various aeronautical leasing agreements for land leases (54 agreements, 5 Licenses, 72 buildings) and hangar space (27) at Denton Enterprise Airport. These qualify as regulated leases and are not included in the measurement of lease receivables, in accordance with the requirements of GASB Statement No. 87. The City recognized \$1,001,746 (Land Lease) and \$185,100 (Hangar Lease) in lease revenue during fiscal year 2025 for these leases, which have CPI increases that range from 1-5 years, dependent on the lease terms ranging from 1-30 years, with some leases having additional options that range from 5-20 years. As of October 1, 2025, the minimum payments expected to be received over the next five years is shown in the table below:

<u>Fiscal Year</u>	<u>Amount</u>
2026	\$ 1,231,598
2027	1,262,552
2028	1,344,385
2029	1,377,224
2030	1,418,541
	<u>\$ 6,634,301</u>

Additionally, on January 1, 2023, City of Denton, TX entered a 48-month lease as Lessee for the use of Employee Health Clinic. An initial lease liability was recorded in the amount of \$300,845. As of September 30, 2025, the value of the lease liability is \$95,481. The City of Denton, TX is required to make monthly fixed payments of \$6,018. The lease has an interest rate of 0.2130%. The value of the right to use asset as of September 30, 2025, of \$300,845 with accumulated amortization of \$205,364. The City has one extension option(s), each for 12 months.

SUBSCRIPTION-BASED INFORMATION TECHNOLOGY AGREEMENTS (SBITA) . . . The City entered into SBITA contracts involving various desktop and server software, electronic workflows and document management software along with other departmental specific operations management systems to assist in operations. As of September 30, 2025, all SBITA have fixed, periodic, payments over the subscription periods, which range from 1 to 4 years and expire no later than fiscal year 2029. In addition, some of these agreements are cancelable with 30 or 60-day notice. There are no commitments or outflows of resources related to SBITA that are not yet effective. The short-term portion, due within one year, totals \$4,086,021 for Governmental Funds and \$2,647,909 for Business-type Funds.

The future subscription payments as of September 30, 2025, as follows:

Fiscal Year	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 4,086,021	\$ 130,644	\$ 2,647,909	\$ 46,850
2027	1,917,068	130,644	168,577	46,850
2028	1,917,068	130,644	168,577	46,850
2029	1,917,068	130,644	168,577	46,850
	<u>\$ 9,837,225</u>	<u>\$ 522,576</u>	<u>\$ 3,153,640</u>	<u>\$ 187,400</u>

PENSION FUND . . . The City of Denton participates as one of 901 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of the System with a six-member, Governor-appointed board of trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly-available annual comprehensive financial report obtainable at www.tmrs.com.

All eligible employees of the city are required to participate in TMRS.

Benefits Provided . . . TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the employee's benefit is calculated based on the sum of the employee's contributions with interest, and the city-financed monetary credits with interest. Employees may choose to receive their retirement benefit in one of seven payment options. Employees may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the employee's deposits and interest.

Upon retirement, the employee's retirement benefits are calculated based on the sum of the employee's contributions, with interest, and the City-financed monetary credits, with interest. City-financed monetary credits are composed of three sources: prior service credits, current service credits, and updated service credits.

- Prior service credit, granted by each city joining TMRS, is a monetary credit equal to the accumulated value of the percentage of prior service credit selected by the City, multiplied by an employee's contributions that would have been made, based on the average salary prior to TMRS participation, for the number of months the employee was employed by the City before joining TMRS, accruing 3% annual interest and including the matching ratio adopted by the City.
- Current Service Credit is a monetary credit for service performed by an employee after the City joined TMRS and is based on a percent (200%) of the employee's total contributions and interest credits (commonly referred to as the City's matching ratio). Each participating city designates the rate the employee contributions (7% for the City) and interest is credited on contribution balances annually at a guaranteed minimum 5% rate. Any change in the matching ratio would be applied prospectively.
- Updated Service Credits (USC) is an optional monetary credit granted on an annually repeated basis by the City, and it may increase an employee's monthly retirement benefit. In calculating USC, TMRS looks at the changes in the employee's salary over their career and any changes the City has made to its TMRS plan, such as the employee contribution rate or the City's matching ratio. Although USC may increase the employee's retirement benefit, USC does not affect the amount of contributions in an employee's account or the amount an employee will receive if they refund.

The plan provisions also include an annually repeating basis cost of living adjustments for retirees equal to 70% of the change in the consumer price index. If an employee terminates employment and refunds their account, the employee will receive their total contributions, plus credited interest. The employee will not receive any of the city-financed monetary credits. An employee can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after five years.

Employees covered by benefit terms . . . At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	957
Inactive Employees Entitled to But Not Yet Receiving Benefits	75
Active Employees	<u>1,520</u>
	<u>2,552</u>

Contributions . . . The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the City Council. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 18.15% and 18.94% in calendar years 2024 and 2025, respectively. The City's contributions to TMRS for the year ended September 30, 2025, were \$25,761,959 and were equal to the required contributions.

Net Pension Liability . . . The City's Net Pension Liability ("NPL") was measured as of December 31, 2024, and the Total Pension Liability ("TPL") used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial Assumptions . . . The TPL in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB (10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the gender-distinct 2021 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate are applied for males and females, respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014, to December 31, 2018. They were adopted in 2019 and first used in December 31, 2019, actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	7.10%
Core Fixed Income	6.0%	5.00%
Non-Core Fixed Income	6.0%	6.80%
Hedge Funds	5.0%	6.40%
Private Equity	13.0%	8.50%
Private Debt	13.0%	8.20%
Real Estate	12.0%	6.70%
Infrastructure	6.0%	6.00%
Other Private Markets	4.0%	7.30%
Total	100.0%	

Discount Rate . . . The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2023	\$ 678,975,184	\$ 583,428,852	\$ 95,546,332
Changes for the year:			
Service cost	25,133,454	-	25,133,454
Interest	45,632,055	-	45,632,055
Change of benefit terms	-	-	-
Difference between expected and actual experience	7,317,890	-	7,317,890
Changes of assumptions	-	-	-
Contributions - employer	-	25,761,959	(25,761,959)
Contributions - employee	-	9,666,319	(9,666,319)
Net investment income	-	60,664,328	(60,664,328)
Benefit payments, including refunds of employee contributions	(31,022,941)	(31,022,941)	-
Administrative expense	-	(388,785)	388,785
Other changes	-	(9,093)	9,093
Net changes	47,060,458	64,671,787	(17,611,329)
Balance at 12/31/2024	\$ 726,035,642	\$ 648,100,639	\$ 77,935,003

Sensitivity of the Net Pension Liability to changes in the Discount Rate . . . The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Current Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability	\$ 192,754,710	\$ 95,546,332	\$ 15,975,192

Pension Plan Fiduciary Net Position . . . Detailed information about the pension plan’s Fiduciary Net Position is available in the Schedule of Change in Fiduciary Net Position, by Participating City, separately issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions . . . For the year ended September 30, 2025, the City recognized pension expense of \$27,338,796. This amount is included as part of personal services expenses.

At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to TMRS pension from the following sources:

	Deferred Outflow of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between projected and actual investment earnings	\$ -	\$ 6,852,939
Contributions subsequent to the measurement date	19,343,268	-
Differences between expected and actual economic experience	10,800,396	-
Difference in assumption changes	-	2,221,736
Total	<u>\$ 30,143,664</u>	<u>\$ 9,074,675</u>

As reported as deferred outflows of resources, \$19,343,268 is related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the City’s fiscal year ending September 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense (income) as follows:

For the Year Ended September 30,	
<u> </u>	
2026	\$ 4,683,041
2027	8,712,507
2028	(7,521,397)
2029	(4,148,430)
Total	<u>\$ 1,725,721</u>

FIREMEN’S RELIEF AND RETIREMENT FUND

Plan Description . . . The City contributes to the retirement plan for firefighters in the Denton Fire Department known as the Denton Firemen’s Relief and Retirement Fund (the Fund). The Fund is a single employer, contributory, defined benefit plan. The benefit provisions of the Fund are authorized by the Texas Local Fire Fighters’ Retirement Act (TLFFRA). TLFFRA provides the authority and procedure to amend benefit provisions. The plan is administered by the Board of Trustees of the Denton Firemen’s Relief and Retirement Fund. The City does not have access to nor can it utilize assets within the retirement plan trust. The Fund issues a stand-alone report pursuant to GASB Statement No. 67, which may be obtained by writing the Denton Firemen’s Relief and Retirement Fund at P.O. Box 2375, Denton, Texas 76202. See that report for all information about the plan fiduciary net position.

Benefits Provided . . . Firefighters in the Denton Fire Department are covered by the Denton Firemen’s Relief and Retirement Fund which provides service retirement, death, disability, and withdrawal benefits. These benefits are fully vested after 20 years of credited service. Firefighters may retire at age 50 with 20 years of service. A partially vested benefit is provided for firefighters who terminate employment with at least 10 but less than 20 years of service. If a terminated firefighter has a partially vested benefit, the firefighter may retire starting on the date they would have both completed 20 years of service if they had remained a Denton firefighter and attained age 50. The present plan provides a monthly normal service retirement benefit, payable in a Joint and Two-Thirds to Spouse form of annuity, equal to 2.59% of Highest 36-Month Average Salary for each year of service.

A retiring firefighter who is at least age 52 with at least 22 years of service has the option to elect the Retroactive Deferred Retirement Option Plan (RETRO DROP) which will provide a lump sum benefit and a reduced monthly benefit. The reduced monthly benefit is based on the service and Highest 36-Month Average Salary as if the firefighter had terminated employment on their selected RETRO DROP benefit calculation date, which is no earlier than the later of the date the firefighter meets the age 52

and 22 years of service requirements and the date four years prior to the date the firefighter actually retires. Upon retirement, the employee will receive, in addition to the monthly retirement benefit, a lump sum equal to the sum of (1) the amount of monthly contributions the member has made to the Fund after the RETRO DROP benefit calculation date plus (2) the total of the monthly retirement benefits the member would have received between the RETRO DROP benefit calculation date and the date retired under the plan. There are no account balances. The lump sum is calculated at the time of retirement and distributed as soon as administratively possible.

There is no provision for automatic postretirement benefit increases. The Fund has the authority to provide, and has periodically in the past provided, ad hoc postretirement benefit increases.

Employees Covered by Benefit Terms . . . In the December 31, 2023 actuarial valuation, the following numbers of members were covered by the Fund:

Inactive Employees or Beneficiaries Currently Receiving Benefits	96
Inactive Employees Entitled to But Not Yet Receiving Benefits	8
Active Employees	<u>236</u>
	340

Contributions . . . The contribution provisions of the Fund are authorized by TLFRA. TLFRA provides the authority and procedure to change the amount of contributions determined as a percentage of pay by each firefighter and a percentage of payroll by the City.

The contribution policy of the Denton Firemen’s Relief and Retirement Fund requires contributions equal to 12.6% of pay by the firefighters, the rate elected by the firefighters according to TLFRA. The City began contributing in December 2017 according to a new City funding policy. The ordinance defining it includes an actuarially determined contribution rate over a closed 25-year amortization period, a contribution rate of 18.5% for several years, a minimum rate standard, and City review and approval of each actuarial valuation. The December 31, 2023 actuarial valuation includes the assumption the City contribution rate will be 18.5% over the unfunded liability amortization period. The costs of administering the plan are paid from the Fund assets. The City’s contributions to the Fund for the year ended September 30, 2025 were \$6,136,743.

Ultimately, the funding policy also depends upon the total return of the Fund’s assets, which varies from year to year. Investment policy decisions are established and maintained by the board of trustees. For the calendar year ending December 31, 2024, the money-weighted rate of return on pension plan investments was 8.61%. This measurement of the investment performance is net of investment-related expenses, reflecting the effect of the timing of the contributions received and the benefits paid during the year.

While the contribution requirements are not actuarially determined, state law requires that each change in plan benefits adopted by the Fund must first be approved by an eligible actuary, certifying the contribution commitment by the firefighters and the assumed city contribution rate together provide an adequate contribution arrangement. Using the entry age actuarial cost method, the plan’s normal cost contribution rate is determined as a percentage of payroll. The excess of the total contribution rate over the normal cost contribution rate is used to amortize the plan’s unfunded actuarial accrued liability (UAAL). The number of years needed to amortize the plan’s UAAL is actuarially determined using an open, level percentage of payroll method.

Net Pension Liability . . . The City of Denton’s net pension liability was measured as of December 31, 2024, and the total pension liability used to calculate the net pension liability was determined based actuarial valuation as of December 31, 2023, and rolled forward to December 31, 2024..

Total Pension Liability	\$ 177,904,171
Plan fiduciary net position	<u>167,944,509</u>
City's net pension liability	9,959,662
 Plan fiduciary net position as a percentage of the total pension liability	 94.4%

Actuarial Assumptions . . . The total pension liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50% per year
Overall payroll growth	3.00% per year, plus promotion, step and longevity increases that vary by service
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS-2010 (public safety) total dataset mortality tables employees and for retirees (sex distinct), projected for mortality improvement generationally using the projection scale MP-2019.

The long-term expected rate of return on pension plan investments is reviewed for each biennial actuarial valuation and was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future net real rates of return by the target asset allocation percentage (currently resulting in 4.96%) and by adding expected inflation (2.5%). In addition, the final 6.75% assumption was selected by rounding down and thereby reflects a reduction of 0.71% for adverse deviation.

The target allocation and expected arithmetic net real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Equities		
Large Cap Domestic	40.0%	6.00%
Small/Mid Cap Domestic	10.0%	6.50%
International Developed	10.0%	6.50%
Alternatives		
Master Limited Partnerships	8.0%	6.50%
Real Estate	15.0%	4.00%
Fixed Income	15.0%	1.00%
Cash	2.0%	0.00%
Total	100.0%	
Weighted Average		4.96%

Discount Rate . . . The discount rate used to measure the total pension liability was 6.75%. No projection of cash flows was used to determine the discount rate because the December 31, 2023 actuarial valuation showed expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in seven years. Because of the seven-year amortization period of the UAAL, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments of 6.75% was applied to all periods of projected benefit payments as the discount rate to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate . . . The following presents the net pension liability of the City of Denton, calculated using the discount rate of 6.75%, as well as what the city's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Current Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability	\$32,931,528	\$ 9,959,662	\$ (9,155,259)

Pension Plan Fiduciary Net Position . . . The plan fiduciary net position reported above is the same as reported by the Fund. Detailed information about the plan fiduciary net position is available in the Fund's separately issued audited financial statements, which are reported using the economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Investments are reported at fair value, the price that would be recognized to sell an asset in an orderly transaction between market participants at the measurement date.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at 12/31/2024	\$ 167,333,614	\$ 152,072,995	\$ 15,260,619
Changes for the year:			
Service cost	6,063,143	-	6,063,143
Interest	11,469,317	-	11,469,317
Change of benefit terms	-	-	-
Difference between expected and actual experience	-	-	-
Contributions - employer	-	5,846,904	(5,846,904)
Contributions - employee	-	3,889,705	(3,889,705)
Net investment income	-	13,206,709	(13,206,709)
Benefit payments, including refunds of employee contributions	(6,961,903)	(6,961,903)	-
Administrative expense	-	(109,901)	109,901
Net changes	<u>10,570,557</u>	<u>15,871,514</u>	<u>(5,300,957)</u>
Balance at 12/31/2025	<u>\$ 177,904,171</u>	<u>\$ 167,944,509</u>	<u>\$ 9,959,662</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions . . . For the year ended September 30, 2025, the City recognized a pension expense of \$3,431,009. Amounts recognized in the fiscal year represent changes between the current and prior year measurement dates. At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to the Fund from the following sources:

	Deferred Outflow of Resources	Deferred Inflows of Resources
Differences between projected and actual investment earnings	\$ -	\$ 636,846
Contributions subsequent to the measurement date	4,478,547	-
Differences between expected and actual economic experience	7,682,485	-
Difference in assumption changes	1,267,291	-
Total	<u>\$ 13,428,323</u>	<u>\$ 636,846</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$4,478,547. will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2025, and the City's fiscal year ending September 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense (income) as follows:

For the Year Ended September 30,	
2026	\$ 1,065,863
2027	3,645,280
2028	295,193
2029	734,679
2030	1,048,277
Thereafter	<u>1,523,638</u>
Total	\$ 8,312,930

OTHER POST EMPLOYMENT BENEFITS . . . The City of Denton provides for two post-employment benefit (OPEB) plans; one provides for postemployment medical care through a single-employer defined benefit medical plan (Medical OPEB), and the other is the Texas Municipal Retirement System Supplemental Death Benefits Fund (TMRS SDBF), a single-employer defined benefit OPEB plan. Both plans are described in detail following.

Aggregate amounts for the two OPEB plans are as follows:

	<u>Medical OPEB</u>	<u>TMRS SDBF</u>	<u>Total</u>
OPEB Liability	\$ 46,919,770	\$ 4,113,881	\$ 51,033,651
Deferred outflows of resources	\$ 6,270,276	\$ 648,252	6,918,528
Deferred inflows of resources	(11,008,086)	(1,202,444)	(12,210,530)
OPEB expense	3,717,424	183,507	3,900,931

Plan Description . . . The City of Denton provides post-employment medical care (OPEB) for retired employees through a single-employer defined benefit medical plan. The plan provides medical benefits for eligible retirees, their spouses and dependents through the City’s group health insurance plans, which covers both active and retired members. The benefits, benefit levels, and contribution rates are recommended annually by the City management as part of the budget process. Any changes in rate subsidies for retirees are approved by the City Council. Since an irrevocable trust has not been established, the plan is not accounted for as a trust fund. The plan does not issue a separate financial report.

Benefits Provided . . . The City provides post-employment medical, dental, and vision care benefits to its retirees. To be eligible for benefits, an employee must qualify for retirement under the Texas Municipal Retirement System or the Denton Firemen’s Relief and Retirement Plan. Retirees must make a one-time irrevocable decision to choose benefits at the time of retirement, after that their eligibility for the benefits ceases. However, retirees can move between plans and can add and drop dependents based on qualifying events.

All medical care benefits are provided through the City’s self-insured health plan. The benefit levels are the same as those afforded to active employees.

In the December 31, 2024 actuarial valuation, the following number of employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	247
Active Employees	<u>1,689</u>
	1,936

Funding Policy . . . The plan premium rates are recommended annually by City management and approved by the City Council as part of the annual budget. The retiree’s contribution is the full amount of the actuarially determined blended premium rate less a subsidy dependent upon years of service at retirement. By providing retirees with access to the City’s healthcare plans based on the same rates it charges to active employees, the City is in effect providing a subsidy to retirees. This implied subsidy exists because, on average, retiree health care costs are higher than active employee healthcare costs. By the City not contributing anything toward this plan in advance, the City employs a pay-as-you-go method through paying the higher rate for active employees each year. The City contributes \$40 per month for each five-year increment of service, up to \$200 per month, toward the cost of retiree coverage. The full cost for dental and vision is paid by the retiree. Retirees are required to enroll in Medicare Part B once eligible (age 65) and are moved into a fully-insured Medicare Supplement plan at that time. The same City contribution level applies to the supplement.

Medical OPEB Liability. . . The City’s medical OPEB liability of \$46,919,770 was measured as of December 31, 2024, the same date as the actuarial valuation.

The medical OPEB liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement date, unless otherwise specified

Significant method and assumptions used for this fiscal year valuation were as follows:

Valuation Date	December 31, 2023
Actuarial cost method	Individual Entry-Age Normal Method
	4.05% as of December 31, 2022
Discount Rate	3.77% as of December 31, 2023
	4.08% as of December 31, 2024
Inflation Rate	2.50% per annum
Projected salary increases	3.60% to 11.85% for TMRS, including inflation
	3.00% to 9.18% for Fire, including inflation
Healthcare trend rates	Initial rate of 7.20% declining to an ultimate rate of 4.25% after 15 years
Mortality	TMRS: For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP-2021 table to account for future mortality improvements.
	Firefighters: The gender-distinct PubS-2010 (safety employees) total data set mortality are used. The rates are projected on a fully generational basis using the projection scale of MP-2019.
Participation Rates	65% for employees retiring at age 65 or older; 45% for employees retiring between the ages 50 and 64; 5% for employees retiring between the ages of 45 and 49; 0% for retirees under the age 50 at retirement

Changes in the Medical OPEB Liability

	Total Medical OPEB Liability
Balance at 12/31/2023	\$45,653,463
Changes for the year:	
Service cost	2,882,929
Interest	1,740,446
Difference between expected and actual experience	(105,456)
Changes of assumptions	(1,393,130)
Benefit payments	(1,858,482)
Net Changes	<u>1,266,307</u>
Balance at 12/31/2024	<u><u>\$46,919,770</u></u>

Total OPEB liability as a percentage of covered payroll was 26.86%.

Sensitivity of the Medical OPEB Liability to Changes in the Discount Rate

The following schedule shows the impact of the medical OPEB liability if the discount rate used was 1% less than (3.08%) and 1% greater than (4.08%) the discount rate that was used (5.08%) in measuring the medical OPEB liability:

	1% Decrease (3.08%)	Current Discount Rate (4.08%)	1% Increase (5.08%)
Total medical OPEB Liability	\$51,619,415	\$46,919,770	\$42,780,452

Sensitivity of the Medical OPEB Liability to Changes in the Healthcare Cost Trend Rate Assumption

The following schedule shows the impact of the medical OPEB liability if the healthcare trend cost rate used was 1% less or 1% more than the healthcare cost trend rate that was used in measuring the medical OPEB liability:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Total medical OPEB Liability	\$42,999,140	\$46,919,770	\$51,543,954

Medical OPEB Expense and Deferred outflows of Resources and Deferred Inflows of Resources Related to Medical OPEB

For the year ended September 30, 2025, the City recognized medical OPEB expense of \$3,717,424. At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to medical OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 143,622	\$ 2,032,442
Changes in actuarial assumptions	4,606,710	8,975,644
Contribution subsequent to the measurement date	1,519,944	-
Totals	<u>\$ 6,270,276</u>	<u>\$ 11,008,086</u>

Deferred outflows of resources related to OPEB contributions subsequent to the measurement date of (\$1,519,944) will be recognized as a reduction of the medical OPEB liability for the City’s fiscal year ending September 30, 2026. Other amounts reported as deferred outflows of resources related to the medical OPEB will be recognized in OPEB expense as follows:

Year Ending September 30,	
2026	\$ (913,744)
2027	(1,291,494)
2028	(925,126)
2029	(977,147)
2030	(1,319,674)
Thereafter	<u>(992,569)</u>
Total	\$(6,419,754)

Supplemental Death Benefit Fund . . . The City of Denton voluntarily participates in the Texas Municipal Retirement System Supplemental Death Benefits Fund (TMRS SDBF). The SDBF is a defined benefit group-term life insurance Other Postemployment Benefit (OPEB) plan as defined by GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. It is established and administered in accordance with the TMRS Act identically to the City’s pension plan.

Benefits provided . . . The SDBF provides group-term life insurance to City employees who are active members in TMRS, including retirees. The City Council opted into this system via an ordinance, and may terminate coverage under and discontinue participation in, the SDBF by adopting an ordinance before November 1st of any year to be effective the following January 1st .

Payments from this fund are similar to group-term life insurance benefits and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an “other postemployment benefit” (OPEB) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan.

In the December 31, 2024 actuarial valuation, the following number of employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	732
Inactive Employees entitled to but not yet receiving benefits	267
Active Employees	<u>1,520</u>
	2,519

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. For FY 2024 and FY 2025 the contribution was 0.28% and 0.23% respectively, of which 0.10% represented the retiree-only portion for each year, as a percentage of annual covered payroll. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to ensure that adequate resources are available to meet all the death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees’ entire careers. The City’s contribution to the SDBF for two years ended September 30, 2025, and 2024 were \$399,190 and \$377,550 respectively, representing contributions for both active and retiree coverage, which equaled the required contribution each year.

FINANCIAL INFORMATION

TABLE 12 - CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES

	Fiscal Year Ended September 30,				
	2025	2024	2023	2022	2021
Revenues:					
Program Revenue:					
Charges for Services	\$ 29,670,653	\$ 23,487,878	\$ 23,704,503	\$ 25,203,727	\$ 18,751,972
Operating Grants and Contributions	13,398,515	13,042,489	10,623,546	9,545,392	8,607,304
Capital Grants and Contributions	31,369,812	35,255,951	27,351,806	34,406,757	23,945,640
General Revenue:					
Property Tax	119,835,095	106,555,772	92,185,668	79,552,638	78,243,553
Sales Tax	58,972,691	57,074,842	55,906,340	53,264,724	45,404,857
Other Taxes/Fees	39,821,437	38,667,030	43,582,046	42,503,178	35,648,023
Miscellaneous	30,006,799	22,670,126	17,283,086	7,125,797	5,876,421
Total Revenue	<u>\$ 323,075,002</u>	<u>\$296,754,088</u>	<u>\$270,636,995</u>	<u>\$251,602,213</u>	<u>\$216,477,770</u>
Expenditures:					
General Government	\$ 64,602,853	\$ 57,475,453	\$ 53,383,319	\$ 40,369,454	\$ 37,401,990
Public Safety	119,030,615	112,543,358	104,695,335	87,970,791	93,415,418
Public Works	27,465,600	27,466,868	39,086,849	25,489,369	14,063,366
Parks and Recreation	30,703,498	29,842,466	28,096,065	22,787,282	19,295,206
Interest on Long-Term Debt	17,359,096	12,698,504	10,198,425	8,571,877	7,380,293
Total Expenses	<u>\$ 259,161,662</u>	<u>\$240,026,649</u>	<u>\$235,459,993</u>	<u>\$185,188,773</u>	<u>\$171,556,273</u>
Increase in Net Position before Transfers	\$ 63,913,340	\$ 56,727,439	\$ 35,177,002	\$ 66,413,440	\$ 44,921,497
Transfers	2,645,642	(870,190)	4,017,015	2,913,731	1,975,432
Increase (Decrease) in Net Position	\$ 66,558,982	\$ 55,857,249	\$ 39,194,017	\$ 69,327,171	\$ 46,896,929
Prior Period Adjustment	-	-	-	9,072,792 ⁽²⁾	-
Net Position at Beginning of Year	502,144,527	446,287,278	407,093,261	328,693,298	281,796,369
Net Position at End of Year	<u>\$ 568,703,509 ⁽¹⁾</u>	<u>\$502,144,527</u>	<u>\$446,287,278</u>	<u>\$407,093,261</u>	<u>\$328,693,298</u>

(1) Unrestricted net position, that part of the net position that may be used to meet the City's ongoing obligations, was \$13,474,505 as of September 30, 2025. This table refers to governmental activities only and does not include enterprise funds such as solid waste or utility activities.

(2) An adjustment has been recorded to account for the recognition of intergovernmental revenues received in advance and held as an unearned revenue liability.

TABLE 12A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Year Ended September 30,				
	2025	2024	2023	2022	2021
Revenues:					
Taxes	\$ 126,828,879	\$ 123,923,215	\$ 113,955,253	\$ 102,491,584	\$ 95,276,289
Licenses and Permits	6,853,283	5,561,811	6,049,752	9,058,717	5,939,320
Franchise Fee	19,461,375	17,534,987	22,851,663	19,910,133	17,961,984
Fines and Forfeitures	2,749,785	2,525,000	1,961,982	1,875,399	1,572,587
Fees for Service	13,863,902	12,420,160	9,662,872	9,630,662	9,354,890
Interest Revenue	2,539,720	3,567,702	2,587,602	(127,267)	160,094
Intergovernmental	2,848,052	3,530,952	2,961,572	2,508,006	4,166,856
Miscellaneous	6,420,575	304,245	342,941	322,173	385,998
Total Revenues	<u>\$ 181,565,571</u>	<u>\$ 169,368,072</u>	<u>\$ 160,373,637</u>	<u>\$ 145,669,407</u>	<u>\$ 134,818,018</u>
Expenditures:					
General Government	\$ 38,881,766	\$ 36,294,711	\$ 33,498,179	\$ 26,563,210	\$ 26,460,924
Public Safety	111,125,738	104,782,629	96,317,917	86,682,395	80,847,727
Public Works	3,799,305	3,614,951	3,454,541	2,956,465	2,919,114
Parks and Recreation	25,304,356	24,836,184	15,781,789	13,308,304	11,259,612
Capital Outlay	490,351	635,578	475,410	540,289	476,296
Debt Service:					
Principal Retirement	-	-	-	-	-
Total Expenditures	<u>\$ 179,601,516</u>	<u>\$ 170,164,053</u>	<u>\$ 149,527,836</u>	<u>\$ 130,050,663</u>	<u>\$ 121,963,673</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,964,055	\$ (795,981)	\$ 10,845,801	\$ 15,618,744	\$ 12,854,345
Other Financing Sources (Uses):					
Transfers In	\$ 7,887	\$ -	\$ 25,750	\$ 2,728	\$ 33,964
Sale of Capital Assets	344,186	384,737	198,474	568,128	326,682
Transfers (Out)	(1,567,660)	(2,140,604)	(11,929,049)	(9,230,186)	(8,497,210)
Total Other Financing Sources (Uses)	<u>\$ (1,215,587)</u>	<u>\$ (1,755,867)</u>	<u>\$ (11,704,825)</u>	<u>\$ (8,659,330)</u>	<u>\$ (8,136,564)</u>
Net Changes in Fund Balances	\$ 748,468	\$ (2,551,848)	\$ (859,024)	\$ 6,959,414	\$ 4,717,781
Prior Period Adjustment	-	28,550 ⁽¹⁾	-	-	-
Fund Balances at Beginning of Year	<u>42,077,084</u>	<u>44,628,932</u>	<u>45,459,406</u>	<u>38,499,992</u>	<u>33,782,211</u>
Fund Balances at End of Year	<u>\$ 42,825,552</u>	<u>\$ 42,077,084</u>	<u>\$ 44,600,382</u>	<u>\$ 45,459,406</u>	<u>\$ 38,499,992</u>

(1) The Recreation Fund was absorbed into the General Fund.

TABLE 13 - MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, Texas Tax Code, Chapter 321, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Obligations. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly. In January 1994, the voters of the City approved the imposition of an additional one-half of one percent (½ of 1%) for property tax reduction. In September 2003, the voters of the City approved the imposition of an additional one-half of one percent (½ of 1%) for the Denton County Transportation Authority. The implementation of this tax began January 2004, and is allocated directly to the Denton County Transportation Authority.

Fiscal Year Ended 9/30	Total Collected ⁽¹⁾	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2022	\$ 53,264,724	67.10%	\$ 0.3698	\$ 362
2023	55,906,340	60.93%	0.3343	371
2024	57,074,842	53.58%	0.2970	378
2025	29,207,284	24.33%	0.1384	188
2026 ⁽²⁾	30,624,925	23.45%	0.1367	193

(1) Source: City of Denton Annual Comprehensive Financial Report.

(2) Collections through April 30, 2026.

The sales tax breakdown for the City is as follows:

Property Tax Relief	0.50¢
Denton County Transportation Authority	0.50¢
City Sales & Use Tax	1.00¢
State Sales & Use Tax	6.25¢
Total	8.25¢

FINANCIAL POLICIES

Basis of Accounting . . . The accounting policies of the City conform to generally accepted accounting principles of the Governmental Accounting Standards Board and program standards adopted by the Government Finance Officers Association of the United States and Canada. The GFOA has awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Denton for each fiscal year since 1983. The City's current report will be submitted to GFOA to determine its eligibility for another Certificate.

The City has also received the GFOA's award for Distinguished Budget Presentation each year since 1986.

The measurement focuses for the Enterprise Funds, Internal Service Funds and Nonexpendable Trust Funds are income determination and cost of service, respectively. Accordingly, the accrual basis, whereby revenues and expenses are identified in the accounting period in which they are earned and incurred and net income, is utilized for these funds. The modified accrual basis, whereby revenues are recognized when they become both measurable and available for use during the year and expenditures are recognized when the related fund liability is incurred, is used for all other funds.

Fund Balance Policy . . . The City strives to achieve and maintain an unassigned fund balance in the General Fund equal to 20% of budgeted expenditures. An additional 5% resiliency reserve (25% combined total) may be maintained to safeguard against unusual financial circumstances or economic downturns.

Budgetary Procedures . . . As prescribed by City Charter, the City Manager, within the time period required by law, submits to the City Council a proposed budget for the fiscal year beginning the following October 1. The budget includes proposed expenditures and revenues required to fund the expenditures. Following Council considerations, amendments and refinements, a public hearing is ordered and conducted for the purpose of obtaining taxpayer comments. The budget is finally approved and adopted by passage of an ordinance by the City Council prior to the beginning of the fiscal year. The budget is adopted on a basis consistent with generally accepted accounting principles. It is the goal of the City to achieve and maintain an unassigned fund balance in the general fund equal to 20% of budgeted expenditures. An additional 5% resiliency reserve (25% combined total) may be maintained to safeguard against unusual financial circumstances and/or economic downturns.

INVESTMENTS

The City invests its investable funds in investments authorized by Texas law in accordance with investment policies approved by the City Council. Both Texas law and the City's investment policies are subject to change.

LEGAL INVESTMENTS . . . Under State law, the City is authorized to invest in: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund (the "NCUSIF") or their respective successors; (8) interest-bearing banking deposits, other than those described in clause (7), that (i) are invested through a broker or institution with a main office or branch office in this state and selected by the City in compliance with the PFIA, (ii) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the City's account, (iii) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States, and (iv) the City appoints as its custodian of the banking deposits, in compliance with the PFIA, the institution in clause (8)(i) above, a bank, or a broker-dealer; (9) certificates of deposit and share certificates meeting the requirements of the PFIA (i) that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8), above, or secured in accordance with Chapter 2257, Texas Government Code, or in any other manner and amount provided by law for City deposits, or (ii) where (a) the funds are invested by the City through a broker or institution that has a main office or branch office in the State and selected by the City in compliance with the PFIA, (b) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the account of the City, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (d) the City appoints, in compliance with the PFIA, the institution in clause (9)(ii)(a) above, a bank, or broker-dealer as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described by clauses (1) or (12), which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with a stated maturity of 270 days or less, if the short-term obligations of the accepting bank, or of the holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less that is rated at least A-1 or P-1 or an equivalent by either (i) two nationally recognized credit rating agencies, or (ii) one nationally recognized credit rating agency if the commercial paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (13) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission and complies with Securities and Exchange Commission Rule 2a-7; (14) no-load mutual funds that are registered and regulated by the Securities and Exchange Commission that have a weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations approved in this paragraph, or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset backed securities; (15) guaranteed investment contracts that have a defined termination date and are secured by obligations described in clause (1), excluding obligations which the City is explicitly prohibited from investing in, and in an amount at least equal to the amount of bond proceeds invested under such contract; and (16) securities lending programs if (i) the securities loaned under the program are 100% collateralized, including accrued income, (ii) a loan made under the program allows for termination at any time, (iii) a loan made under the program is either secured by (a) obligations described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent, or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (12) through (14) above, or an authorized investment pool, (iv) the terms of a loan made under the program require that the securities being held as collateral be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party designated by the City, (v) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State, and (vi) the agreement to lend securities has a term of one year or less.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAA-m" or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution.

The City is specifically prohibited from investing in (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

INVESTMENT POLICIES . . . Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Public Funds Investment Act. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the City shall submit an investment report detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value and the fully accrued interest during the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest City funds without express written authority from the City Council.

Effective September 1, 2019, the investment officer of a local government is allowed to invest bond proceeds or pledged revenue only to the extent permitted by the PFIA and in accordance with (i) statutory provisions governing the debt issuance (or lease, installment sale, or other agreement) and (ii) the local government's investment policy regarding the debt issuance or the agreement.

ADDITIONAL PROVISIONS . . . Under Texas law the City is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the registered principal of firms seeking to sell securities to the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment training for the Treasurer, Chief Financial Officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the entity's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

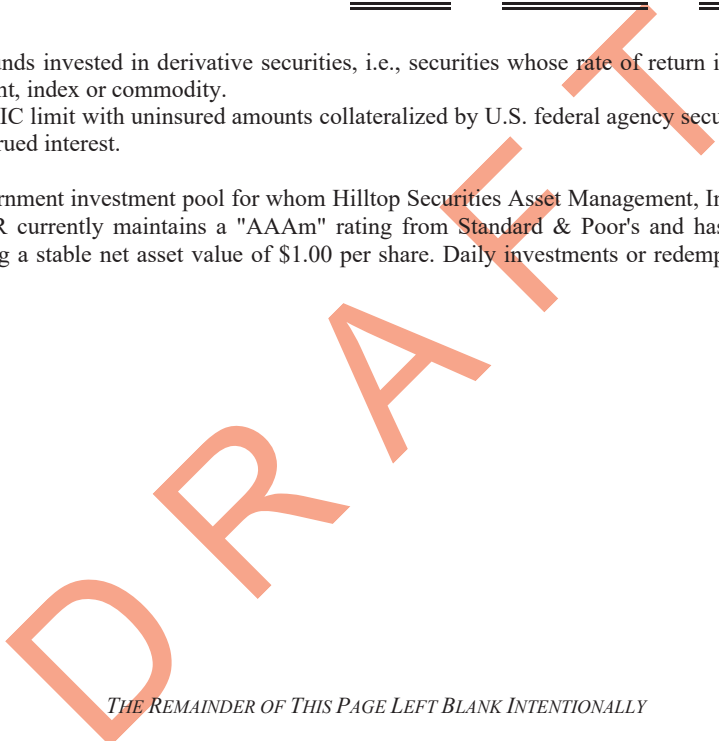
TABLE 14- CURRENT INVESTMENTS ⁽¹⁾

As of April 30, 2026, the City’s available funds were invested as follows:

Description	Market Value Percent	Market Value	Book Value
Treasury Securities	62.94%	\$ 590,936,015	\$ 591,497,701
Federal Agency Issues - Coupon	5.83%	54,694,505	54,673,665
Federal Agency Issues - Callable	2.12%	19,918,060	19,968,754
Municipal Bonds	0.48%	4,519,463	4,508,839
Commercial Paper	7.36%	69,109,055	69,126,232
Local Government Inv. Pool- TexSTAR	7.53%	70,690,166	70,690,166
Local Government Inv. Pool- TexPool	10.65%	100,000,000	100,000,000
Demand Deposits/Wells Fargo ⁽²⁾	2.10%	19,712,725	19,712,725
Demand Deposits SLGS	0.99%	9,262,244	9,262,244
	100.00%	\$938,842,233	\$939,440,326

- (1) There are no City funds invested in derivative securities, i.e., securities whose rate of return is determined by reference to some other instrument, index or commodity.
- (2) Insured up to the FDIC limit with uninsured amounts collateralized by U.S. federal agency securities at a minimum of 102% of principal plus accrued interest.

TexSTAR is a local government investment pool for whom Hilltop Securities Asset Management, Inc. provides customer service and marketing. TexSTAR currently maintains a "AAAm" rating from Standard & Poor's and has an investment objective of achieving and maintaining a stable net asset value of \$1.00 per share. Daily investments or redemptions of funds is allowed by the participants.



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TAX MATTERS

OPINIONS

The Certificates . . . On the date of initial delivery of the Certificates, McCall, Parkhurst and Horton L.L.P., Dallas, Texas, Bond Counsel to the City, will render its opinion that, in accordance with Existing Law, (1) interest on the Certificates for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Certificates will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Code. Except as stated above, Bond Counsel to the City will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Certificates. See Appendix C – Forms of Bond Counsel's Opinions.

The Bonds . . . On the date of initial delivery of the Bonds, Bond Counsel to the City, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel to the City will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See Appendix C – Forms of Bond Counsel's Opinions.

In rendering each of the foregoing opinions, Bond Counsel to the City will rely upon (a) certain information and representations of the City, including information and representations contained in the City's federal tax certificate with respect to each Obligation issue, and (b) covenants of the City contained in the Obligation documents relating to certain matters, including arbitrage and the use of the proceeds of the Obligations and the property financed or refinanced therewith. Failure by the City to observe the aforementioned representations or covenants could cause the interest on the Obligations to become taxable retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Obligations in order for interest on the Obligations to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Obligations to be included in gross income retroactively to the date of issuance of the Obligations. The opinion of Bond Counsel to the City is conditioned on compliance by the City with the covenants and other requirements described in the preceding paragraph, and Bond Counsel to the City has not been retained to monitor compliance with these requirements subsequent to the issuance of the Obligations.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. The Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Obligations.

A ruling was not sought from the Internal Revenue Service by the City with respect to the Obligations or the projects being financed or refinanced therewith. Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the representations of the City that it deems relevant to render such opinion and is not a guarantee of a result. No assurances can be given as to whether or not the Internal Revenue Service will commence an audit of the Obligations, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the City as the taxpayer and the holders of the Obligations may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

FEDERAL INCOME TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT

The initial public offering price to be paid for one or more maturities of the Obligations may be less than the principal amount thereof or one or more periods for the payment of interest on the Obligations may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Obligations less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Obligations and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

COLLATERAL FEDERAL INCOME TAX CONSEQUENCES

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Obligations. This discussion is based on Existing Law, all of which are subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with subchapter C earnings and profits, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE OBLIGATIONS.

Interest on the Obligations may be includable in certain corporation's "adjusted financial statement income" determined under section 56A of the Code to calculate the alternative minimum tax imposed by section 55 of the Code.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Obligations, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Obligations, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

STATE, LOCAL AND FOREIGN TAXES

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Obligations under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

INFORMATION REPORTING AND BACKUP WITHHOLDING

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Obligations will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

FUTURE AND PROPOSED LEGISLATION

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Obligations under Federal or state law and could affect the market price or marketability of the Obligations. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Obligations should consult their own tax advisors regarding the foregoing matters.

CONTINUING DISCLOSURE OF INFORMATION

In each of the Ordinances, the City has made the following agreement for the benefit of the holders and beneficial owners of the respective series of Obligations. The City is required to observe each agreement while it remains obligated to advance funds to pay such Obligations. Under each agreement, the City will be obligated to provide certain updated financial information and operating data annually, and the timely notice of specified events to the Municipal Securities Rulemaking Board ("MSRB"). This information will be available free of charge from the MSRB via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

ANNUAL REPORTS . . . The City shall provide annually to the MSRB, in the electronic format prescribed by the MSRB, financial information and operating data (the "Annual Operating Report") with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 5 and 7 through 14. The City will additionally provide financial statements of the City (the "Financial Statements"), that will be (i) prepared in accordance with the accounting principles described in the City's annual audited financial statements or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation and shall be in substantially the form included in this Official Statement and (ii) audited, if the City commissions an audit of such Financial Statements and the audit is completed within the period during which they must be provided. The City will update and provide the Annual Operating Report within six months after the end of each fiscal year and the Financial Statements within 12 months of the end of each fiscal year, in each case beginning with the fiscal year ending in and after 2026. The City may provide the Financial Statements earlier, including at the time it provides its Annual Operating Report, but if the audit of such Financial Statements is not complete within 12 months after any such fiscal year end, then the City shall file unaudited Financial Statements within such 12-month period and audited Financial Statements for the applicable fiscal year, when and if the audit report on such Financial Statements becomes available.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule").

The City's current fiscal year end is September 30. Accordingly, it must provide the Annual Operating Report by March 31 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

NOTICE OF CERTAIN EVENTS . . . The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Obligations to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Obligations, or other material events affecting the tax status of the Obligations; (7) modifications to rights of holders of the Obligations, if material; (8) Obligation calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Obligations, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a Financial Obligation, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any Financial Obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any Financial

Obligation of the City, any of which reflect financial difficulties. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under "Annual Reports". For purposes of clauses (15) and (16) above, "Financial Obligation" means (i) a debt obligation, (ii) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of (i) or (ii). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

For these purposes, any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

LIMITATIONS AND AMENDMENTS . . . The City has agreed to update information and to provide notices of specified events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Obligations at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Obligations may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreement for either or both of the Bonds and Certificates from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds or Certificates, as the case may be, in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds or Certificates, as the case may be, consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds or Certificates, as the case may be. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Obligations in the primary offering of the Obligations. If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . During the last five years, the City believes it has complied in all material respects with all continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12.

OTHER INFORMATION

RATINGS

The Obligations and the presently outstanding tax supported debt of the City are rated "AA+" by Fitch and "AA+" by S&P. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Obligations.

LITIGATION

Various claims and lawsuits are pending against the City. In accordance with GAAP, those judgments considered "probable" are accrued, while those claims and judgments considered "reasonably possible" are disclosed but not accrued. In the opinion of City management and legal counsel, the maximum amount of all significant claims considered reasonably possible, excluding condemnation proceedings is approximately \$500,000 as of September 30, 2025. Potential losses after insurance coverage on all probable claims and lawsuits will not have a material effect on the City's financial position as of September 30, 2025., see Appendix B, Notes to Basic Financial Statements G., page 86.

At the time of the initial delivery of the Obligations, the City will provide the Initial Purchasers with a certificate to the effect that, except as disclosed herein, no litigation of any nature has been filed or is then pending challenging the issuance of the Obligations or that affects the payment and security of the Obligations or in any other manner questioning the issuance, sale or delivery of the Obligations.

REGISTRATION AND QUALIFICATION OF OBLIGATIONS FOR SALE

The sale of the Obligations has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Obligations have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds or Certificates been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Bonds or Certificates under the securities laws of any jurisdiction in which the Obligations may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Obligations shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

The Obligations. Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Obligations are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Obligations are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital, and savings and loan associations.

The Certificates. Section 271.051, Texas Local Government Code, provides that the Certificates are legal and authorized investments for banks, savings banks, trust companies, savings and loan associations, insurance companies, fiduciaries, trustees and guardians, and for the sinking funds of municipalities, school districts, and other political subdivisions or public agencies of the State of Texas. The Certificates are eligible to secure deposits of any public funds of the State, municipalities, school districts, and other political subdivisions of the State, and are legal security for those deposits to the extent of their market value.

General Considerations. For political subdivisions in Texas that have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the Obligations may have to be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. The City has made no investigation of other laws, rules, regulations, or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Obligations for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Obligations for such purposes. The City has made no review of laws in other states to determine whether the Obligations are legal investments for various institutions in those states.

LEGAL OPINIONS AND NO-LITIGATION CERTIFICATE

The City will furnish a complete transcript of proceedings had incident to the authorization and issuance of the Bonds and of the Certificates, including the unqualified approving legal opinions of the Attorney General of Texas approving the Initial Bond and the Initial Certificate and to the effect that the Bonds and the Certificates are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinions of Bond Counsel, to like effect and to the effect that the interest on the Bonds and the Certificates will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "Tax Matters" herein. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Obligations, or which would affect the provision made for their payment or security or in any manner questioning the validity of said Obligations will also be furnished. Though it represents the Municipal Advisor and purchasers of debt from governmental issuers from time to time in matters unrelated to the issuance of the Obligations, Bond Counsel has been engaged by and only represents the City in connection with the issuance of the Obligations. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Obligations in the Official Statement to verify that such description conforms to the provisions of the Bond Ordinance and the Certificate Ordinance. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Obligations is contingent on the sale and delivery of the Obligations. The legal opinion will accompany the Obligations deposited with DTC or will be printed on the Obligations in the event of the discontinuance of the Book-Entry-Only System.

The legal opinions to be delivered concurrently with the delivery of the Obligations express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

The financial data and other information contained herein have been obtained from City records, audited financial statements, and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents, and ordinances contained in this Official Statement are made subject to all of the provisions of such statutes, documents, and ordinances. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

MUNICIPAL ADVISOR

Hilltop Securities Inc., ("HilltopSecurities") is employed as Municipal Advisor to the City in connection with the issuance of the Obligations. The Municipal Advisor's fee for services rendered with respect to the sale of the Obligations is contingent upon the issuance and delivery of the Obligations. HilltopSecurities, in its capacity as Municipal Advisor, has relied on the opinion of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants, and representations contained in any of the legal documents with respect to the federal income tax status of the Obligations, or the possible impact of any present, pending, or future actions taken by any legislative or judicial bodies.

The Municipal Advisor to the City has provided the following sentence for inclusion in this Official Statement. The Municipal Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Municipal Advisor does not guarantee the accuracy or completeness of such information.

INITIAL PURCHASER OF THE CERTIFICATES

After requesting competitive bids for the Certificates, the City accepted the bid of _____ (the "Initial Purchaser of the Certificates") to purchase the Certificates at the interest rates shown on page 2 of the Official Statement at a price of par plus a cash premium of \$_____. The Initial Purchaser of the Certificates can give no assurance that any trading market will be developed for the Certificates after their sale by the City to the Initial Purchaser of the Certificates. The City has no control over the price at which the Certificates are subsequently sold and the initial yield at which the Certificates will be priced and reoffered will be established by and will be the sole responsibility of the Initial Purchaser of the Certificates.

INITIAL PURCHASER OF THE BONDS

After requesting competitive bids for the Bonds, the City accepted the bid of _____ (the "Initial Purchaser of the Bonds") to purchase the Bonds at the interest rates shown on page 4 of the Official Statement at a price of par plus a cash premium of \$_____. The Initial Purchaser of the Bonds can give no assurance that any trading market will be developed for the Bonds after their sale by the City to the Initial Purchaser of the Bonds. The City has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the sole responsibility of the Initial Purchaser of the Bonds.

The Initial Purchaser of the Bonds and the Initial Purchaser of the Certificates are herein collectively referred to as the "Initial Purchasers".

CERTIFICATION OF THE OFFICIAL STATEMENT

At the time of payment for and delivery of the Obligations, the City will furnish to the Initial Purchasers a certificate, executed by a proper City officer, acting in such officer's official capacity, to the effect that to the best of such officer's knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in the Official Statement, and any addenda, supplement, or amendment thereto, on the date of the Official Statement, on the date of sale of the Obligations, and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, the Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in the Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City since the date of the last audited financial statements of the City.

CYBERSECURITY

The unauthorized access, use, disclosure, disruption, modification, or destruction of the City's information or information systems could negatively impact the operations of the City and its ability to provide services to its citizens. The City uses a risk-based approach, least privileged access where possible, and "best practices" to protect the confidentiality, integrity and availability of the information and information systems that it is entrusted with. Employees are required to take annual security training which is re-enforced with continuous phishing email tests. The City uses the NIST-CSF framework to assure compliance with multiple standards, regulations, and other obligations. In addition, to help protect the City against claims and expenses due to a cybersecurity incident, the City maintains cyber insurance.

FORWARD LOOKING STATEMENTS DISCLAIMER

The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements. The City's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

LINKS TO WEBSITES

The City has provided links to websites in this Official Statement to allow investors independent access to information or expertise that may be of value. INFORMATION ON SUCH WEBSITES IS NOT INCORPORATED INTO THIS OFFICIAL STATEMENT BY REFERENCE OR OTHERWISE. The inclusion of any links does not imply a recommendation or endorsement of the information or views expressed within a website. The City has not participated in the preparation, compilation or selection of information or views in any website referenced in this Official Statement, and assumes no responsibility or liability for the information or views, or accuracy or completeness thereof, in any website referenced herein.

MISCELLANEOUS

The Ordinances authorizing the issuance of the Obligations will approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and will authorize its further use in the reoffering of the Obligations by the Initial Purchasers.

PRICING OFFICER
City of Denton, Texas

SCHEDULE OF REFUNDED OBLIGATIONS*

Certificates of Obligation, Series 2016

<u>Original Dated Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal Amount Outstanding</u>	<u>Principal Amount Refunded</u>	<u>CUSIPs</u>
6/1/2016	2/15/2028	5.000%	\$ 2,465,000	\$ 2,465,000	248866K79
	2/15/2029	5.000%	2,595,000	2,595,000	248866K87
	2/15/2030	5.000%	2,720,000	2,720,000	248866K95
	2/15/2031	5.000%	2,860,000	2,860,000	248866L29
	2/15/2032	5.000%	3,010,000	3,010,000	248866L37
	2/15/2033	5.000%	3,170,000	3,170,000	248866L45
	2/15/2042 ⁽¹⁾	5.000%	2,530,000	2,530,000	248866M69
	2/15/2043 ⁽¹⁾	5.000%	2,660,000	2,660,000	248866M69
			<u>\$22,010,000</u>	<u>\$ 22,010,000</u>	

The 2028-2033 and 2042-2043 maturities will be redeemed prior to original maturity on August 21, 2026* at par.
 (1) Represents mandatory sinking fund redemption amount of a term bond with a stated maturity of February 15, 2043.

* Preliminary, subject to change.

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APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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Finance Department

215 E. McKinney St., Denton, TX 76201 • (940) 349-8244

March 17, 2026

The Honorable Mayor, Members of the City Council and Citizens
City of Denton
Denton, Texas

It is with great pleasure that we present to you a copy of the Annual Comprehensive Financial Report (ACFR) of the City of Denton (the City) for the fiscal year ended September 30, 2025. The purpose of the report is to provide the City Council, management, citizens, and other interested parties with detailed information concerning the City's financial condition.

THE REPORT

The Texas Local Government Code (§ 103.001) requires an annual audit for municipalities. In addition, the City Charter (Section 2.13) requires a Certified Public Accountant who, as of the end of the fiscal year, shall make an "independent audit of accounts" and prepare a report to the City Council and the City Manager. This document fulfills the above-mentioned requirements, and the independent auditor's opinion is included in the report for the fiscal year ended September 30, 2025.

The ACFR is presented in three main sections: Introductory, Financial, and Statistical. The Introductory Section includes this transmittal letter, the City's organizational chart, and a list of principal officials. The Financial Section includes the Management's Discussion and Analysis (MD&A), Basic Financial Statements, Required Supplementary Information, Combining and Individual Fund Financial Statements, along with the independent auditors' report. The Statistical Section and Other Supplementary Information include selected financial and demographic information, generally presented on a multi-year basis.

The responsibility for both the accuracy of the presented information and the completeness and fairness of the presentation of the data, including all disclosures, rests with the City, and is based upon a comprehensive framework of internal control established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance the financial statements are free of any material misstatements. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to fairly present the results of our operations in each of the various funds reported by the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The accounting firm of Weaver and Tidwell, L.L.P. has issued an unmodified opinion on the City of Denton's financial statements for the period ended September 30, 2025. As a recipient of federal and state grant awards, a separate audit is prepared to meet the requirements of the Single Audit Act Amendments of 1996 and related Uniform Guidance. As a part of the City's single audit, tests are conducted to determine that the City has complied with applicable laws and regulations related to federal awards.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

CITY OF DENTON PROFILE

Denton distinguishes itself from other cities in North Texas through its vibrant arts and culture scene, robust university partnerships, dynamic community collaborations, and commitment to 100% renewable energy. Originally incorporated on September 26, 1866, Denton has evolved from a serene college town on the outskirts of the Dallas-Fort Worth metroplex into one of the fastest-growing cities in the United States, with a current

OUR CORE VALUES

Inclusion • Collaboration • Quality Service • Strategic Focus • Fiscal Responsibility

population of approximately 158,933. This figure is projected to reach 229,192 by 2040, according to U.S. Census Bureau forecasts. Denton combines a reverence for its history with an eagerness to innovate. The City of Denton is in the northern portion of the Dallas/Fort Worth Consolidated Metropolitan Statistical Area (CMSA). The City is a part of the Dallas/Fort Worth Metroplex and is situated at the apex of a triangle based by Dallas (37 miles to the southeast) and Fort Worth (35 miles to the southwest) providing excellent access to and from all parts of the area. The heart of the city's urban core is anchored by a vibrant cultural arts district within Downtown Denton as well as three university campuses. The community is also recognized for its commitment to sustainability and environmental stewardship, in addition to its focus on health and wellness, highlighted by over 5,000 acres of parkland, more than 60 hiking trails, and numerous recreational facilities.

CITY SERVICES AND ORGANIZATION OF THE GOVERNMENT

The City is a home rule city and operates under the Council-Manager form of government. The elected seven-member council consists of a Mayor and six Council Members. The Mayor and two Council Members are elected at large, while the remaining representatives are elected from single member districts. The City Council enacts local laws, determines policy, and adopts the annual budget, and the City Manager is the chief executive officer for the City.

The City provides a full range of general government services to its citizens including public safety (police and fire protection); public works (construction and maintenance of highways, streets, and infrastructure); parks and recreation; library; planning and zoning; economic development; and general administrative services. The City's enterprise fund operations consist of a utility system, solid waste, and airport operations. The City's utility system provides electric, water, and wastewater services.

The internal service operations consist of Materials Management, Fleet Services, Risk Retention, Health Insurance, Engineering Services, Technology Services, Customer Service, Facilities, and Environmental Services funds. The Materials Management Fund accounts for the financing of Warehouse and Purchasing services which are provided to other City departments. The Fleet Services Fund accounts for the financing of goods and services provided by the municipal garage to other departments within the City. The Risk Retention Fund accounts for the accumulation of resources for the payment of workers' compensation, general liability claims, and insurance policies. The Health Insurance Fund accounts for administration of the self-insurance program for health coverage in the City. The Engineering Services Fund accounts for the provision of internal engineering services to various City operations and capital projects. The Technology Services Fund provides support for the various information and computer systems within the City. The Customer Service Fund accounts for the financing of customer service activities provided to the residents and businesses of the City on behalf of other departments within the City. The Facilities Management Fund is responsible for maintaining all city-owned facilities and vertical construction projects. The Environmental Services Fund accounts for the consolidated environmental-related services provided across the City. The financial statements presented include all government activities, organizations, and functions for which the City is financially accountable as defined by the Governmental Accounting Standards Board (GASB).

LOCAL ECONOMY

As the Dallas Ft. Worth Metroplex continues to grow, the City of Denton is seeing increased growth. In Fiscal year 2024-25, the City continued to see an increase in development and economic activity, resulting in strong property tax collection, sales tax collection, and an increase in return on investment (ROI) revenue from city utilities. Greater than one-third of the total General Fund revenue is generated from property taxes, also referred to as ad valorem taxes. As shown below, the 2025 certified value increased by 7.10%, approximately, or \$1,509,020,092 (excluding TIRZ) from the 2024 certified value. Analysis of the increase shows there was approximately \$623.3 million in new value added to the appraisal roll due to new growth and construction.

Below is a chart with a detailed breakdown of certified values:

	Tax Year 2024 Certified Total AV	Tax Year 2025 Certified Total AV	Increase (Decrease)	Percent Change	New Value
General Government	\$21,246,581,740	\$22,755,601,832	\$1,509,020,092	7.10%	\$599,600,902
Downtown TIRZ ¹	\$136,240,592	\$172,838,244	\$36,597,652	26.86%	\$23,677,508
Westpark TIRZ ²	\$165,462,701	\$179,489,315	\$14,026,614	8.48%	\$ -
Total:	\$21,548,285,033	\$23,107,929,391	\$1,559,644,358	7.24%	\$623,278,410

¹ Downtown TIRZ - Reflects 90% of incremental value through FY 2039 per Ordinance No. 2010-316.

² Westpark TIRZ - Reflects 40% of incremental value through FY 2037 per Ordinance No. 2013-033.

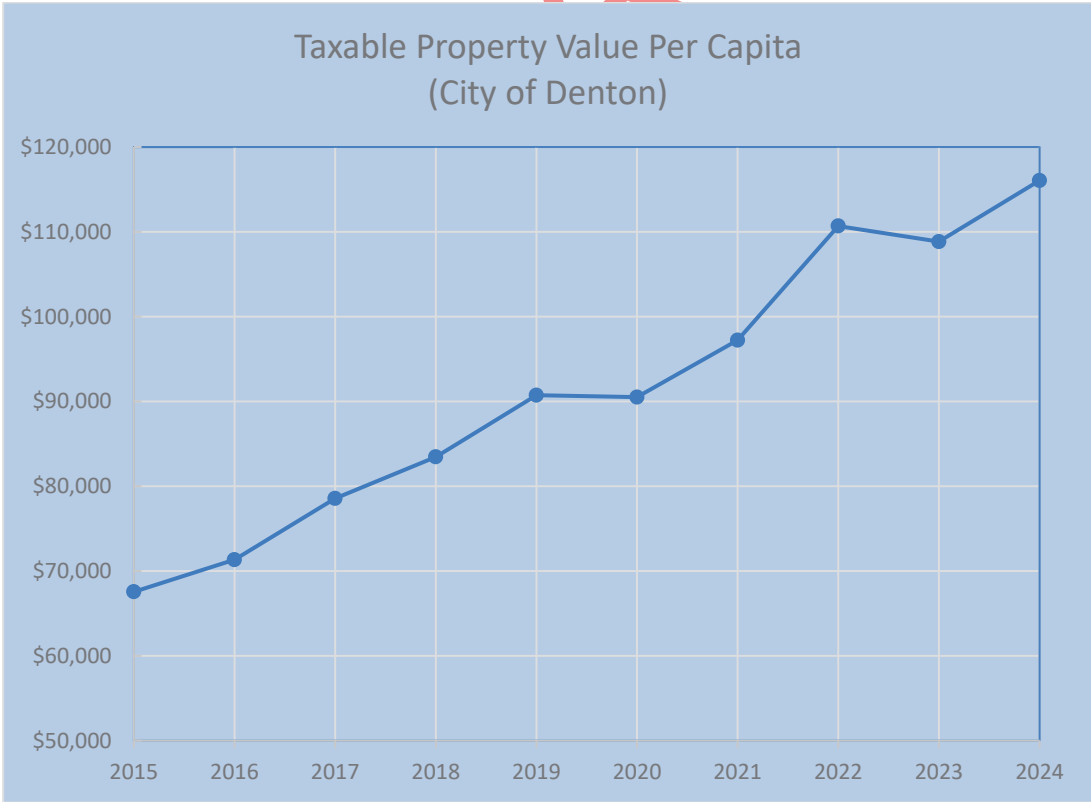
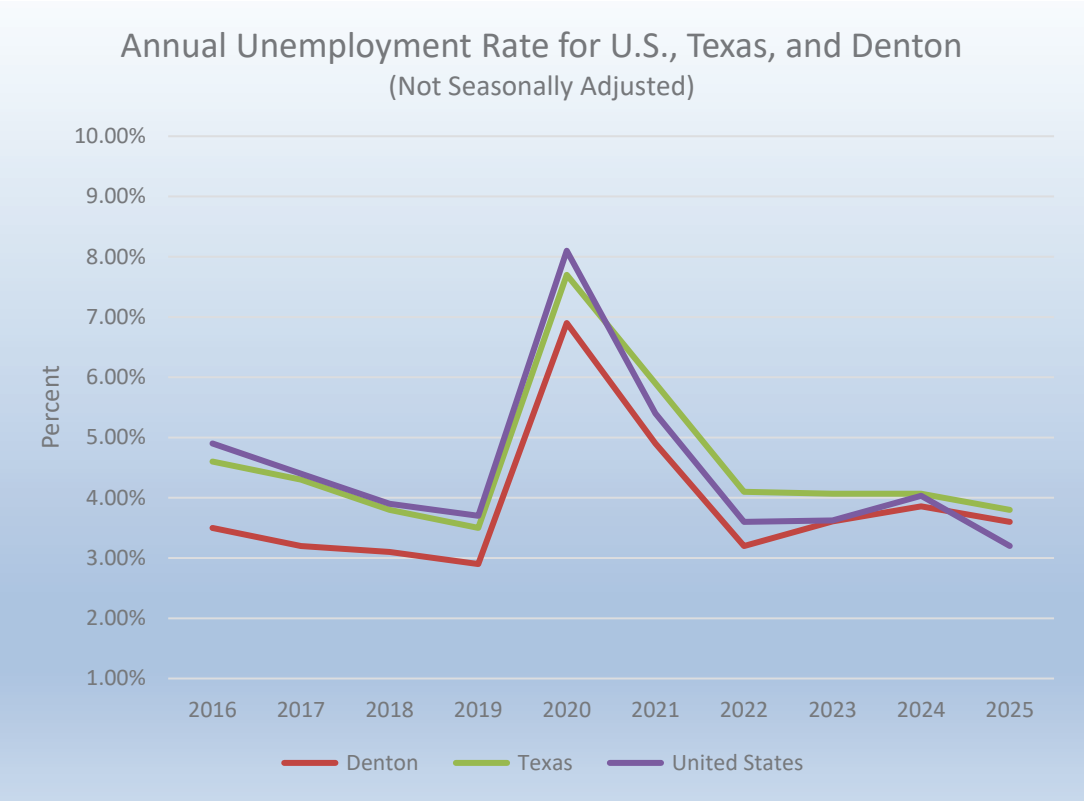
Sales tax represents approximately 28.71% of overall revenue in the General Fund, sales tax is a significant revenue source that is dependent upon a variety of economic factors. For FY 2024-25, total sales tax revenues equaled \$58,972,691 which is \$1,897,849 or 3.33%, more than the prior year collections of \$57,074,842. The budgeted FY 2025-26 collections total \$62,944,986 which is 6.74% above the FY 2024-25 actual collection. The chart below illustrates collections over the prior twelve-year period with an estimate of collection in FY 2025-26.



On a budgetary basis, the General Fund received \$201.5 million in revenue and incurred \$200.7 million in expenses resulting in an increase in fund balance of \$0.8 million.

The City of Denton’s not seasonally adjusted annual unemployment average rate remains on par with state & national levels at an average of 4.3 percent in FY 2024-25 which has slightly increased compared to 4.0 percent average in FY 2023-24. The City of Denton issued 2,187 residential, commercial, multi-family building permits for FY 2024-25, with an estimated value of \$1.2 billion (excluding City buildings, County buildings, schools, and churches). This compares to a total of 1,893 issued for FY 2023-24 with an estimated value of \$1.4 billion. The overall permit numbers increased, primarily in single family residential housing.

The following two charts highlight the strength of the local economy over the last ten years by displaying the City of Denton’s unemployment rate compared to Texas and the United States and the taxable property values per capita in the City of Denton.



<https://data.bls.gov/timeseries/LNS14000000>
<https://texaslmi.com/>
Accessed 3-2-26

In fiscal year 2024-25, the Rayzor Ranch mixed-use development in Denton experienced significant growth, enhancing both its residential and commercial offerings.

The Rayzor Ranch mixed-use development is located on both the north and south sides of US Highway 380 in Denton. Rayzor Ranch Marketplace, on the north side of the development, has constructed over 500,000 square feet of retail and commercial space. Sam’s Club and Wal-Mart anchor the development that includes a Home Depot, as a recent addition. The Town Center also includes the Embassy Suites Hotel and Convention Center. In addition, a new 300-unit multifamily project, the Village at Rayzor Ranch, opened in late 2019. In 2021, the Residences at Rayzor Ranch opened. This is a 40-acre site that includes 215 three- and four-bedroom town homes as well as 65 single-family homes. Teriyaki Madness, First Watch, Nation’s Giant Hamburger and Great Pies are new restaurant tenants at the Town Center. Recent developments include Esmse Nail Spa, Smile Dental and a 148,000 square foot and \$22.7 million Target store.

Residential Developments:

Landmark

- Landmark, by developer, Hillwood (a Perot Company), is a master planned 3,200 acre residential and commercial development in Southern Denton. At full build-out, the development will have over 6,000 homes and 5 million square feet of commercial, entertainment and office space. The first phase will include 747 home sites from 9 area builders, 250,000 square feet of commercial development, and 600 multifamily units. The first model homes are anticipated to open in 2026.

Bloomfield Homes:

- A market leading homebuilder focused primarily in the Dallas–Fort Worth metroplex, Bloomfield Homes, is currently constructing 248 new homes in two communities (Country Lakes and Glenwood Meadows) in the City of Denton.

First Texas Homes:

- First Texas Homes has planned a total of 151 homes for the Parkside Community, contributing to the City's residential growth and expanding the housing inventory in the Denton area.

Resia Rayzor Ranch:

- This 433-unit apartment community officially opened in December 2024, offering one-, two-, and three-bedroom apartments with modern amenities such as stainless-steel appliances, in-unit washers and dryers, and granite countertops. Residents can also enjoy a 24-hour fitness center, swimming pool, basketball court, and a forthcoming pickleball court.

Altera Rayzor Ranch:

- In October 2024, Wood Partners broke ground on a 192-unit multifamily community within Rayzor Ranch. This development will feature one-, two-, and three-bedroom layouts, with amenities including a resort-style pool, modern fitness facility, outdoor socializing spaces, and coworking areas.

Commercial Developments:

H-E-B:

- Two H-E-B stores are planned for Denton. One store will be located on a 20- acre site at the Hillwood Landmark development and the other is slated for a location on University and Bonnie Brae. The latter will include a 119,000 square foot store which is scheduled to start construction in Spring of 2026. The Hillwood Landmark location is anticipated to open early in 2027.

Target Store:

- A new 148,000-square-foot Target store, representing a \$22.7 million investment, was completed within Rayzor Ranch. This addition will further enhance the retail offerings available to residents and visitors.

During the fiscal year 2024-25, Denton experienced significant retail and industrial development, enhancing its economic landscape:

International House of Pancakes (IHOP):

- In September 2025, the International House of Pancakes opened in one of the outparcels in front of the Buc-ee's Travel Center.

Exeter Property Group:

- Constructed three industrial buildings at the northeast corner of Western Boulevard and Jim Christal Road, measuring 324,000, 421,000, and 1,076,000 square feet.

Enginotech:

- A global plastic injection manufacturer based in India, selected Denton for their North America Headquarters. The Denton location will provide parts to PACCAR (Peterbilt and Kenworth) in Canada, Denton, and Mexico. The company designs, tests, and manufactures their parts and holds patents on the parts and technology. The technology is so unique that they will be the only injection molding manufacturer of engine parts in Texas based on their NAICS codes. The company will create 133 high-paying and knowledge-based jobs over five years, making them a top 20 employer in Denton.

Panel Rey/PR Gypsum:

- The first manufacturing expansion in the United States for a company that produces joint compound used in the construction of residential and commercial projects. Panel Rey is seeking to purchase an existing 60,000 square foot building at 3651 Shelby Lane in Denton as Phase I of their U.S. expansion. The company's planned investment in the building, machinery, and equipment will be approximately \$15 million. The project involves plans to create 20 jobs with a weighted salary of \$72,733.

Mayday Manufacturing Company:

- Mayday currently maintains a manufacturing facility in Denton and employs approximately 400. Mayday plans to expand its existing facility and estimates that its investment in the building, machinery, and equipment will generate \$14.5 million in new capital investment. The project involves plans to create 50 new jobs with an average salary of \$54,020.

Lotte Global Logistics:

- Opened an automated distribution and warehouse facility for wellness products comprising 232,000 SF at I-35 Convergence, which was unoccupied for two years. The company hired an estimated 85 employees.

Novartis

- A Swiss pharmaceutical corporation formed in 1996, Novartis, has selected Denton for an expansion of its radiopharmaceutical manufacturing operations. The company is the eighth largest pharmaceutical company in the world by revenue, selling products in 118 countries. Novartis is considering the purchase of an existing three-building site on 20 acres at 2101 Shady Oaks in Denton for advanced isotope production and radiopharmaceutical drug product manufacturing. The Novartis Denton site would produce pharmaceuticals for radioligand therapy (RLT), a cancer treatment, targeting prostate and advanced gastroenteropancreatic

cancer. The facility will undergo significant rehabilitation projects including environmental remediation and renovations of approximately 40,000 square feet to suit the manufacturing process. The company estimates that the investment in building, machinery, equipment, and improvements to the land will be about \$280 million. The project involves plans to create 150 jobs with an average salary of greater than \$124,000.

Holt Lunsford Commercial Investments:

- Secured \$32.7 million in August 2024 for the development of Denton Point III, IV, and V, totaling 451,856 square feet at 670-710 Masch Branch Road. A groundbreaking was held this year for the Class A warehouse space.

EastGroup Properties:

- Initiated construction of Denton Exchange 35 Industrial Facility in Q2 2024, comprising two Class A industrial buildings totaling approximately 243,859 square feet, with completion anticipated by Q4 2025.

Southwire Company:

- Announced a 100,000-square-foot expansion of its Denton facility, investing \$85.4 million over three years, with an expected valuation increase of over \$69 million and the creation of 95 new jobs in 2024

Ironwood Realty Partners and Scannell Properties:

- Partnered on Denton Crossing @ I-35, a project encompassing approximately 1.2 million square feet of industrial speculative space along Western Boulevard. Buildings 1 and 2, totaling nearly 700,000 square feet, have been completed, with Buildings 3 and 4 adding 398,000 and 127,000 square feet, respectively.

The City of Denton uses various economic development tools including financial districts to improve and enhance infrastructure and encourage private investment in specific areas of the City. These development districts support development and revitalization and are commonly known as public improvement districts, tax increment reinvestment zones, or municipal management districts.

Denton currently has two active development districts:

- Tax Increment Reinvestment Zone Number One (Downtown TIRZ)
- Tax Increment Reinvestment Zone Number Two (Westpark TIRZ)

In the Downtown TIRZ area, the following projects are underway:

Fine Arts Theater:

- The Denton City Council approved a \$1.6 million economic development agreement to help with renovations and redevelopment at the Fine Arts Theater of Denton. The Theatre will be a multi-use facility for live performances, movies, special festivals, concerts, and private rentals. The 9,900-square-foot theater has been part of downtown since 1877, when it opened as an opera house, then became part of the Texas movie theater chain in 1935 and then the Fine Arts Theater in 1957. The theater is expected to open in August 2026.

The Plot Twist:

- New romance novel Book Bar, opened in Downtown Denton on January 19, 2025. The business received a \$35,000 Downtown Reinvestment Grant for utility upgrades, interior/code improvements, and new signs.

Several projects are currently underway in the Westpark Tax Increment Reinvestment Zone (TIRZ).

Westpark Industrial:

- A 16-acre parcel, at 251 N Western Boulevard, will include two speculative buildings at just over 100,000 square feet each.

Turcott Development:

- A 31,363 square foot building is planned for a single-tenant LEED certified training center that will be comprised of 45% office and 55% warehouse use, located at Jim Christal Road and Western Boulevard.

United States Cold Storage (USCS):

- USCS currently maintains a cold storage facility in Westpark TIRZ and currently employs 148 with an average salary of \$53,053. The company plans on adding on a second phase to its existing refrigerated warehouse facility and estimate that their investment in new buildings, machinery, and equipment will create approximately \$35 million in new ad valorem value in Denton. The project involves plans to create 172 jobs with a weighted average salary of \$57,164.

During the fiscal year 2024-25, Denton experienced notable advancements in its tech and entrepreneurial sectors, significantly bolstered by initiatives from Stoke Denton and Texas Woman's University's (TWU) Center for Women Entrepreneurs (CWE). Hickory and Rail Ventures LLC renewed the lease on Suite 128, which included a 2,725 square foot expansion.

AccelerateHER Program:

- In collaboration with TWU's CWE, Stoke Denton concluded the fifth cohort of the AccelerateHER program in 2020. This incubator supports women entrepreneurs by providing resources and education to fast-track their startups into scalable businesses. Thirty-four women have completed the weekly workshops and one-on-one mentorship sessions over five months. The program culminated in a virtual showcase, allowing each entrepreneur to present their business and growth strategies. Alumni meetups were started this year and will be held on a quarterly basis.

FlintConf 2025:

- In May 2025, Stoke Denton hosted FlintConf, Denton's annual startup conference aimed at empowering the local economy, entrepreneurs, and creatives. The event featured six speaker sessions, one workshop and two networking opportunities, attracting a diverse group of over 84 attendees and fostering collaboration within the entrepreneurial community.

Global Entrepreneurship Week (GEW) 2024:

- From November 18-24, 2024, Stoke Denton celebrated GEW by organizing multiple events to support and inspire local entrepreneurs. The lineup included a virtual Coffee + Convo session with Anita O'Neal, CPA, CFA; a Big Ideas Creative Mixer at Denton County Brewing Company; and the Denton Pitch Competition and Lunch and learn with Sky McClure, Improve Google Ads. These events collectively enhanced community engagement and provided valuable resources for business development with over 175 attendees throughout the week

Denton Pitch Competition:

- As part of GEW 2024, the Denton Pitch Competition offered local entrepreneurs a platform to present their business ideas to potential investors and partners. The event featured ten businesses pitching their concepts, with a total of 40 entrepreneurs participating in the accompanying Entrepreneur Expo. This initiative awarded \$30,000 to Denton businesses, of

which, 80% were women entrepreneurs, fostering business growth and innovation within the community.

Coffee + Convo Sessions:

- Throughout the fiscal year, Stoke Denton hosted monthly “Coffee + Convo” sessions with Shay Nuckles, from Uptown Discovery Group, Madison Newman, branding expert, and Juli James, designer and innovator. These informal gatherings facilitated discussions on various business topics, allowing entrepreneurs to share experiences, seek advice, and build networks within the local startup ecosystem.

These developments reflect Denton’s robust industrial growth during the 2024-25 fiscal years, contributing to economic expansion and job creation.

FINANCIAL INFORMATION AND FINANCIAL POLICY

The City’s financial direction begins with the City’s Charter, which is the basis for all financial policies the City implements. The City maintains financial policies for general operations, which include policies for financial management and fund balances, budget compliance, debt issuance and management, accounts payable, water service, and purchasing, among others.

The City’s accounting records for general governmental operations are maintained on a modified accrual basis, with revenues being recorded when available and measurable, and expenditures being recorded when the liability is incurred. Proprietary (which includes Internal Service Funds) operations are maintained on the full accrual basis.

The City’s Annual Operating Budget is proposed by the City Manager and approved by the City Council following public discussion. The City’s Charter requires adoption of the City’s budget no later than September 30th. The budget structure is organized by funds. Normally, funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The two types of funds utilized in the budget are Governmental and Proprietary (which includes Internal Service Funds). Budgetary control is maintained at the fund level by the Finance Department.

All legally required funds are budgeted annually by type, as follows:

- Governmental Funds
 - General Fund
 - General Debt Service Fund
 - Street Improvement Fund
 - Tourist and Convention Fund
 - Police Confiscation Fund
 - Catalyst Fund (formerly the Economic Development Investment Fund)
 - Parks Gas Well Fund
 - Roadway Impact Fee Fund
 - Tree Mitigation Fund
 - Public Education Government (PEG) Fund
 - McKenna Trust Fund
 - Park Land Dedication and Development Trust Fund
 - Downtown Tax Increment Reinvestment Zone (TIRZ) Fund
 - Westpark Tax Increment Reinvestment Zone (TIRZ) Fund
 - Sustainability Framework Fund
 - Other Miscellaneous Special Revenue Funds
- Proprietary Funds
 - Electric Fund
 - Water Fund
 - Wastewater Fund

- Solid Waste Fund
- Airport Fund
- Internal Service Funds
 - Customer Service Fund
 - Engineering Services Fund
 - Environmental Services Fund
 - Facilities Management
 - Fleet Management Fund
 - Health Insurance Fund
 - Materials Management Fund
 - Risk Retention Fund
 - Technology Services Fund

LONG-TERM FINANCIAL PLANNING

In conjunction with this document, interested parties are encouraged to read the City of Denton’s FY 2025-26 Annual Budget document. This document details the City’s strategic plan, long-term financial policies, program accomplishments, and other key initiatives. The document also includes the long-term financial forecasts for each of the major funds, and a summary of the assumptions that are included in these plans. In addition, the budget document provides an overview of the adopted Capital Improvement Program and planned future debt issuances. The Annual Budget can be accessed through the City’s web site at www.cityofdenton.com and selecting Financial Transparency under the “Open Government” link.

RELEVANT FINANCIAL POLICIES

The City of Denton maintains reserve balances for emergencies. In the General Fund, the target reserve level is a minimum of 20% of budgeted expenditures with an additional 5% resiliency reserve for a combined total of 25% to provide stability and flexibility for the organization. As described in the accompanying ACFR document, the unassigned fund balance is \$42.8 million, or 20.6%, of the budgeted General Fund expenditures for the fiscal year ended September 30, 2025.

Beginning in FY 2011-12, the City adopted a policy which requires a minimum ending working capital balance (current assets minus current liabilities) of at least 8% of budgeted expenditures for the Electric, Water, Wastewater and Solid Waste Funds. If the working capital level should fall below the desired minimum, the City will implement necessary corrective action with a five-year plan to restore the working capital balance to 8% of budgeted expenditures.

Additionally, rate reserve levels were established for the Electric, Water, Wastewater, and Solid Waste Funds in FY 2011-12 according to the unique operational aspects of each utility. The rate reserve levels were most recently revised in FY 2020-21 based on the factors of revenue stability, expense and demand volatility, infrastructure age, debt levels and management plans for the use of these reserves. The reserve rate is established at a range of 38% to 61% of expenses for the Electric Fund, at a range of 20% to 31% of expenses for the Wastewater Fund, at a range of 25% to 42% of expenses for the Water Fund, and at a range of 6% to 10% of expenses for the Solid Waste Fund. If the rate reserve level falls below the range, the City will implement the necessary corrective action within a five-year plan to restore the balances to the levels outlined above.

The City of Denton has adopted an Investment Policy which guides the investment of all City funds. In accordance with State law, the policy is reviewed annually by the City Council to ensure that public funds are being invested in a conservative and prudent fashion. In addition, the City also annually reviews and approves a Debt Management policy. The purpose of this policy is to provide general guidelines regarding the issuance of City debt and the use and limitation of such debt. The City complied with all aspects of the Investment and Debt Management policies during FY 2024-25.

MAJOR INITIATIVES

The City’s Strategic Plan and Council specifically identified improving facility infrastructure as a major goal. In response to this goal, the FY 2025-26 Budget includes additional issuance of General Obligation Bonds. This increase in funding shows the City’s continued commitment to facility infrastructure and equipment funding.

The combination of increased operating funding along with the issuance of debt shows the strong commitment to improving our infrastructure. In the future, the City staff will continue efforts to identify additional funding for facility infrastructure and equipment funding activities along with potential future debt issuances for street reconstruction to continue to improve the condition of the City's streets over the long term.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers' Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Annual Comprehensive Financial Report for the fiscal year ended September 30, 2024, for thirty-eight consecutive years. To be awarded the Certificate of Achievement in Financial Reporting, the City must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. This report satisfies both generally accepted accounting principles and applicable legal requirements. The Certificate of Achievement is held for a period of one year only. We believe our current Annual Comprehensive Financial Report continues to meet the Certificate of Achievement requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

The City also received the GFOA award for Distinguished Budget Presentation for its fiscal year 2024-25 Annual Budget for thirty-eight consecutive years. To qualify for the Distinguished Budget Presentation Award, the City's budget document was judged according to its compliance with specific guidelines established by GFOA. These guidelines help ensure that Denton's budget is distinguished as an operations guide, financial plan, policy document, and communications device. The City has submitted its fiscal year 2025-26 Annual Budget to GFOA to determine its eligibility for another certificate. We believe it continues to meet the Distinguished Budget Presentation Award criteria.

The City received a Certificate of Distinction from the Government Treasurers of Texas (GTOT). The distinction was received for developing an investment policy that meets the requirements of the Public Funds Investment Act and the standards for prudent public investing as established by GTOT. GTOT awards an estimated 40 distinctions annually, which the City has received ten times since 1999.

The City also received the GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting for the fiscal year ended September 30, 2024. To be eligible for the PAFR Award, the City must also submit its Annual Comprehensive Financial Report to GFOA's Certificate of Achievement for Excellence in Financial Reporting Program and receive the Certificate for the same fiscal year. Eligible reports are reviewed by judges who evaluate them based on reader appeal, clarity and understandability, distribution methods, creativity, and other key elements.

In 2024, City of Denton was awarded the Six Transparency Stars by the Texas Comptroller, which recognizes cities, counties, special purpose districts and school districts to provide easy online access to important financial data. The City of Denton is only one of five local governments in Texas to receive all six transparency stars. Transparency Stars are granted and maintained on an ongoing basis.

We would like to thank the City Council for their strong leadership and support that helped make the presentation of this report possible. We would also like to thank the City Manager, Finance staff, department directors, division heads and especially the Accounting Division staff for their diligent efforts in the preparation of the annual financial report.

DocuSigned by:
Christine Taylor
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Christine Taylor
Assistant City Manager

Signed by:
M. Hamilton
AFA2974F165F44F...
Matt Hamilton
Chief Financial Officer

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APPENDIX B

EXCERPTS FROM THE
CITY OF DENTON, TEXAS
ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the Year Ended September 30, 2025

The information contained in this Appendix consists of excerpts from the City of Denton, Texas Annual Comprehensive Financial Report for the Year Ended September 30, 2025, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

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Independent Auditor's Report

To the Honorable Mayor
and Members of the City Council
of the City of Denton, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Denton, Texas (the "City"), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement issuance date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information Included in the Annual Comprehensive Financial Report (ACFR)

Management is responsible for the other information in the ACFR. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

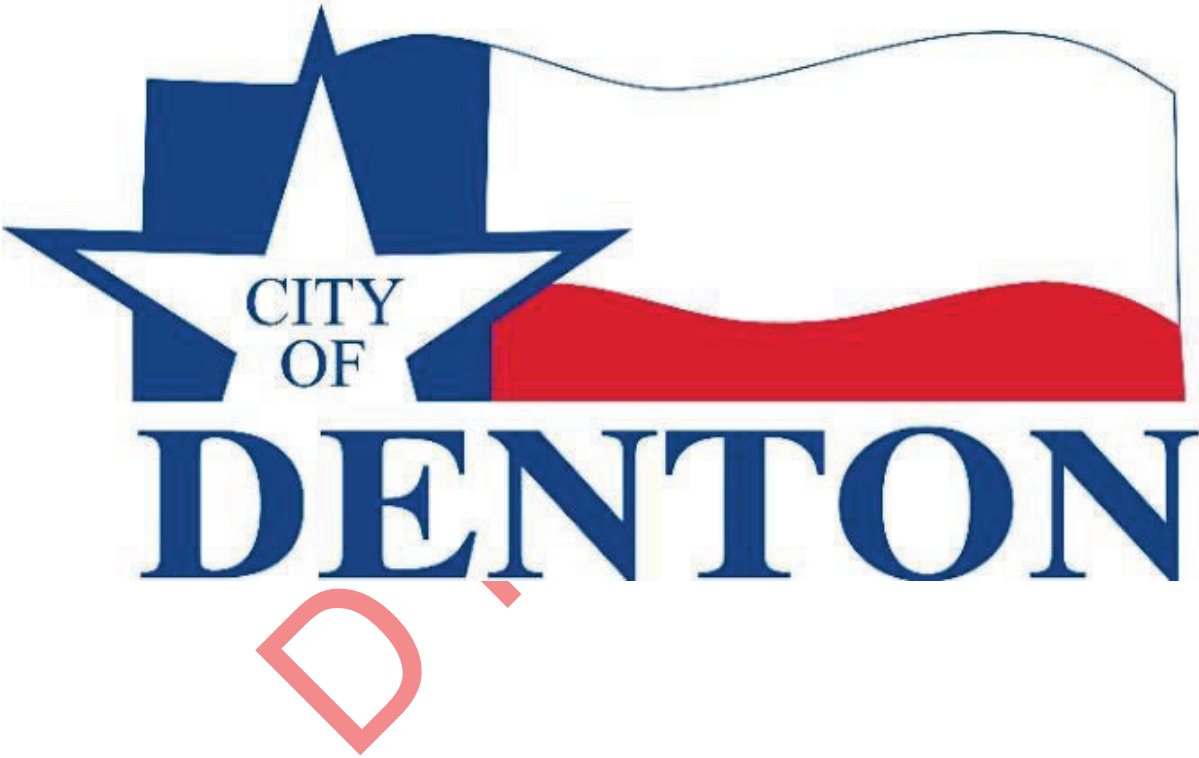
In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2026 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
March 17, 2026

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**CITY OF DENTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2025**

Introduction

The Management's Discussion and Analysis is designed to: (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position (its ability to address the next and subsequent years' challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns.

This narrative should be read in conjunction with the transmittal letter at the beginning of the report and the financial statements following this section.

Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the fiscal year ended September 30, 2025 by \$1,852,038,136 (net position), an increase of 10.54 percent from prior year net position. Of this amount, \$182,482,381 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- Net Pension Liability of the City is \$87,894,665, as compared to \$110,806,951 for the year ended September 30, 2024. Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires the City to report its net pension liability for participation in Texas Municipal Retirement System (TMRS) and Firemen's Relief and Retirement Fund (FFRF) of the total Net Pensions Liability reported by the TMRS and FFRF. For the year ended September 30, 2025, the City recorded a decrease in their portion of net pension liability of \$22,912,286, an increase in deferred pension inflows of \$6,287,024 and a decrease in deferred pension outflows of \$14,620,416.
- Governmental activities general and transfer revenues were \$251,281,664 as compared to \$224,097,580 for the year ended September 30, 2024. The increase of \$27,184,084 is primarily driven by an increase in property tax, miscellaneous income, sales tax revenues, franchise fees, and transfers. Business-type activity general revenues and transfers were \$20,397,135 compared to \$29,203,943 for the year ended September 30, 2024. The decrease of \$8,806,808 is primarily driven by investment revenue and transfers.
- Governmental funds reported combined ending fund balances of \$373,311,681 as of September 30, 2025 which is an increase of \$17,788,012 from fiscal year 2023-2024 ending fund balance total of \$355,523,669, primarily due to issuance of long-term debt and increased revenues.
- The City's primary General Fund resources are property taxes, sales tax, and franchise fees. These combined resources account for 85.4 percent of total General Fund revenues, which decreased 3.2 percent compared to the prior year.
- The City's long-term liabilities outstanding increased by \$178,720,926 in fiscal year 2024-2025. The increase is primarily attributable to an increase of \$199,050,000 of Certificates of Obligation and General Obligations Bonds Payable.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Management's Discussion and Analysis is intended to serve as an introduction to the City of Denton's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets, liabilities, deferred inflows, and deferred outflows with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

**CITY OF DENTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2025**

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are considered regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both the statement of net position and the statement of activities are prepared using the accrual basis of accounting as opposed to the modified accrual basis.

In the Statement of Net Position and the Statement of Activities, the City is divided into two kinds of activities:

- **Governmental activities.** Most of the City's basic services are reported here, including police, fire, libraries, development, public services and operations, public works, building inspection, technology services and general administration. Property taxes, sales taxes, and franchise fees finance most of these activities.
- **Business-type activities.** The City charges a fee to customers to cover the cost of services it provides. The City's utility systems (electric, water and wastewater), solid waste, and airport activities are reported here.

Fund Financial Statements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. Fund financial statements provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by state law or bond covenants. However, the City Council establishes many other funds to help control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other monies. The following illustration summarizes the major features of the City's financial statements. The City of Denton's funds are categorized as governmental, proprietary funds or fiduciary funds.

- **Governmental funds.** The majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions. The relationship or differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are detailed in a reconciliation following the fund financial statements.

The City of Denton maintains twelve governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, capital projects fund, and ARPA fund, all of which are considered to be major funds. Data from the other eight governmental funds are combined into a single, aggregated presentation. Individual fund data for seven of these non-major governmental funds, along with an aggregate of all other governmental funds, is provided in the form of combining statements elsewhere in this report.

- **Proprietary funds.** The City charges customers for certain services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same manner that all activities are reported in the Statement of Net Position and the Statement of Activities. The City's enterprise funds are similar to the business-type activities that are reported in the government-wide statements but provide more detail and additional information, such as cash flows. The City's internal service funds are used to accumulate and allocate costs internally among the City of Denton's various functions. Both enterprise funds and internal service funds are components of proprietary funds.

CITY OF DENTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2025

The City of Denton maintains five enterprise funds. The City uses enterprise funds to account for its electric, water, wastewater, solid waste, and airport operations. The individual funds provide the same type of information as the government-wide financial statements, only in more detail. The City considers all enterprise funds to be major funds.

The City of Denton maintains nine internal service funds. The City uses internal service funds to account for materials management, fleet services, health insurance, risk retention, technology services, engineering services, customer service, facilities management, and environmental services. Because these services benefit both governmental and business-type functions, they have been included in both the governmental and business-type activities in the government-wide financial statements. Individual fund data for the internal service funds are provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

- **Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information.

The combining non-major fund statements and individual fund schedules are presented immediately following the notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As of September 30, 2025, the City's combined net position was \$1,852,038,136 of which \$568,703,509 can be attributed to governmental activities and \$1,283,334,627 attributed to business-type activities. This analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the City's governmental and business-type activities.

The largest portion of the City's net position (78.9%) reflects its investment in capital assets (e.g., land, building, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF DENTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2025

Table 1
Net Position
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 455,094	\$ 451,238	\$ 921,202	\$ 797,426	\$ 1,376,296	\$ 1,248,664
Capital assets, net of accumulated depreciation/amortization	879,180	786,807	1,885,862	1,715,971	2,765,042	2,502,778
Total assets	1,334,274	1,238,045	2,807,064	2,513,397	4,141,338	3,751,442
Deferred outflows of resources	31,786	51,057	8,175	16,181	39,960	67,238
Long-term liabilities outstanding	741,390	707,646	1,440,741	1,295,763	2,182,130	2,003,409
Other liabilities	47,765	66,779	82,084	52,037	129,850	118,816
Total liabilities	789,155	774,425	1,522,825	1,347,800	2,311,980	2,122,225
Deferred inflows of resources	8,201	12,532	9,080	8,454	17,280	20,986
Net position:						
Net investment in capital assets	502,428	444,565	960,266	884,537	1,462,694	1,329,102
Restricted	49,801	44,845	157,060	119,996	206,861	164,841
Unrestricted	16,475	12,735	166,008	168,791	182,483	181,526
Total net position	\$ 568,704	\$ 502,145	\$ 1,283,334	\$ 1,173,324	\$ 1,852,038	\$ 1,675,469

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CITY OF DENTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2025

Governmental activities increased the City's net position by \$66,558,982. Business-type activities increased the City's net position by \$110,010,611. The key elements of these increases are contained in Table 2.

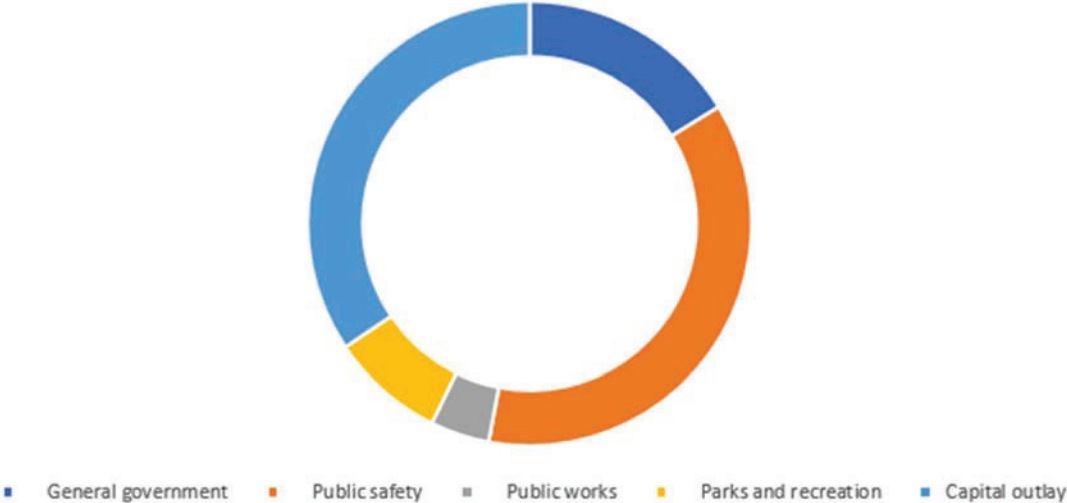
Table 2
Changes in Net Position
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program Revenues:						
Charges for services	\$ 29,671	\$ 23,488	\$ 425,046	\$ 417,598	\$ 454,717	\$ 441,086
Operating grants and contributions	13,399	13,042	-	-	13,399	13,042
Capital grants and contributions	31,370	35,256	37,399	35,949	68,769	71,205
General Revenues:						
Property tax	119,835	106,556	-	-	119,835	106,556
Sales tax	58,972	57,075	-	-	58,972	57,075
Franchise tax	35,761	34,985	-	-	35,761	34,985
Hotel occupancy tax	3,320	2,965	-	-	3,320	2,965
Beverage tax	724	703	-	-	724	703
Bingo tax	16	14	-	-	16	14
Investment income (loss)	16,357	17,015	22,655	27,498	39,012	44,513
Gain (loss) on sale of capital assets	301	265	387	836	688	1,101
Miscellaneous	13,348	5,391	-	-	13,348	5,391
Total revenues	323,075	296,755	485,487	481,881	808,561	778,636
Expenses:						
General government	64,603	57,476	-	-	64,603	57,476
Public safety	119,031	112,543	-	-	119,031	112,543
Public works	27,466	27,467	-	-	27,466	27,467
Parks and recreation	30,703	29,842	-	-	30,703	29,842
Interest on long-term debt	17,359	12,699	-	-	17,359	12,699
Electric	-	-	234,784	286,616	234,784	286,616
Water	-	-	38,644	34,826	38,644	34,826
Wastewater	-	-	52,675	46,815	52,675	46,815
Solid waste	-	-	43,879	41,283	43,879	41,283
Airport	-	-	2,850	2,681	2,850	2,681
Total expenses	259,162	240,027	372,832	412,221	631,994	652,248
Increase in net position before transfers	63,913	56,728	112,655	69,660	176,568	126,388
Transfers	2,646	(870)	(2,646)	870	-	-
Increase in net position	66,559	55,858	110,009	70,530	176,568	126,388
Net position at beginning of year	502,145	446,287	1,173,325	1,102,795	1,675,470	1,549,082
Net position at end of year	\$ 568,704	\$ 502,145	\$ 1,283,334	\$ 1,173,325	\$ 1,852,038	\$ 1,675,470

Governmental activities. Expenses for governmental activities reflect an increase of \$19.1 million over the prior year. Increases include \$7.1 million in General Government, \$6.5 million in Public Safety, \$4.6 million in interest expense, and \$0.9 million for Parks and Recreation. The most significant governmental activities expense was in providing public safety, which incurred expenses of \$119,030,615. The largest expense for public safety is the cost of personnel, which totaled \$92,588,310. Last year the City added 14.0 new positions in public safety including 7.0 in the police department, 3.0 in the fire department, 3.0 in the animal service department, and 1.0 in the public safety communication department.

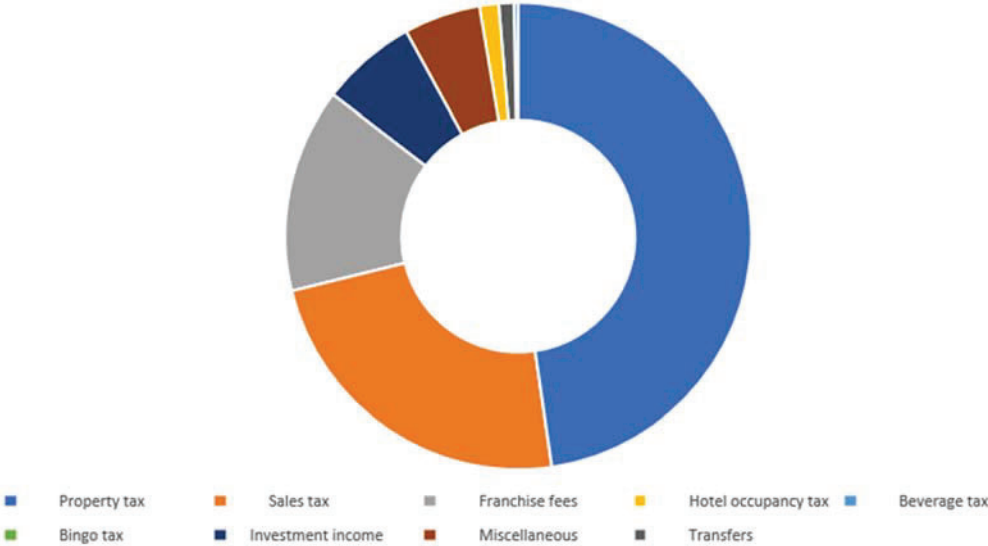
CITY OF DENTON, TEXAS
MANAGEMENT’S DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2025

Governmental Activities Expenditures



Governmental expenses were funded by revenues collected from a variety of sources, with the largest being from property taxes, which are \$119,835,095 for the fiscal year ended September 30, 2025. Governmental activities program revenues increased \$2.7 million over the prior year. Capital grants and contributions decreased \$3.9 million from contributed asset revenues and American Rescue Plan Act (ARPA) funding for public works transportation and general government projects were completed. Operating grants and contributions increased \$356 thousand from funding for public safety and parks and recreation. Charges for Services increased \$6.2 million from general government and parks and recreation. Governmental activities general revenues included an increase of \$13.3 million for property tax due to rising values and new construction. Sales tax increased \$1.9 million due to population and business growth. Transfers reflect a net \$2.6 million transfer in for governmental activities for the current year.

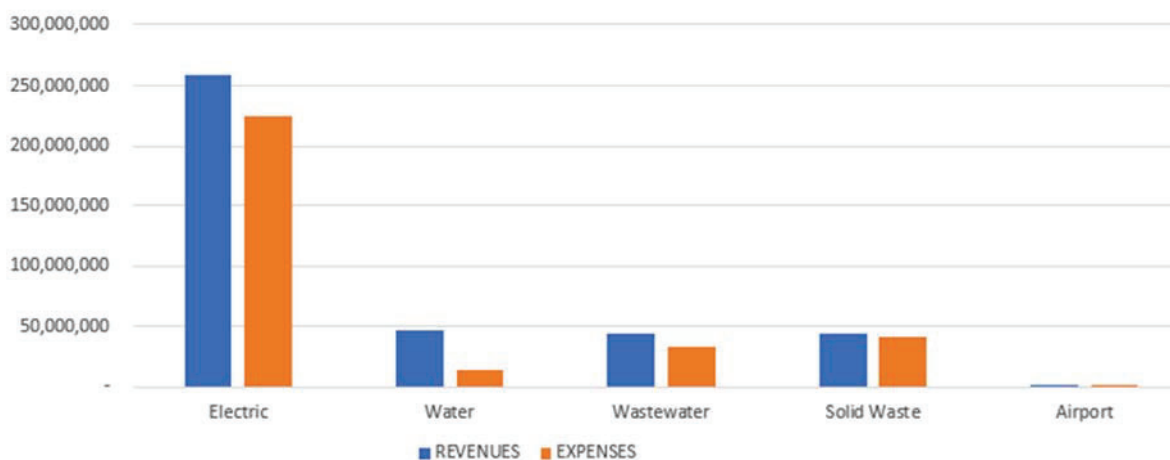
Revenues by Source - Governmental Activities



**CITY OF DENTON, TEXAS
MANAGEMENT’S DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2025**

Business-type activities. Business-type activities increased the City’s net position by \$110,010,611. This accounts for 62.3% of the growth in the entity-wide net position. Total utility service revenues decreased by \$7.3 million. The fiscal year 2025 included an Electric base rate increase of 1.50%, Water rate increase of 3%, Wastewater rate increase of 11%, and Solid Waste rate increase of 1.50%. Electric charges for services decreased by \$14.8 million mainly due to a decrease in data center revenues. Water charges for services decreased by \$22 thousand as compared to the service charges from prior year. Wastewater charges increased by \$3.6 million compared to the prior year. Solid Waste charges for service increased by \$3.6 million compared to the prior year. Airport charges for goods and services increased by \$318 thousand. Water and Wastewater collected \$16.9 million and \$12.6 million in impact fees, respectively, reflecting a \$12.4 million increase over the prior year. Capital contributions reflected an increase of \$1.5 million from the prior year. Water capital contributions increased by \$3.3 million while Wastewater capital contributions decreased by \$1.8 million. The Airport gas well revenues contributed an additional \$259 thousand in revenue, an increase of \$20 thousand from the prior year. Total enterprise funds operating costs, before depreciation, decreased \$38.0 million. Electric operating costs, before amortization and depreciation, account for 65.3 percent of total enterprise fund expenses. Cost decreases include purchase power costs of \$35.8 million from the prior year. Expenses for personnel services and administrative costs decreased by \$9.0 million. Water expenses increased \$3.7 million from the prior year, due to an increase in materials and supplies by 8 percent and administrative costs by 11 percent from prior year. Wastewater expenses increased \$1.2 million, due to an increase in personnel and administrative costs. Solid Waste expenses increased \$2.9 million from the prior year, due to increased personnel services and administrative costs.

**Expenses and Program Revenues
Business-type Activities**



FINANCIAL ANALYSIS OF THE GOVERNMENT’S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City’s governmental funds is to provide information on near-term inflows, outflows, and balances of resources available to spend. Such information is useful in assessing the City’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City’s governmental funds reported a combined ending fund balance of \$373.3 million, an increase of \$17.8 million in comparison with the prior year. \$41.2 million constitutes unassigned fund balance, which is available for spending at the government’s discretion. The remainder of the

CITY OF DENTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2025

fund balance has been classified to indicate that it is not available for new spending because it has already been classified as restricted (\$282.0 million), committed (\$32.2 million), and assigned (\$17.9 million).

The General Fund is the chief operating fund of the City. At September 30, 2025, the unassigned fund balance of the General Fund was \$42.8 million, or 20.6% of budgeted general fund expenditures. Revenues were \$12.2 million higher compared to the previous year primarily due to increases in taxes of \$2.9 million, licenses and permits of \$1.3 million, franchise fees of \$1.9 million, fees for service of \$1.4 million and miscellaneous revenues of \$6.1 million, partially offset due to decrease in investment revenue of \$1.0 million and intergovernmental revenue of \$683 thousand. The net change in General Fund expenditures was \$9.4 million higher compared to the previous year primarily due to increased costs related to personnel services and operations. Personnel costs increased \$9.0 million over the prior year which includes a 3% cost of living adjustment (COLA) and 2.5% merit increase. Public safety increased \$5.0 million over the prior year due to 14.0 new positions in public safety including 7.0 in the police department, 3.0 in the fire department, 3.0 in the animal service department, and 1.0 in the public safety communication department.

At the end of the fiscal year, the Capital Projects Fund has a total fund balance of \$273.5 million, an increase of \$10.3 million. The total fund balance is made up of \$244.8 million in restricted funds, \$10.8 million in committed funds, and \$17.9 million in assigned funds, all for capital construction and acquisition. In 2025, the City received \$70.1 million of proceeds from the issuance of debt and recognized \$7.3 million current year of regional toll revenues from the Texas Department of Transportation, while expending \$102.6 million on construction and acquisition. In addition, the capital projects fund received \$14.9 million of transfers from other funding sources. The City also received approximately \$11.0 million in developer's contributed capital recorded in the government-wide financial statements. This is \$3.3 million less than in the prior year.

The Debt Service Fund has a total fund balance of \$2.6 million, all of which is restricted for the payment of debt service. As compared with the prior year results, the overall increase in the debt service fund balance of \$1.2 million. An increase of \$11.9 million in tax revenue was offset by an increase of \$11.0 million in principal and interest costs.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position at September 30, 2025 in proprietary funds is \$88.4 million for Electric, \$47.0 million for Water, \$21.0 million for Wastewater, \$14.7 million for Solid Waste, and \$1.5 million for the Airport fund. The results reflect decreases of the unrestricted net position in the Water Fund of \$10.6 million, Wastewater of \$7.2 million, and Airport fund of \$0.2 million, partially offset by increases in the Electric fund of \$16.5 million, and Solid Waste fund of \$3.6 million. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Denton's business-type activities.

BUDGETARY HIGHLIGHTS

No amendments were made to adjust the City of Denton's Annual Program of Service for the fiscal year.

GENERAL FUND BUDGET TO ACTUAL HIGHLIGHTS

For fiscal year 2025, General Fund actual expenditures (including transfers) on a budgetary basis were \$200.7 million compared to the final budget of \$207.7 million. The \$4.9 million favorable variance from a transfer expense was offset with increased costs of personnel services of \$9.0 million.

Actual revenues for the General Fund (including transfers and sale of capital asset) on a budgetary basis were \$200.7 million compared to the final budget of \$207.6 million. Included in the \$6.2 million unfavorable revenue variance was \$3.5 million decrease in taxes and \$10.6 million decrease in franchise fees. These unfavorable

CITY OF DENTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2025

variances were offset by \$4.9 million of transfers, \$5.2 million in miscellaneous revenue, \$1.8 million in fees for services, and \$0.6 million in fines and forfeitures.

The City of Denton's General Fund unassigned fund balance at September 30, 2025 is \$42.8 million, or 20.6% of budgeted expenditures. Below is a listing of the ending unassigned balances for the prior year, as well as the fiscal year 2025 unassigned fund balance.

	Actual 9/30/2025	Actual 9/30/2024
Unassigned balance	\$42,825,552	\$42,077,084
% of final budgeted expenditures	20.6%	22.3%
Policy level	20% plus up to a 5% resiliency reserve	20% plus up to a 5% resiliency reserve

The largest revenue source of the General Fund's budget was the ad valorem tax. Denton's ad valorem tax rate is composed of two components. The first is the operations and maintenance component that is used to calculate revenue for the City's General Fund operations. The second component is the debt portion that is used to calculate revenue to pay the City's general debt service obligations. The Denton Central Appraisal District's certified appraisal roll shows an increase of 10.16% compared to the prior year certified value, which showed an increase of 15.1%. The current property tax year included \$1.21 billion of new growth and construction that was added to the tax rolls in Tax year 2025 as compared to Tax year 2024. The fiscal year 2025 ad valorem tax rate remained the same compared to fiscal year 2024 at \$0.585420 per \$100 of valuation.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. At the end of fiscal year 2025, the City had \$2.8 billion invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, electrical infrastructure, water and sewer lines, SBITA assets and lease assets (see Table 3 below). This amount represents a net increase (including additions and deductions) of \$262.3 million or 10.5% over the prior fiscal year.

Table 3
Capital Assets at Year-end
(Net of Accumulated Depreciation/Amortization, in Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Land	\$ 53,786	\$ 49,344	\$ 91,575	\$ 89,923	\$ 145,361	\$ 139,267
Landfill improvements	-	-	139	700	139	700
Building and improvements	84,610	84,704	24,648	25,591	109,258	110,295
Plant, machinery and equipment	63,185	63,597	592,495	592,666	655,680	656,263
Water rights	-	-	44,563	45,259	44,563	45,259
Infrastructure	227,078	229,346	660,400	566,985	887,478	796,331
SBITA assets	11,394	6,249	3,740	4,957	15,134	11,206
Lease assets	94	169	-	-	94	169
Construction in progress	439,033	353,398	468,302	389,892	907,335	743,290
Total capital assets	\$ 879,180	\$ 786,807	\$ 1,885,862	\$ 1,715,973	\$ 2,765,042	\$ 2,502,780

CITY OF DENTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2025

This year's major asset additions included:

Description	Amount
Lewisville Lake Water Treatment Plant Upgrade Phase II	\$ 18,984,384
Northwest Booster Pump Station & Transmission Line	17,128,696
Northwest Transmission Line	14,954,546
Hickory Creek Interceptor III	6,363,830
Hickory Creek Interceptor II	6,014,048
Eden Village	4,656,711
King's Way	4,126,907
Sagebrook Phase 2	4,086,265
Stuart Ridge Phase 3	3,933,760
Dry Fork Hickory Creek Tributary I	3,380,860
Hickory Grove Phase 1A (Offsite)	3,257,877
Hickory Grove Phase 1A (Onsite)	3,012,368
Mayhill Road	3,000,000
Ft Worth Drive Relocation I-35E	2,965,393
380 Mayhill Industrial	2,509,686
	<u>\$ 98,375,331</u>

Additional information on the City's capital assets can be found in note IV. D. of this report.

Debt. At year-end, the City had \$1,864.7 million in bonds and notes outstanding as compared to \$1,674.6 million at the end of the prior fiscal year, an increase of 11.4%, as shown in Table 4.

Table 4
Principal Outstanding Debt at Year-end
(in thousands)

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
General obligation bonds	\$ 353,395	\$ 328,400	\$ 132,280	\$ 124,070	\$ 485,675	\$ 452,470
Certificates of obligation	209,590	193,855	839,365	689,255	1,048,955	883,110
Revenue bonds	-	-	330,070	339,010	330,070	339,010
Total	<u>\$ 562,985</u>	<u>\$ 522,255</u>	<u>\$ 1,301,715</u>	<u>\$ 1,152,335</u>	<u>\$ 1,864,700</u>	<u>\$ 1,674,590</u>

These amounts do not include net unamortized premiums/(discounts) of \$110,771,019 nor net deferred gain/(loss) on refunding of \$1,869,950.

During the fiscal year, the City issued three types of debt in June and August 2025. The first debt issuance included \$10.1 million in utility system bonds. The second debt issuance included \$78.2 million in general obligation refunding bonds of which \$26.6 million was for business-type activities. Of this amount, \$51.6 million was issued to pay the costs of bond election capital improvements for streets, parks, and public safety projects in the Capital Projects fund. The remaining \$26.6 million was issued to refund outstanding debt obligations. The third debt issuance included \$232.6 million (\$201.3 million of which is included as part of business-type

CITY OF DENTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2025

activities) in certificates of obligation. The debt was issued to pay the costs of various capital improvements in the Capital Projects Fund (\$30.1 million), the Electric Fund (\$42.2 million), the Water Fund (\$75.4 million), the Wastewater Fund (\$73.0million), the Solid Waste fund (\$10.6 million), the Technology Service Fund (\$1.7 million), and the Fleet Fund (\$925 thousand).

Standard and Poor's Corporation has given both the City's General Obligation Bonds and Certificates of Obligation an "AA+" rating. Standard and Poor's Corporation has given the City's Utility System Revenue Bonds a rating of "A+". Fitch has given the City's General Obligation Bonds and the Certificates of Obligation a rating of "AA+." Fitch has given the City's Utility System Revenue Bonds a rating of "A". The City is permitted by Article XI, Section 5 of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. The current ratio of tax-supported debt to certified assessed value of all taxable property is 2.9%.

Other long-term liabilities. The City maintains a self-insurance program for property, excess flood (for specific properties), general liability and excess general liability, aviation ground operations liability, auto liability and physical damage, public officials' liability, professional liability for EMT operations, employment practices liability, law enforcement professional liability, cyber, commercial crime, and workers' compensation. Private insurance companies cover claims for property loss on a per occurrence basis, except for specific perils, with deductibles that vary depending on location and property values, for workers' compensation losses over \$1,000,000 per occurrence, and general liability over \$500,000 per occurrence. The Risk Retention Fund has a reserve for claims and judgments of \$7.2 million outstanding at year-end. Other obligations include pension liabilities, accrued vacation pay, and sick leave. More detailed information about the City's long-term liabilities is presented in Note IV. G.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

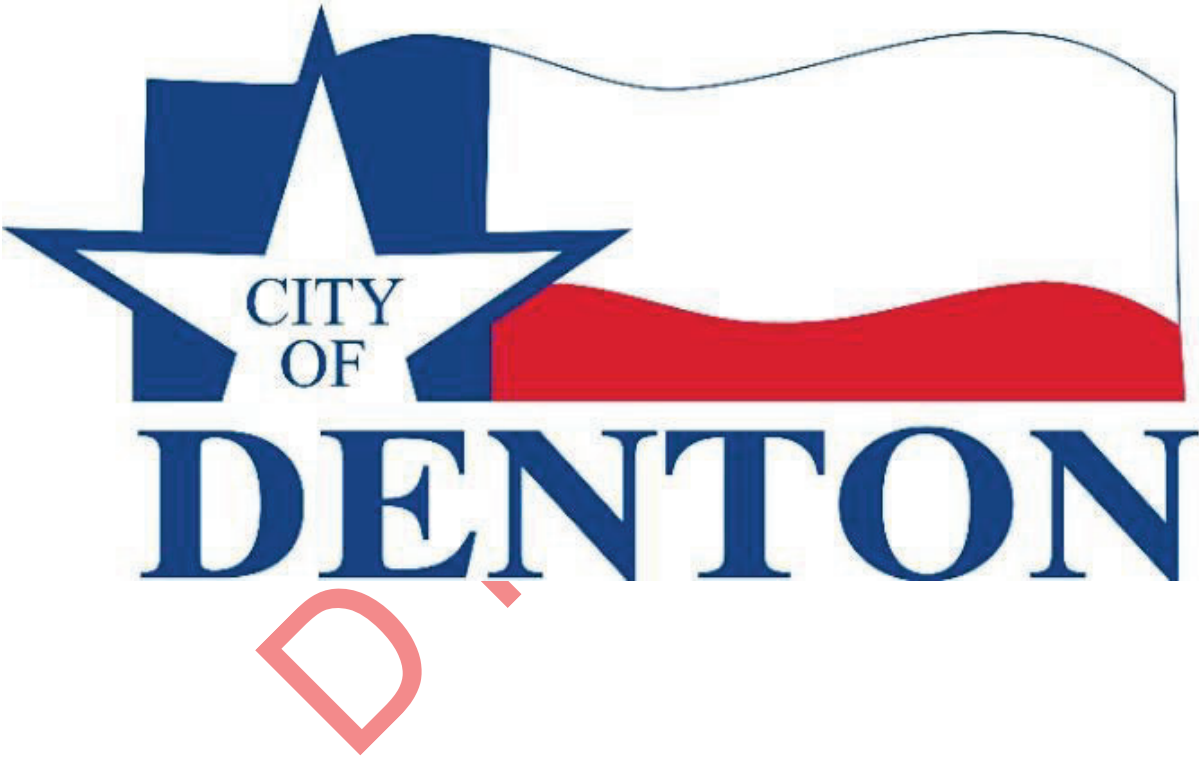
While growth for the Denton community is expected to be moderate in the short term, demand for city services are expected to remain strong over the long term. The adopted budget includes a tax rate of \$0.595420 per \$100 valuation. Of this amount \$0.334780 is provided for operations and maintenance and \$0.260640 is provided for debt service. While sales tax collections increased \$1.9 million compared to the prior fiscal year, 2026 Budget projects an increase of 4.62% from actual fiscal year 2025 sales tax revenue. The fiscal year 2026 Budget includes approximately \$7 million in reductions.

The unemployment rate for the City was 4.2 percent on September 30, 2025 compared to 3.8 percent as of September 30, 2024.

The fiscal year 2026 budget includes a Wastewater rate increase of 11% and Water rate increase of 3% to fund current and future growth.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Denton Finance Department, 215 E. McKinney, Denton, Texas 76201.



CITY OF DENTON, TEXAS
STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2025

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash, cash equivalents and investments, at fair value	\$ 96,791,610	\$ 188,178,903	\$ 284,970,513
Receivables, net of allowances:			
Taxes	11,455,100	-	11,455,100
Accounts	-	16,447,221	16,447,221
Unbilled utility service	-	22,807,361	22,807,361
Interest	639,697	1,251,712	1,891,409
Other	4,846,607	6,837,849	11,684,456
Internal balances	(18,707,139)	18,707,139	-
Due from other governments	9,233,855	2,107,243	11,341,098
Inventory	26,229,223	-	26,229,223
Prepaid items	6,606	41,368,323	41,374,929
Restricted assets:			
Cash, cash equivalents and investments, at fair value	321,588,990	482,019,429	803,608,419
Escrow deposits	244,000	5,437,022	5,681,022
Taxes	615,357	-	615,357
Accrued interest	2,131,066	3,206,391	5,337,457
Other receivables	19,203	83,453	102,656
Debt issuance costs - insurance	-	413,079	413,079
Other assets	-	132,336,721	132,336,721
Capital, Lease and Right-to-use assets:			
Right-to-use assets, net of accumulated amortization	11,394,115	3,739,623	15,133,738
Lease assets, net of accumulated amortization	94,014	-	94,014
Capital assets not being depreciated	492,818,715	559,877,095	1,052,695,810
Capital assets, net of accumulated depreciation	<u>374,872,771</u>	<u>1,322,245,757</u>	<u>1,697,118,528</u>
Total assets	<u>1,334,273,790</u>	<u>2,807,064,321</u>	<u>4,141,338,111</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred loss on refundings	66,297	467,878	534,175
Deferred pension balances	27,829,360	6,031,106	33,860,466
Deferred other post-employment benefit balances	3,889,936	1,675,891	5,565,827
Total deferred outflows of resources	<u>31,785,593</u>	<u>8,174,875</u>	<u>39,960,468</u>
LIABILITIES:			
Accounts payable	15,158,747	11,201,519	26,360,266
Retainage payable	534,805	1,129,604	1,664,409
Deposits	145,945	13,947,049	14,092,994
Accrued interest	282,573	-	282,573
Due to other governments	30	-	30
Other liabilities	792,904	-	792,904
Unearned revenue	16,317,466	21,956,924	38,274,390
Payable from restricted assets:			
Accounts payable	7,185,076	15,778,270	22,963,346
Retainage payable	4,369,285	8,352,012	12,721,297
Accrued interest	2,978,605	9,719,005	12,697,610
Noncurrent liabilities:			
Noncurrent liabilities due within one year	59,306,733	80,458,071	139,764,804
Noncurrent liabilities due in more than one year	682,083,050	1,360,282,551	2,042,365,601
Total liabilities	<u>789,155,219</u>	<u>1,522,825,005</u>	<u>2,311,980,224</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred lease revenues	898,062	2,141,861	3,039,923
Deferred gain on refundings	542,447	1,861,678	2,404,125
Deferred other post-employment benefit balances	6,760,147	2,968,782	9,728,929
Deferred other	-	2,107,243	2,107,243
Total deferred inflows of resources	<u>8,200,656</u>	<u>9,079,564</u>	<u>17,280,220</u>
NET POSITION:			
Net investment in capital assets	502,427,544	960,266,998	1,462,694,542
Restricted for:			
Debt service	-	23,357,305	23,357,305
Parks and recreation	17,168,837	-	17,168,837
Capital acquisition	27,199,327	133,702,448	160,901,775
Grant	403,677	-	403,677
Public safety	1,792,148	-	1,792,148
Public education	1,211,378	-	1,211,378
Special Assesment Projects	443,543	-	443,543
Tourism	1,582,550	-	1,582,550
Unrestricted	16,474,505	166,007,876	182,482,381
Total net position	<u>\$ 568,703,509</u>	<u>\$ 1,283,334,627</u>	<u>\$ 1,852,038,136</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF DENTON, TEXAS
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2025

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 64,602,853	\$ 11,476,392	\$ 4,876,406	\$ 15,099,167
Public safety	119,030,615	7,218,413	7,419,210	-
Public works	27,465,600	634,097	-	13,952,028
Parks and recreation	30,703,498	10,341,751	1,102,899	2,318,617
Interest expense	17,359,096	-	-	-
Total governmental activities	259,161,662	29,670,653	13,398,515	31,369,812
Business-type activities:				
Electric system	234,784,149	258,295,781	-	-
Water system	38,643,794	63,776,494	-	14,760,897
Wastewater system	52,675,288	56,094,632	-	22,638,150
Solid waste	43,878,520	44,585,934	-	-
Airport	2,850,255	2,293,594	-	-
Total business-type activities	372,832,006	425,046,435	-	37,399,047
Total primary government	\$ 631,993,668	\$ 454,717,088	\$ 13,398,515	\$ 68,768,859

(continued on the following page)

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The notes to the basic financial statements are an integral part of this statement.

CITY OF DENTON, TEXAS
STATEMENT OF ACTIVITIES (concluded)
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Exhibit II

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Functions/Programs	Governmental Activities	Business-type Activities	Total
Primary government:			
Governmental activities:			
General government	\$ (33,150,888)	\$ -	\$ (33,150,888)
Public safety	(104,392,992)	-	(104,392,992)
Public works	(12,879,475)	-	(12,879,475)
Parks and recreation	(16,940,231)	-	(16,940,231)
Interest expense	(17,359,096)	-	(17,359,096)
Total governmental activities	<u>(184,722,682)</u>	<u>-</u>	<u>(184,722,682)</u>
Business-type activities:			
Electric system	-	23,511,632	23,511,632
Water system	-	39,893,597	39,893,597
Wastewater system	-	26,057,494	26,057,494
Solid waste	-	707,414	707,414
Airport	-	(556,661)	(556,661)
Total business-type activities	<u>-</u>	<u>89,613,476</u>	<u>89,613,476</u>
Total primary government	<u>(184,722,682)</u>	<u>89,613,476</u>	<u>(95,109,206)</u>
General revenues:			
Taxes:			
Property tax	119,835,095	-	119,835,095
Sales tax	58,972,691	-	58,972,691
Franchise fees	35,761,375	-	35,761,375
Hotel occupancy tax	3,319,923	-	3,319,923
Beverage tax	724,191	-	724,191
Bingo tax	15,948	-	15,948
Investment income	16,357,066	22,655,173	39,012,239
Gain on sale of capital assets	301,091	387,604	688,695
Miscellaneous	13,348,642	-	13,348,642
Transfers	2,645,642	(2,645,642)	-
Total general revenues and transfers	<u>251,281,664</u>	<u>20,397,135</u>	<u>271,678,799</u>
Change in net position	66,558,982	110,010,611	176,569,593
Net position at beginning of year	502,144,527	1,173,324,016	1,675,468,543
Net position at end of year	<u>\$ 568,703,509</u>	<u>\$ 1,283,334,627</u>	<u>\$ 1,852,038,136</u>

The notes to the basic financial statements are an integral part of this statement.

(concluded)

CITY OF DENTON, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF SEPTEMBER 30, 2025

Exhibit III

	General Fund	Debt Service Fund	Capital Projects Fund	ARPA Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:						
Cash, cash equivalents and investments, at fair value	\$ 40,122,505	\$ 2,480,938	\$ 297,315,867	\$ 1,001,667	\$ 53,005,341	\$ 393,926,318
Receivables, net of allowances for uncollectibles:						
Taxes	11,053,500	606,254	-	-	410,703	12,070,457
Accrued interest	267,671	16,502	1,977,744	-	346,958	2,608,875
Other	2,957,249	-	-	-	36,569	2,993,818
Interfund receivables	2,203,273	-	-	-	1,285,663	3,488,936
Due from other governments	1,194,135	-	5,055,479	-	2,984,241	9,233,855
Total assets	<u>\$ 57,798,333</u>	<u>\$ 3,103,694</u>	<u>\$ 304,349,090</u>	<u>\$ 1,001,667</u>	<u>\$ 58,069,475</u>	<u>\$ 424,322,259</u>
LIABILITIES:						
Accounts payable	10,240,890	-	6,605,842	116,771	1,359,769	18,323,272
Retainage payable	-	-	4,802,910	61,107	10,614	4,874,631
Interfund payables	-	-	-	-	353,537	353,537
Due to other governments	30	-	-	-	-	30
Other liabilities	792,904	-	-	-	-	792,904
Unearned revenues	-	-	15,419,464	823,789	74,213	16,317,466
Total liabilities	<u>11,033,824</u>	<u>-</u>	<u>26,828,216</u>	<u>1,001,667</u>	<u>1,798,133</u>	<u>40,661,840</u>
DEFERRED INFLOWS OF RESOURCES:						
Unavailable revenue - property taxes	799,960	509,682	-	-	-	1,309,642
Unavailable revenue - general services	908,749	-	4,062,947	-	1,667,482	6,639,178
Unavailable revenue - intergovernmental	2,230,248	-	-	-	169,670	2,399,918
Total deferred inflows of resources	<u>3,938,957</u>	<u>509,682</u>	<u>4,062,947</u>	<u>-</u>	<u>1,837,152</u>	<u>10,348,738</u>
FUND BALANCES:						
Restricted for:						
Debt service	-	2,594,012	-	-	-	2,594,012
Parks and recreation	-	-	67,381,777	-	17,018,873	84,400,650
Streets and drainage projects	-	-	68,669,534	-	12,396,304	81,065,838
Other capital projects	-	-	107,479,058	-	-	107,479,058
Grant	-	-	1,222,210	-	224,007	1,446,217
Public safety	-	-	-	-	1,792,147	1,792,147
Public education	-	-	-	-	1,211,379	1,211,379
Special Assesment Projects	-	-	-	-	443,543	443,543
Tourism	-	-	-	-	1,582,550	1,582,550
Committed to:						
Streets	-	-	10,750,603	-	6,205,504	16,956,107
Parks and recreation	-	-	4,433	-	222,621	227,054
Economic development	-	-	-	-	12,911,890	12,911,890
Capital Projects	-	-	35,297	-	-	35,297
Tree Preservation	-	-	-	-	2,031,893	2,031,893
Assigned to:						
Streets and drainage projects	-	-	11,464,997	-	-	11,464,997
Capital projects	-	-	5,762,916	-	-	5,762,916
Other purposes	-	-	687,102	-	1,010	688,112
Unassigned	42,825,552	-	-	-	(1,607,531)	41,218,021
Total fund balances	<u>42,825,552</u>	<u>2,594,012</u>	<u>273,457,927</u>	<u>-</u>	<u>54,434,190</u>	<u>373,311,681</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 57,798,333</u>	<u>\$ 3,103,694</u>	<u>\$ 304,349,090</u>	<u>\$ 1,001,667</u>	<u>\$ 58,069,475</u>	<u>\$ 424,322,259</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF DENTON, TEXAS
 RECONCILIATION OF THE BALANCE SHEET
 OF GOVERNMENTAL FUNDS TO THE
 STATEMENT OF NET POSITION
 AS OF SEPTEMBER 30, 2025

Total fund balances - governmental funds (Exhibit III)	\$	373,311,681	
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Includes capital assets of internal service funds.			879,179,615
Certain receivables will be collected next year but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflows of resources in the funds.			10,348,738
Deferred outflows of resources are not reported in the governmental funds. Includes deferred outflows of internal service funds:			
Deferred loss on refundings		(476,150)	
Deferred pension balances		27,829,360	
Deferred other post-employment benefits contributions		<u>3,889,936</u>	31,243,146
An internal charge to business-type activities is not recorded at the fund level.			6,647,914
Several internal service funds are used by the City's management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The assets, liabilities, deferred outflows, and deferred inflows of the internal service funds are included with governmental activities. Internal service fund balances not included in other reconciling items listed above or below:			
Current and other assets	\$	52,967,993	
Liabilities	\$	(32,686,408)	
Deferred inflows	\$	<u>(898,062)</u>	19,383,523
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Includes balances of internal service funds. Long-term liabilities and related balances at year-end consist of:			
General obligation bonds payable	\$	(353,395,000)	
Certificates of obligation payable		(209,590,000)	
Bond (premiums)/discounts		(38,949,231)	
Accrued interest on the bonds		(3,261,178)	
Capital leases payable		(95,481)	
Right-to-use liability		(9,837,225)	
Net Pension liability		(61,570,154)	
Total other post-employment benefits liability		(35,858,494)	
Claims and judgement payable		(9,396,853)	
Compensated absences		<u>(22,697,345)</u>	(744,650,961)
Deferred inflows of resources are not reported in the governmental funds. Includes deferred outflows of internal service funds:			
Deferred other post-employment benefits contributions			<u>(6,760,147)</u>
Total net position of governmental activities (Exhibit I)	\$		<u><u>568,703,509</u></u>

The notes to the basic financial statements are an integral part of this exhibit.

CITY OF DENTON, TEXAS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

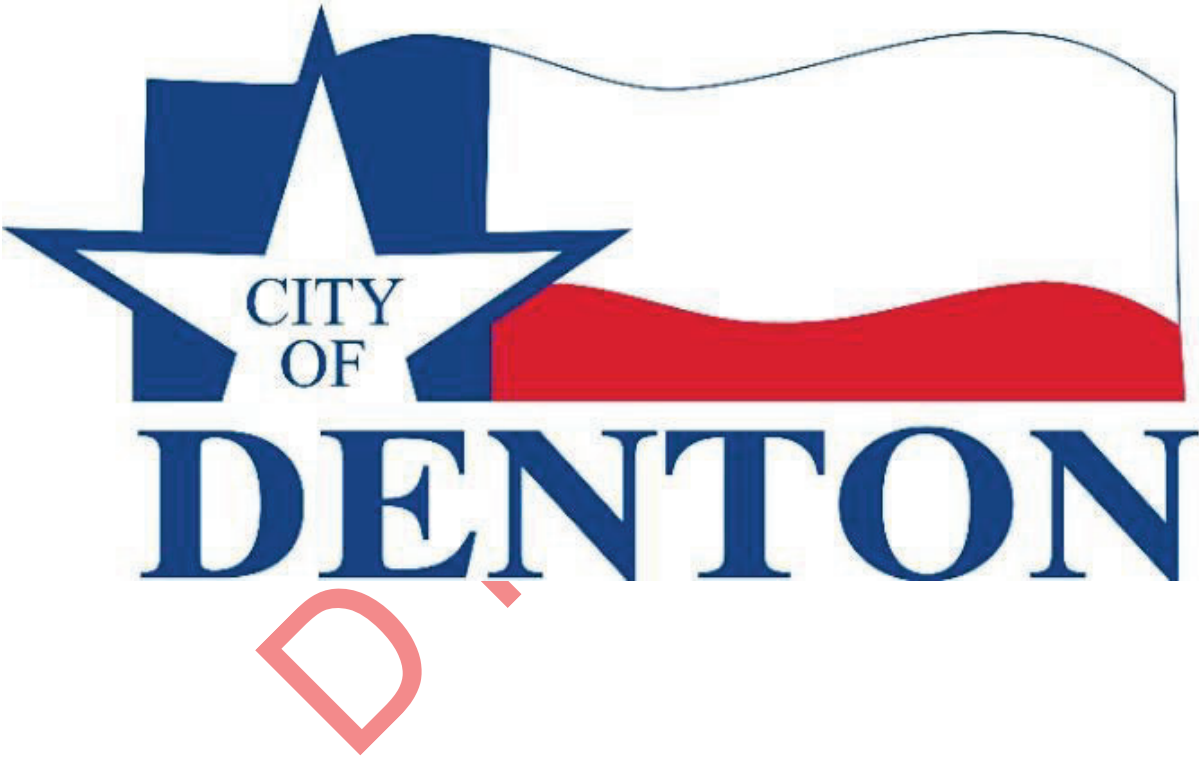
	General Fund	Debt Service Fund	Capital Projects Fund	ARPA Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:						
Taxes	\$ 126,828,879	\$ 50,087,820	\$ -	\$ -	\$ 5,546,112	\$ 182,462,811
Licenses and permits	6,853,283	-	-	-	-	6,853,283
Franchise fees	19,461,375	-	-	-	16,300,000	35,761,375
Fines and forfeitures	2,749,785	-	-	-	182,168	2,931,953
Fees for services	13,863,902	-	-	-	5,038,024	18,901,926
Investment revenue	2,539,720	1,071,608	10,525,175	-	2,220,563	16,357,066
Intergovernmental	2,848,052	-	14,967,859	5,216,739	7,612,138	30,644,788
Miscellaneous	6,420,575	-	7,951	-	6,920,118	13,348,644
Total revenues	181,565,571	51,159,428	25,500,985	5,216,739	43,819,123	307,261,846
EXPENDITURES:						
Current:						
General government	38,881,766	-	241,899	1,555,525	10,410,677	51,089,867
Public safety	111,125,738	-	13,465	41,866	4,694,624	115,875,693
Public works	3,799,305	-	121,720	-	9,632,120	13,553,145
Parks and recreation	25,304,356	-	287,729	-	572,673	26,164,758
Capital outlay	490,351	-	102,607,699	3,619,348	1,839,205	108,556,603
Debt service:						
Principal retirement	-	29,740,000	-	-	-	29,740,000
Bond issuance costs	-	56,915	421,452	-	-	478,367
Interest and other charges	-	20,989,801	608,025	-	-	21,597,826
Total expenditures	179,601,516	50,786,716	104,301,989	5,216,739	27,149,299	367,056,259
Excess (deficiency) of revenues over (under) expenditures	1,964,055	372,712	(78,801,004)	-	16,669,824	(59,794,413)
OTHER FINANCING SOURCES (USES):						
Refunding bonds issued	-	10,375,000	-	-	-	10,375,000
Payment to refunded bond agent	-	(11,400,289)	-	-	-	(11,400,289)
Issuance of long-term debt	-	-	70,055,000	-	-	70,055,000
Premium on debt issuance	-	1,084,796	4,208,047	-	-	5,292,843
Proceeds from sale of capital assets	344,186	-	-	-	-	344,186
Transfers in	7,887	751,656	14,854,716	-	2,126,082	17,740,341
Transfers out	(1,567,660)	-	(36,818)	-	(13,220,178)	(14,824,656)
Total other financing sources (uses)	(1,215,587)	811,163	89,080,945	-	(11,094,096)	77,582,425
Net change in fund balances	748,468	1,183,875	10,279,941	-	5,575,728	17,788,012
Fund balance at beginning of year	42,077,084	1,410,137	263,177,986	-	48,858,462	355,523,669
Fund balances at end of year	\$ 42,825,552	\$ 2,594,012	\$ 273,457,927	\$ -	\$ 54,434,190	\$ 373,311,681

The notes to the basic financial statements are an integral part of this statement.

**CITY OF DENTON, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT
OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Net change in fund balances - total governmental funds (Exhibit V)	\$ 17,788,012
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount represents the difference between capital outlay of \$108,556,603 and depreciation of \$30,691,571 (which is the net of overall governmental activities depreciation of \$36,898,333 less internal service fund depreciation of \$6,206,762).	77,865,032
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Such amounts are recorded in the funds when considered available.	4,404,523
The net effect of various miscellaneous transactions involving capital assets (i.e., SBITA, leases, sales, trade-ins and donations) is to decrease net position.	9,243,124
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which proceeds exceeded payments.	(44,592,843)
Fund-level financials report costs related to bonds as expenditures; however, these are deferred and amortized on the government-wide financials	4,016,939
Certain expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	520,934
Internal service funds are used by management to charge the costs of certain activities, such as insurance and technology services, to individual funds. A portion of the net revenue (expense) of certain internal service funds is reported with governmental activities. The amount reported with business-type activities is (\$5,082,891).	(2,686,739)
Change in net position of governmental activities (Exhibit II)	<u>\$ 66,558,982</u>

The notes to the basic financial statements are an integral part of this statement



CITY OF DENTON, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts		Actual Amounts	Adjustments - Budgetary Basis	Actual on a Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final				
REVENUES:						
Taxes	\$ 130,330,041	\$ 130,330,041	\$ 126,828,879	\$ -	\$ 126,828,879	\$ (3,501,162)
Licenses and permits	6,415,806	6,415,806	6,853,283	-	6,853,283	437,477
Franchise fees	30,053,643	30,053,643	19,461,375	-	19,461,375	(10,592,268)
Fines and forfeitures	2,106,531	2,106,531	2,749,785	-	2,749,785	643,254
Fees for services	12,108,150	12,108,150	13,863,902	-	13,863,902	1,755,752
Investment revenue	2,352,098	2,352,098	2,539,720	-	2,539,720	187,622
Intergovernmental	3,197,656	3,197,656	2,848,052	-	2,848,052	(349,604)
Miscellaneous	106,648	106,648	6,420,575	(1,141,585)	5,278,990	5,172,342
Total revenues	186,670,573	186,670,573	181,565,571	(1,141,585)	180,423,986	(6,246,587)
EXPENDITURES:						
Current:						
General government	50,709,750	47,323,595	38,881,766	6,949,135	45,830,901	1,492,694
Public safety	103,661,323	103,674,823	111,125,738	(7,154,651)	103,971,087	(296,264)
Public works	3,332,781	3,345,900	3,799,305	(492,282)	3,307,023	38,877
Parks and recreation	24,665,353	24,590,080	25,304,356	(1,348,895)	23,955,461	634,619
Capital outlay	704,483	658,223	490,351	-	490,351	167,872
Total expenditures	183,073,690	179,592,621	179,601,516	(2,046,693)	177,554,823	2,037,798
Excess (deficiency) of revenues over (under) expenditures	3,596,883	7,077,952	1,964,055	905,108	2,869,163	(4,208,789)
OTHER FINANCING SOURCES (USES):						
Proceeds from sale of capital assets	198,528	198,528	344,186	-	344,186	145,658
Transfer in	20,710,051	20,710,051	7,887	20,710,050	20,717,937	7,886
Transfers out	(24,505,462)	(27,986,531)	(1,567,660)	(21,544,768)	(23,112,428)	4,874,103
Total other financing sources (uses)	(3,596,883)	(7,077,952)	(1,215,587)	(834,718)	(2,050,305)	5,027,647
Net change in fund balance	-	-	748,468	70,390	818,858	818,858
Fund balance, beginning of year	42,077,084	42,077,084	42,077,084	-	42,077,084	-
Fund balance at end of year	\$ 42,077,084	\$ 42,077,084	\$ 42,825,552	\$ 70,390	\$ 42,895,942	\$ 818,858

Adjustments - Budgetary Basis are expenditures allocated to and reimbursed by other funds. These expenditures are recorded in the other funds' financials.

The notes to the basic financial statements are an integral part of this statement.

CITY OF DENTON, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AS OF SEPTEMBER 30, 2025

Exhibit VIII

	Business-type Activities - Enterprise Funds		
	Utility System		
	Electric Fund	Water Fund	Wastewater Fund
ASSETS:			
Current assets:			
Cash, cash equivalents and investments, at fair value	\$ 84,810,373	\$ 54,802,111	\$ 25,790,379
Receivables, net of allowances:			
Accounts	10,228,011	2,356,272	2,068,034
Unbilled utility service	14,848,692	3,062,471	2,630,653
Accrued interest	564,158	364,509	171,557
Other	6,182,745	-	-
Interfund receivables	21,945,369	2,186,986	1,222,698
Due from other governments	-	2,107,243	-
Merchandise inventory	-	-	-
Prepaid items	41,368,323	-	-
Total current assets	179,947,671	64,879,592	31,883,321
Noncurrent assets:			
Restricted assets:			
Cash, cash equivalents and investments, at fair value	89,432,981	173,436,421	180,440,346
Escrow deposit	-	5,437,022	-
Accrued interest	594,908	1,153,698	1,200,288
Other receivables	-	-	-
Total restricted assets	90,027,889	180,027,141	181,640,634
Unamortized debt issuance costs - insurance	413,079	-	-
Other Assets	132,336,721	-	-
Lease assets, net of accumulated amortization	-	-	-
Right-to-use assets, net of accumulated amortization	3,085,460	185,506	-
Capital assets, net of accumulated depreciation	822,193,298	507,754,878	459,871,061
Total noncurrent assets	1,048,056,447	687,967,525	641,511,695
Total assets	1,228,004,118	752,847,117	673,395,016
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred charges on refunding	178,020	269,546	-
Deferred pension balances	3,203,970	1,004,656	720,289
Deferred other post employment benefit balances	618,579	297,179	330,357
Total deferred outflows of resources	4,000,569	1,571,381	1,050,646
LIABILITIES:			
Current liabilities:			
Accounts payable	8,291,329	1,082,836	803,067
Retainage payable	-	478,922	650,682
Claims payable	-	-	-
Compensated absences payable	2,401,067	1,072,938	912,329
Other post employment benefits	127,458	66,252	55,667
Deposits	11,390,619	952,017	769,954
Accrued interest	-	-	-
Interfund payables	-	-	-
Right-to-use liability	2,622,528	25,381	-
Unearned revenue	21,956,924	-	-
Payable from restricted assets:			
Accounts payable	12,636,198	935,937	2,096,820
Retainage payable	4,705,761	2,419,128	810,729
Accrued interest	7,184,326	1,179,431	1,077,243
Certificate, general obligation, and revenue bonds	43,809,571	12,612,283	10,359,471
Total current liabilities paid from restricted assets	68,335,856	17,146,779	14,344,263
Total current liabilities	115,125,781	20,825,125	17,535,962

(continued on the following page)

CITY OF DENTON, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AS OF SEPTEMBER 30, 2025

Exhibit VIII

	Business-type Activities - Enterprise Funds			Governmental
	Solid Waste Fund	Airport Fund	Total	Activities -
			Enterprise Funds	Internal Service Funds
ASSETS:				
Current assets:				
Cash, cash equivalents and investments, at fair value	\$ 19,483,260	\$ 3,292,780	\$ 188,178,903	\$ 12,073,483
Receivables, net of allowances:				
Accounts	1,696,498	98,406	16,447,221	-
Unbilled utility service	2,265,545	-	22,807,361	-
Accrued interest	129,584	21,904	1,251,712	79,532
Other	655,104	-	6,837,849	1,871,994
Interfund receivables	-	-	25,355,053	-
Due from other governments	-	-	2,107,243	-
Merchandise inventory	-	-	-	26,229,223
Prepaid items	-	-	41,368,323	6,606
Total current assets	24,229,991	3,413,090	304,353,665	40,260,838
Noncurrent assets:				
Restricted assets:				
Cash, cash equivalents and investments, at fair value	37,466,047	1,243,634	482,019,429	12,380,799
Escrow deposit	-	-	5,437,022	244,000
Accrued interest	249,224	8,273	3,206,391	82,356
Other receivables	-	83,453	83,453	-
Total restricted assets	37,715,271	1,335,360	490,746,295	12,707,155
Unamortized debt issuance costs - insurance	-	-	413,079	-
Other Assets	-	-	132,336,721	-
Lease assets, net of accumulated amortization	-	-	-	94,014
Right-to-use assets, net of accumulated amortization	468,657	-	3,739,623	7,313,004
Capital assets, net of accumulated depreciation	72,403,994	19,899,621	1,882,122,852	19,624,288
Total noncurrent assets	110,587,922	21,234,981	2,509,358,570	39,738,461
Total assets	134,817,913	24,648,071	2,813,712,235	79,999,299
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred charges on refunding	20,312	-	467,878	-
Deferred pension balances	972,187	130,004	6,031,106	3,904,762
Deferred other post employment benefit balances	411,567	18,209	1,675,891	878,843
Total deferred outflows of resources	1,404,066	148,213	8,174,875	4,783,605
LIABILITIES:				
Current liabilities:				
Accounts payable	936,853	87,434	11,201,519	4,016,185
Retainage payable	-	-	1,129,604	29,459
Claims payable	-	-	-	3,004,453
Compensated absences payable	1,407,574	104,672	5,898,580	3,304,574
Other post employment benefits	84,423	4,701	338,501	178,037
Deposits	823,359	11,100	13,947,049	145,945
Accrued interest	-	-	-	282,573
Interfund payables	-	-	-	28,490,454
Right-to-use liability	-	-	2,647,909	4,260,572
Unearned revenue	-	-	21,956,924	-
Payable from restricted assets:				
Accounts payable	109,315	-	15,778,270	4,366
Retainage payable	416,394	-	8,352,012	-
Accrued interest	278,005	-	9,719,005	-
Certificate, general obligation, and revenue bonds	4,791,756	-	71,573,081	1,723,374
Total current liabilities paid from restricted assets	5,595,470	-	105,422,368	1,727,740
Total current liabilities	8,847,679	207,907	162,542,454	45,439,992

(continued on the following page)

CITY OF DENTON, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AS OF SEPTEMBER 30, 2025

Exhibit VIII

	Business-type Activities - Enterprise Funds		
	Utility System		
	Electric Fund	Water Fund	Wastewater Fund
Noncurrent liabilities:			
General obligation bonds payable	\$ 87,547,580	\$ 20,046,314	\$ 12,401,069
Certificates of obligation	410,789,819	194,858,761	209,306,380
Revenue bonds payable	311,066,938	9,920,000	-
Compensated absences payable	635,249	127,625	110,456
Claims and judgement payable	-	-	-
Lease liability	-	-	-
Right-to-use liability	111,036	109	-
Net pension liability	13,480,240	3,957,413	3,783,884
Total other post-employment benefits liability	5,985,979	2,909,675	3,196,598
Landfill closure/postclosure costs	-	-	-
Total noncurrent liabilities	829,616,841	231,819,897	228,798,387
Total liabilities	944,742,622	252,645,022	246,334,349
DEFERRED INFLOWS OF RESOURCES:			
Deferred inflows - leases	1,507,377	-	-
Deferred charges on refundings	1,020,712	233,904	350,154
Deferred other post employment benefit balances	1,098,621	553,356	541,872
Deferred - other	-	2,107,243	-
Total deferred inflows of resources	3,626,710	2,894,503	892,026
NET POSITION:			
Net investment in capital assets	172,269,639	372,479,378	352,697,671
Restricted for debt service	22,953,227	404,078	-
Restricted for capital acquisition	-	78,961,142	53,489,400
Unrestricted	88,412,489	47,034,375	21,032,216
Total net position	\$ 283,635,355	\$ 498,878,973	\$ 427,219,287

(continued on the following page)

The notes to the basic financial statements are an integral part of this statement.

CITY OF DENTON, TEXAS
STATEMENT OF NET POSITION (concluded)
PROPRIETARY FUNDS
AS OF SEPTEMBER 30, 2025

	Business-type Activities - Enterprise Funds			Governmental
	Solid Waste Fund	Airport Fund	Total Enterprise Funds	Activities - Internal Service Funds
Noncurrent liabilities:				
General obligation bonds payable	\$ 7,154,728	\$ -	\$ 127,149,691	\$ -
Certificates of obligation	38,872,118	-	853,827,078	20,041,242
Revenue bonds payable	-	-	320,986,938	-
Compensated absences payable	340,639	10,842	1,224,811	360,309
Claims and judgement payable	-	-	-	6,392,399
Lease liability	-	-	-	95,481
Right-to-use liability	394,586	-	505,731	1,853,470
Net pension liability	4,640,987	461,987	26,324,511	13,469,479
Total other post-employment benefits liability	3,674,836	198,467	15,965,555	7,554,733
Landfill closure/postclosure costs	14,298,236	-	14,298,236	-
Total noncurrent liabilities	69,376,130	671,296	1,360,282,551	49,767,113
Total liabilities	78,223,809	879,203	1,522,825,005	95,207,105
DEFERRED INFLOWS OF RESOURCES:				
Deferred inflows - leases	634,484	-	2,141,861	898,062
Deferred charges on refundings	256,908	-	1,861,678	-
Deferred other post employment benefit balances	738,696	36,237	2,968,782	1,498,461
Deferred - other	-	-	2,107,243	-
Total deferred inflows of resources	1,630,088	36,237	9,079,564	2,396,523
NET POSITION:				
Net investment in capital assets	41,668,783	21,151,527	960,266,998	11,433,600
Restricted for debt service	-	-	23,357,305	-
Restricted for capital acquisition	-	1,251,906	133,702,448	-
Unrestricted	14,699,299	1,477,411	172,655,790	(24,254,324)
Total net position	\$ 56,368,082	\$ 23,880,844	\$ 1,289,982,541	\$ (12,820,724)
Adjustment to reflect inclusion of internal service fund activities related to enterprise funds.			(6,647,914)	
Net position of business-type activities (Exhibit I)			\$ 1,283,334,627	

The notes to the basic financial statements are an integral part of this statement.

(concluded)

CITY OF DENTON, TEXAS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Exhibit IX

	Business-type Activities - Enterprise Funds		
	Utility System		
	Electric Fund	Water Fund	Wastewater Fund
OPERATING REVENUES:			
Utility services	\$ 248,814,658	\$ 45,463,323	\$ 41,588,841
Charges for goods and services	-	-	-
Other fees	9,481,123	1,380,136	1,951,353
Miscellaneous	-	-	-
Total operating revenues	<u>258,295,781</u>	<u>46,843,459</u>	<u>43,540,194</u>
OPERATING EXPENSES:			
Operating expenses before depreciation and amortization	192,470,221	34,073,460	34,903,110
Depreciation and amortization	26,025,997	13,592,921	14,290,676
Total operating expenses	<u>218,496,218</u>	<u>47,666,381</u>	<u>49,193,786</u>
Operating income (loss)	<u>39,799,563</u>	<u>(822,922)</u>	<u>(5,653,592)</u>
NON-OPERATING REVENUES (EXPENSES):			
Investment revenue	8,130,935	6,448,381	5,740,542
Interest expense and fiscal charges	(24,324,608)	(6,001,761)	(5,925,963)
Impact fee revenue	-	16,933,035	12,554,438
Gain on disposal of capital assets	(365,390)	38,815	348,789
Gas well revenues	-	-	-
Other non-operating revenues (expenses)	10,767,142	15,837,828	3,345,738
Total non-operating revenues (expenses)	<u>(5,791,921)</u>	<u>33,256,298</u>	<u>16,063,544</u>
Income (loss) before contributions and transfers	34,007,642	32,433,376	10,409,952
CONTRIBUTIONS AND TRANSFERS:			
Capital contributions	-	14,760,897	22,638,150
Transfers in	171,697	201,857	688,115
Transfers out	(1,308,009)	(1,369,752)	(430,434)
Total contributions and transfers	<u>(1,136,312)</u>	<u>13,593,002</u>	<u>22,895,831</u>
Change in net position	32,871,330	46,026,378	33,305,783
Net position at beginning of year	250,764,025	452,852,595	393,913,504
Total net position at end of year	<u>\$ 283,635,355</u>	<u>\$ 498,878,973</u>	<u>\$ 427,219,287</u>

(continued on the following page)

The notes to the basic financial statements are an integral part of this statement.

CITY OF DENTON, TEXAS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION (concluded)
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Business-type Activities - Enterprise Funds			Governmental
	Solid Waste Fund	Airport Fund	Total Enterprise Funds	Activities - Internal Service Funds
OPERATING REVENUES:				
Utility services	\$ 43,808,482	\$ 1,964,579	\$ 381,639,883	\$ -
Charges for goods and services	-	-	-	127,800,203
Other fees	774,803	-	13,587,415	-
Miscellaneous	2,649	70,015	72,664	5,177,570
Total operating revenues	<u>44,585,934</u>	<u>2,034,594</u>	<u>395,299,962</u>	<u>132,977,773</u>
OPERATING EXPENSES:				
Operating expenses before depreciation and amortization	35,699,496	1,602,990	298,749,277	133,491,048
Depreciation and amortization	6,352,429	1,243,268	61,505,291	6,206,762
Total operating expenses	<u>42,051,925</u>	<u>2,846,258</u>	<u>360,254,568</u>	<u>139,697,810</u>
Operating income (loss)	<u>2,534,009</u>	<u>(811,664)</u>	<u>35,045,394</u>	<u>(6,720,037)</u>
NON-OPERATING REVENUES (EXPENSES):				
Investment revenue	1,957,152	378,163	22,655,173	1,359,900
Interest expense and fiscal charges	(1,426,861)	-	(37,679,193)	(1,034,446)
Impact fee revenue	-	-	29,487,473	-
Gain on disposal of capital assets	574,577	-	596,791	(1,035,646)
Gas well revenues	-	259,000	259,000	-
Other non-operating revenues (expenses)	-	24,751	29,975,459	(99,358)
Total non-operating revenues (expenses)	<u>1,104,868</u>	<u>661,914</u>	<u>45,294,703</u>	<u>(809,550)</u>
Income (loss) before contributions and transfers	<u>3,638,877</u>	<u>(149,750)</u>	<u>80,340,097</u>	<u>(7,529,587)</u>
CONTRIBUTIONS AND TRANSFERS:				
Capital contributions	-	-	37,399,047	30,000
Transfers in	156,589	-	1,218,258	67,970
Transfers out	(4,049)	(751,656)	(3,863,900)	(338,013)
Total contributions and transfers	<u>152,540</u>	<u>(751,656)</u>	<u>34,753,405</u>	<u>(240,043)</u>
Change in net position	<u>3,791,417</u>	<u>(901,406)</u>	<u>115,093,502</u>	<u>(7,769,630)</u>
Net position at beginning of year	<u>52,576,665</u>	<u>24,782,250</u>	<u>1,174,889,039</u>	<u>(5,051,094)</u>
Total net position at end of year	<u>\$ 56,368,082</u>	<u>\$ 23,880,844</u>	<u>\$ 1,289,982,541</u>	<u>\$ (12,820,724)</u>
Change in fund net position of proprietary funds			115,093,502	
Adjustment to reflect inclusion of internal service fund activities related to enterprise funds.			(5,082,891)	
Change in net position of business-type activities (Exhibit II)			<u>\$ 110,010,611</u>	

The notes to the basic financial statements are an integral part of this statement.

(concluded)

CITY OF DENTON, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Exhibit X

	Business-type Activities - Enterprise Funds		
	Utility System		
	Electric Fund	Water Fund	Wastewater Fund
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 277,940,303	\$ 44,693,004	\$ 42,615,098
Cash paid to employees for services	(24,475,363)	(11,109,464)	(9,029,241)
Cash paid to suppliers	(176,014,877)	(28,491,326)	(25,535,031)
Net cash provided (used) by operating activities	77,450,063	5,092,214	8,050,826
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	171,697	201,857	688,115
Transfers out	(1,308,009)	(1,369,752)	(430,434)
Other nonoperating revenues	-	17,945,071	3,345,738
Principal payments on non-capital debt	(5,615,000)	-	-
Interest and fiscal charges on non-capital debt	(124,500)	-	-
Net cash provided (used) by noncapital financing activities:	(6,875,812)	16,777,176	3,603,419
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from issuance of debt	65,610,171	91,981,417	81,413,338
Principal payments on capital debt	(56,415,000)	(8,131,433)	(9,905,000)
Interest and fiscal charges	(29,272,288)	(10,528,167)	(7,157,097)
Lease liability	-	-	-
Acquisition of Right-to-use assets	(1,734,443)	76,325	-
Proceeds from gas wells	-	-	-
Proceeds from impact fees	-	16,933,035	12,554,438
Proceeds from lease financing	-	-	-
Proceeds from capital contributions and transfers in	-	-	-
Proceeds from sale or reimbursement of capital assets	336,353	42,550	408,150
Acquisition and construction of capital assets	(85,145,830)	(58,218,126)	(36,579,791)
Net cash provided (used) by capital financing activities	(106,621,037)	32,155,601	40,734,038
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale and maturities of investment securities	91,610,849	38,640,244	33,027,242
Purchase of investment securities	(83,094,618)	(82,572,714)	(74,635,627)
Interest received on investments	8,350,225	6,119,676	5,258,830
Proceeds from ownership investment	3,267,142	-	-
Net cash provided (used) by investing activities	20,133,598	(37,812,794)	(36,349,555)
Net increase (decrease) in cash and cash equivalents	(15,913,188)	16,212,197	16,038,728
Cash and cash equivalents at beginning of year	79,910,991	67,620,780	59,707,711
Cash and cash equivalents at end of year	63,997,803	83,832,977	75,746,439
Investments, at fair value (Note IV.A.)	110,245,551	144,405,555	130,484,286
Cash, cash equivalents and investments, at fair value	\$ 174,243,354	\$ 228,238,532	\$ 206,230,725
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 39,799,563	\$ (822,922)	\$ (5,653,592)
Adjustments:			
Depreciation and amortization expense	26,025,997	13,592,921	14,290,676
Decrease (Increase) in receivables	932,605	(1,579,723)	(212,823)
Decrease (Increase) in interfund receivables	(2,568,623)	(570,732)	(712,273)
Decrease (Increase) in inventories	-	-	-
Decrease (Increase) in customer deposits	(523,773)	-	-
Decrease (Increase) in prepaid items	(21,496,197)	-	-
Decrease (Increase) in other assets	2,258,072	-	-
Decrease (Increase) in escrow deposits	-	(5,437,022)	-
Increase (Decrease) in accounts payable	9,883,799	(896,639)	(408,087)
Decrease in unearned revenue	21,956,924	-	-
Increase (Decrease) in compensated absences payable	1,048,025	665,439	623,004
Increase (Decrease) in net municipal pension balances	116,303	41,094	32,930
Increase (Decrease) in other post-employment benefit balances	169,979	99,798	90,991
Increase (Decrease) in closure/postclosure liability	-	-	-
Increase (Decrease) in interfund payables	-	-	-
Increase (Decrease) in lease deferred inflows	(152,611)	-	-
Total adjustments	37,650,500	5,915,136	13,704,418
Net cash provided (used) by operating activities	\$ 77,450,063	\$ 5,092,214	\$ 8,050,826
NONCASH CAPITAL, INVESTING AND FINANCING ACTIVITIES:			
Decrease in fair value of investments	(317,239)	(93,888)	(72,734)
Capital asset contributions	-	14,760,897	22,638,150
Right-to-use assets acquired through lease and SBITA Liabilities	(611,257)	-	-

The notes to the basic financial statements are an integral part of this statement.

(continued on the following page)

CITY OF DENTON, TEXAS
STATEMENT OF CASH FLOWS (concluded)
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Exhibit X

	Business-type Activities - Enterprise Funds			Governmental
	Solid Waste Fund	Airport Fund	Total Enterprise Funds	Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 44,897,897	\$ 2,027,127	\$ 412,173,429	\$ 132,380,175
Cash paid to employees for services	(13,879,980)	(780,817)	(59,274,865)	(34,246,478)
Cash paid to suppliers	(19,478,404)	(791,346)	(250,310,984)	(96,191,435)
Net cash provided (used) by operating activities	11,539,513	454,964	102,587,580	1,942,262
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in	156,589	-	1,218,258	67,970
Transfers out	(4,049)	(751,656)	(3,863,900)	(338,013)
Other nonoperating revenues	-	-	21,290,809	-
Principal payments on non-capital debt	-	-	(5,615,000)	-
Interest and fiscal charges on non-capital debt	-	-	(124,500)	-
Net cash provided (used) by noncapital financing activities:	152,540	(751,656)	12,905,667	(270,043)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from issuance of debt	13,239,412	-	252,244,338	(710,000)
Principal payments on capital debt	(5,804,597)	-	(80,256,030)	2,110,323
Interest and fiscal charges	(1,582,129)	-	(48,539,681)	(889,340)
Lease liability	-	-	-	(78,205)
Acquisition of Right-to-use assets	(57,844)	-	(1,715,962)	(3,543,051)
Proceeds from gas wells	-	259,000	259,000	-
Proceeds from impact fees	-	-	29,487,473	-
Proceeds from lease financing	-	-	-	2,993
Proceeds from capital contributions and transfers in	-	-	-	30,000
Proceeds from sale or reimbursement of capital assets	1,218,250	-	2,005,303	(232,889)
Acquisition and construction of capital assets	(15,341,195)	33,497	(195,251,445)	(4,271,302)
Net cash provided (used) by capital financing activities	(8,328,103)	292,497	(41,767,004)	(7,581,471)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from sale and maturities of investment securities	18,583,515	1,576,815	183,438,665	7,318,303
Purchase of investment securities	(23,744,572)	(1,964,471)	(266,012,002)	(5,748,890)
Interest received on investments	1,941,421	383,220	22,053,372	1,397,460
Proceeds from ownership investment	-	-	3,267,142	-
Net cash provided (used) by investing activities	(3,219,636)	(4,436)	(57,252,823)	2,966,873
Net increase (decrease) in cash and cash equivalents	144,314	(8,631)	16,473,420	(2,942,379)
Cash and cash equivalents at beginning of year	20,774,348	1,674,719	229,688,549	11,998,410
Cash and cash equivalents at end of year	20,918,662	1,666,088	246,161,969	9,056,031
Investments, at fair value (Note IV.A.)	36,030,645	2,870,326	424,036,363	15,398,251
Cash, cash equivalents and investments, at fair value	\$ 56,949,307	\$ 4,536,414	\$ 670,198,332	\$ 24,454,282
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 2,534,009	\$ (811,664)	\$ 35,045,394	\$ (6,720,037)
Adjustments:				
Depreciation and amortization expense	6,352,429	1,243,268	61,505,291	6,206,762
Decrease (Increase) in receivables	156,243	(7,467)	(711,165)	(1,739)
Decrease (Increase) in interfund receivables	-	-	(3,851,628)	-
Decrease (Increase) in inventories	-	-	-	(3,279,938)
Decrease (Increase) in customer deposits	183,406	-	(340,367)	-
Decrease (Increase) in prepaid items	-	-	(21,496,197)	4,574
Decrease (Increase) in other assets	-	-	2,258,072	-
Decrease (Increase) in escrow deposits	-	-	(5,437,022)	-
Increase (Decrease) in accounts payable	(34,673)	(37,443)	8,506,957	1,321,091
Decrease in unearned revenue	-	-	21,956,924	-
Increase (Decrease) in compensated absences payable	1,048,827	58,141	3,443,436	1,935,663
Increase (Decrease) in net municipal pension balances	50,876	119,877	361,080	139,033
Increase (Decrease) in other post-employment benefit balances	119,775	(109,748)	370,795	332,711
Increase (Decrease) in closure/postclosure liability	1,152,911	-	1,152,911	-
Increase (Decrease) in interfund payables	3,396	-	3,396	2,101,494
Increase (Decrease) in lease deferred inflows	(27,686)	-	(180,297)	(97,352)
Total adjustments	9,005,504	1,266,628	67,542,186	8,662,299
Net cash provided (used) by operating activities	\$ 11,539,513	\$ 454,964	\$ 102,587,580	\$ 1,942,262
NONCASH CAPITAL, INVESTING AND FINANCING ACTIVITIES:				
Decrease in fair value of investments	(57,303)	(4,737)	(545,901)	(46,544)
Capital asset contributions	-	-	37,399,047	30,000
Right-to-use assets acquired through lease and SBITA Liabilities	390,398	-	(220,859)	4,742,073

The notes to the basic financial statements are an integral part of this statement.

(concluded)

CITY OF DENTON, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
TOURISM PUBLIC IMPROVEMENT DIST. FUND
AS OF SEPTEMBER 30, 2025

Exhibit XI

	Tourism Public Improvement District Fund
ASSETS	
Cash, cash equivalents and investments at fair value	\$ 272,817
Receivables:	
Accounts receivable	<u>1,815</u>
Total assets	<u><u>274,632</u></u>
 LIABILITIES	
Total liabilities	<u><u>-</u></u>
 NET POSITION	
Restricted for:	
Other Organizations and Governments	274,632
Total net position	<u><u>\$ 274,632</u></u>

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Exhibit XII

CITY OF DENTON, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
TOURISM PUBLIC IMPROVEMENT DIST. FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Tourism Public Improvement District Fund
ADDITIONS	
Assessments Collected	\$ 981,871
Investment revenue	17,049
Total additions	<u>998,920</u>
DEDUCTIONS	
Payments to DTPID	719,506
Administrative Costs	64,160
Total deductions	<u>783,666</u>
 Net increase (decrease) in fiduciary net position	 <u>215,254</u>
 Net position, beginning	 59,378
 Net position, ending	 <u>\$ 274,632</u>

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CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Denton is a municipal corporation governed by an elected seven-member council consisting of a mayor elected at large and six councilpersons, four representing specific geographical districts and two elected at large. The City receives funding from state and federal government sources and must comply with the requirements of these funding source entities. However, the City is not included in any other governmental “reporting entity,” as defined in pronouncements by the Governmental Accounting Standards Board (GASB), as council members are elected by the public and have decision-making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

The financial statements of the City have been prepared to conform to accounting principles generally accepted (GAAP) in the United States of America as applicable to state and local governments. Generally accepted accounting principles for local governments include principles prescribed by GASB, the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies.

A. Reporting Entity

An elected seven-member council consisting of a mayor and six councilpersons governs the City. As required by accounting principles generally accepted in the United States of America, these financial statements present the City (the primary government) and its component units, which are entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations, and so data from these units are combined with data from the primary government. A discretely presented component unit, on the other hand, is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the City. The City had no component units, discretely presented or blended, at September 30, 2025.

B. Government-wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The reporting focus is either the City as a whole (government-wide financial statements) or major individual funds (within the fund financial statements). The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (public safety, public works, etc.) or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment; (2) grants and contributions that are restricted to meeting operational requirements of a particular function or segment; and (3) grants and contributions that are restricted to meeting the capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The net cost (by function or business-type activity) is normally covered by general revenue (property taxes, sales taxes, franchise fees, interest income, etc.).

Separate fund financial statements are provided for governmental funds and proprietary funds. Major governmental funds and major enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category and for the governmental and enterprise funds combined) for the determination of major funds. Non-major funds are combined in a column in the fund financial statements.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

Internal service funds, which traditionally provide services primarily to other funds of the government, are presented in summary form as part of the proprietary fund financial statements. The financial statements of internal service funds are allocated (based on the percentage of goods or services provided) between the governmental and business-type activities when presented at the government-wide level.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories, as well as the fiduciary funds (by category). Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund-level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized and susceptible to accrual as soon as they are both measurable and available. Revenues are available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Any amounts collected beyond the 60 days are recorded as deferred inflows of resources. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The City reports the following major governmental funds:

The general fund is the City's primary operating fund. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid general operating costs, fixed charges and capital improvement costs that are not paid through other funds.

The debt service fund accounts for the accumulation of financial resources for the payment of principal, interest, and related costs on general long-term debt, paid primarily by taxes levied by the City. On a budgetary basis, the debt service fund also accounts for pass-through debt service payments from the self-supporting proprietary funds.

The capital projects fund accounts for financial resources used for the acquisition or construction of capital other than those recorded in the enterprise funds and internal service funds.

The ARPA fund accounts for the federal resources received by the City from the American Rescue Plan Act of 2021 and used for the programs as outlined by the plan.

Other governmental funds are a summarization of all the non-major governmental funds.

The City reports the following major proprietary funds:

The City utility system is made up of three separate funds as follows:

The electric fund accounts for electrical utility services to the residents and commercial establishments of the City. Activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations, maintenance, finance, and related debt service.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

The water fund accounts for water utility services to the residents and commercial establishments of the City. Activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations, maintenance, finance, and related debt service.

The wastewater fund accounts for sewer and storm water services to the residents and commercial establishments of the City. Activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations, maintenance, finance, and related debt service.

The City provides additional services through the following funds:

The solid waste fund accounts for the provision of solid waste services to the residents of the City. Activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations, maintenance, finance, and related debt service.

The airport fund accounts for the airport services to the public and is funded through operational and gas well revenues. Activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations, maintenance, and finance.

The City additionally reports the following funds:

Internal service funds are used to account for the financing of materials and services provided by one department of the City to other departments of the City on a cost-reimbursement basis.

The materials management fund accounts for the financing of the goods and services of the purchasing department as well as the management and inventory of the City warehouse activities.

The fleet services fund accounts for the financing of goods and services provided by the activities of the City garage and machine shop to other departments.

The health insurance fund accounts for the accumulation of resources for the self-insurance activities of the City for employee medical insurance as well as other employee insurance benefits including long-term disability, short-term disability, and dental and vision insurances.

The risk retention fund accounts for the accumulation of resources for the payment of activities associated with providing general liability insurance coverage and self-funded activities for City departments.

The technology services fund accounts for financing and management of technology equipment, software, and services such as programming, support, training, maintenance, and office services to City departments.

The engineering services fund accounts for providing engineering, real estate, public works inspection, and development review services primarily to City departments although some services are provided to and paid by external entities.

The customer service fund accounts for providing customer service activities to residents and businesses for City departments. Services include bill pay, utility service requests, connect/disconnect services, maintenance of customer accounts, utility billing, operator calls, collections, accounts receivable, and cash handling.

The facilities fund accounts for the maintenance of all city-owned facilities and vertical construction projects.

The environmental services fund accounts for the consolidated environmental-related services provided across the City.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's electric, water, wastewater, solid waste, and airport funds are charges to customers for services. Operating expenses for the enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The City recognizes, as an asset or a liability, the difference between the electric fund's energy cost adjustment (ECA) revenue collected and related costs.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Budgetary Information

The City Council follows these procedures, as prescribed by City Charter, in establishing the budgets reflected in the financial statements:

1. Within the time period required by law, the City Manager submits to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted prior to the adoption of the budget to obtain taxpayer comments.
3. The annual budget adopted by the City Council covers the general fund, non-major special revenue funds (Police Confiscation Fund, Tourist and Convention Fund, Gas Well Revenues Fund, Street Improvement Fund, and the Citizens' Park Trusts), the debt service fund, the enterprise funds, and internal service funds. The budget is legally enacted by the City Council through passage of an ordinance prior to the beginning of the fiscal year. The basic financial statements reflect the legal level of control, (i.e. the level at which expenditures cannot legally exceed the appropriated amount) which is established at the total fund level as approved by City Council.
4. The City Charter provides for the City Manager to transfer any part of the unencumbered appropriation balance or the entire balance thereof between programs or general classifications of expenditures within an office, department, agency, or organizational unit. (The City Council defines an organizational unit as set forth in Article VIII, Section 8.07 of the City Charter, to be a fund that has been appropriated by the City Council.) City Council approval is not required up to the fund level. The Charter also provides that at any time during the year, at the request of the City Manager, City Council may by resolution transfer any part of the unencumbered appropriation balance or the entire balance thereof from one office, department, agency, or organizational unit to another, as well as make any increases in fund appropriations.

Budgets are adopted on a basis for the governmental funds and the budgeted special revenue funds which are generally consistent with generally accepted accounting principles. Budgets for enterprise funds are prepared on the full accrual basis, except certain noncash transactions such as depreciation expense and amortization on debt issuance costs where it is not budgeted, and debt service payments where it is budgeted. Also, during the budgetary process, amounts are included in all fund budgets to recognize administrative transfers between funds for goods or services. These amounts are not included in the reporting of actual activity for the funds. For funds reporting required budget-to-actual comparisons, these administrative transfers are included as adjustments – budgetary basis.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed contracts for goods or services (i.e., purchase orders and contracts). While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances are re-appropriated against the subsequent year's budget, reducing the available appropriations for additional expenditures.

E. Assets, Liabilities and Net Position or Equity

1. Cash, cash equivalents and investments

The City's cash and cash equivalents are cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Investments are carried at fair value, except for the position in local government investment pools. Fair value is determined as the price at which two willing parties would complete an exchange.

The City uses a pooled cash and investment fund to hold and account for all the City's investments. For financial reporting purposes, the investment balances in the pooled fund are allocated back to the individual funds based on their respective share of the pooled total. Interest earned on investments is also allocated back and recorded directly to the individual funds monthly.

2. Receivables

Outstanding balances between funds are reported as "interfund receivables/payables." Any residual balances between governmental activities and business-type activities are reported in the government-wide statements as "internal balances."

Trade, property tax receivables, and municipal court receivables are shown as a net of an allowance for uncollectible accounts. The City accrues amounts for utility services provided in September but not billed by September 30, 2025.

3. Inventories

Inventories of supplies are maintained at the City warehouse for use by all City funds and are accounted for by the consumption method. Cost is determined by using a moving average method. No inventories exist in the governmental fund types.

4. Prepaid items

Certain costs applicable to future accounting periods are recorded as prepaid items. Most of these balances are due to payments into an account for energy settlements in the Electric Fund and health claims in the Employee Insurance Fund.

5. Other Assets

Certain costs applicable to future accounting periods are recorded as other assets. In a prior fiscal year, the City impaired its TMPA prepaid purchase power due to a permanent closure in generation and subsequent sale of the plant. The impaired amount was recorded as an Other Asset (regulatory) that will be fully amortized in FY 2025. See note IV.F. for more information on Other Assets and V.E. Agreement with TMPA for further information regarding TMPA.

6. Restricted assets

Certain proceeds of the City's governmental and proprietary fund general obligation bonds and certificates of obligation, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Assets collected from impact fees are limited by state statute in use and shown as restricted on the balance sheet of the Water and Wastewater funds.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

7. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$15,000 and an estimated useful life more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Infrastructure	20 – 40
General improvements	10
Machinery and equipment	10 – 20
Furniture and office equipment	10
Computer equipment/software	3 – 10
Plant and equipment	5
Underground pipe	40
Water storage rights	50 – 100
Water recreation rights	50
Communication equipment	5
Vehicles	3 – 10
Leases	1 – 100
Subscription-based IT agreement	1 – 5

Renewals and betterments of property and equipment are capitalized, whereas normal repair and maintenance are charged to expense as incurred.

8. Compensated absences

The City allows full-time employees to accumulate unused vacation time without a maximum balance. Upon termination, accumulated vacation time up to 320 hours (480 for civil service fire employees) will be paid to an employee. Generally, sick leave is not paid upon termination except for civil service fire fighters and police officers. Firefighters and police officers accumulate unused sick leave for payout up to a maximum of 1080 hours and 720 hours, respectively. All other employees are paid only upon illness or other valid sick leave uses while employed by the City. Accumulated vacation and sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements but have not been paid this amount at the end of the fiscal year. The General Fund and Other Governmental Funds are used to record any payout expenditures of the governmental funds' employees and related liability, while proprietary fund payouts for their employees are recorded as reductions to the liabilities in those funds.

9. Arbitrage

Arbitrage involves the investment of the proceeds from the sale of tax-exempt bonds in taxable instruments and securities authorized by the Public Funds Investment Act (Texas Government Code, Chapter 2256) that yield a higher rate, resulting in interest revenue in excess of interest costs. Federal tax

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

code requires that these excess earnings be rebated to the federal government. The Capital Projects Fund has been used in prior years to liquidate governmental funds' related liability. A liability was recorded at September 30, 2025, in the amount of \$450,329 for positive arbitrage payments related to the 2020 bond issuance.

10. Pensions

For purposes of measuring the net pension liability, pension-related deferred outflows and inflows of resources, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and the Firemen's Relief and Retirement Fund (FRRF) and additions to/deductions from TMRS's and the FRRF's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS and the FRRF. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. Other post-employment benefits

The City participates in a single-employer, unfunded, defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefit Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year rather than prefunding. Benefit payments are treated as being equal to the City's yearly contribution for retirees. For purposes of measuring the total SDBF OPEB liability, related deferred outflows and inflows of resources, and expense, City specific information about its total SDBF liability and additions to/deductions from the City's total SDBF liability have been determined on the same basis as they are reported by TMRS. The SDBF expense and deferred (inflows)/outflows of resources related to SDBF, primarily result from changes in the components of the total SDBF liability. Most changes in the total SDBF liability will be included in SDBF expense in the period of the change. For example, changes in the total SDBF liability resulting from current-period service cost, interest on the Total OPEB Liability, and changes of benefit terms are required to be included in SDBF expense immediately. Changes in the total SDBF liability that have not been included in SDBF expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to SDBF.

The City provides post-employment medical care (Medical OPEB) for retired employees through a single employer defined benefit medical plan. The plan provides medical benefits for eligible retirees, their spouses, and their dependents through the City's group health insurance plans. By providing retirees with access to the City's healthcare plans based on the same rates it charges to active employees, the City is in effect providing a subsidy to retirees. This implied subsidy exists because, on average, retiree healthcare costs are higher than active employee healthcare costs. By the City not contributing anything toward the plan in advance, the City employs a pay-as-you-go method through paying the higher rate for active employees each year. The City also contributes up to \$200 per month, based on years of service, toward the cost of retiree coverage. As an irrevocable trust has not been established, the plan is not accounted for as a trust fund. For this purpose, plan contributions are recognized in the period that the direct and indirect subsidies are paid by the City. Total OPEB liability, OPEB-related deferred outflows, and inflows of resources, and OPEB expense is based on the actuarial measurement dates.

12. Long-term obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Gain/loss on refunding are reported as deferred outflow/inflow and recognized as a component of interest expense over the remaining life of the old debt or life of the new debt, whichever is shorter.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

13. Fund balance

The City follows GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions”, and in accordance with the statement, the classifications of governmental fund balances are presented as follows:

Nonspendable fund balances – include amounts not in a spendable form or are legally or contractually required to be maintained intact. Examples include inventory or endowments.

Restricted fund balance – include amounts that can be spent only for the specific purposes stipulated by external resource providers, creditors, grantors, and contributors or through enabling legislation.

Committed fund balance – include amounts that can be used only for the specific purposes determined by the City Council through an ordinance and may only be changed or lifted through another ordinance. The ordinance must either adopt or rescind the commitment, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.

Assigned fund balance - comprise amounts intended to be used for specific purposes. Intent can be expressed by the City Council, or per the policy adopted by an ordinance by the City Council, the City Manager or the City Manager’s designee (assistant city manager) may also make an assignment. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed and, at a minimum, is intended for the purpose of that fund.

Unassigned fund balance – is the residual classification of the general fund and includes all amounts not constrained in the other classifications. Unassigned amounts are technically available for any purpose. The General Fund is the only fund to report a positive unassigned fund balance amount. However, other governmental funds may report a negative unassigned fund balance as necessary if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned for those purposes.

When multiple categories of fund balance are available for expenditure and approved for use by the City Council, the City will start with the most restricted category and spend those funds first before moving down to the next category with available funds. Normally this would result in the use of restricted, then committed, then assigned, and lastly, unassigned fund balance.

14. Minimum fund balance policy

It is the goal of the City to achieve and maintain an unassigned fund balance in the General Fund equal to 20% of budgeted expenditures. An additional 5% resiliency reserve (25% combined total) may be maintained to safeguard against unusual financial circumstances or economic downturns.

15. Net position

Net position represents the difference between assets, deferred inflows, deferred outflows, and liabilities. Net investment in capital assets consists of capital assets net of accumulated depreciation and the outstanding balances of any borrowing spent for the acquisition, construction, or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

16. Deferred outflows and inflows of resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to future periods and will not be recognized as an outflow of resources, either expenses or expenditures, until that time. The City reports the following items qualifying for this category:

- Deferred loss on refunding reported in the statements of net position - A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price and is amortized over the shorter of the life of the refunded or refunding debt.
- Deferred pension and OPEB actuarial losses reported in the statement of net position – A deferred charge is recorded for the difference between actual experience and expected experience during the period between two actuarial valuations and is amortized over future periods.
- Deferred pension and other postemployment benefit plan contributions reported in the statement of net position – A deferred charge is recorded for pension contribution amounts paid by the City after the current year’s measurement date (December 2024) and will be fully recognized as a reduction of the respective liability in the next period on the next measurement date (December 2025).
- Deferred pension and other postemployment benefit plan actuarial assumption changes – A deferred charge is recorded for the difference due to assumption changes and amortized over future periods.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to future periods and will not be recognized as an inflow of resources, or revenues, until that time. The City reports the following items qualifying for reporting in this category:

- Deferred gain on refunding reported in the statements of net position - A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price and is amortized over the shorter of the life of the refunded or refunding debt.
- Deferred pension excess earnings reported in the statement of net position – A deferred charge is recorded for the difference between actual investment earnings and expected investment earnings during the period and is amortized over future periods.
- Deferred pension and other postemployment benefit plan actuarial gains reported in the statement of net position – A deferred charge is recorded for the difference between actual experience and expected experience during the period between two actuarial valuations and is amortized over future periods.
- Deferred pension and other postemployment benefit plan actuarial assumption changes – A deferred charge is recorded for the difference due to assumption changes and amortized over future periods.
- Deferred amounts related to leases are reported for leases in which the City is the lessor – A deferred amount recorded to initially offset the total lease receivable recorded at lease commencement and is subsequently amortized as lease revenue over the life of the lease term.
- Deferred unavailable revenues reported on the balance sheet of the governmental funds – A deferred amount is recorded for the billed revenues not yet collected or available. These amounts are deferred and recognized as inflow of resources in the period the amounts become available.

17. Leases

A lease is defined as a contract conveying control of the right to use another entity’s non-financial asset as specified in the contract for a period of greater than one year, in an exchange or exchange-like transaction.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

City as lessee

The City is currently a lessee for noncancelable leases of land, buildings, equipment, or other assets. The City recognized a lease liability and an intangible right-to-use leased asset (lease asset) in the Government-wide and Proprietary Fund financial statements. Reporting includes lease assets with depreciable capital assets and lease liabilities with long-term liabilities. At the commencement of a lease, the City measured the lease liability at the present value of payments expected to be made over the course of the lease term. Subsequently, the lease liability is reduced by the principal portion of the lease payments. The lease asset is measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the remaining lease term. Variable lease payments based on usage of the underlying assets are not included in the lease liability calculations but are recognized as outflows of resources in the period in which obligations are incurred.

Key estimates and judgments related to leases in which the City would be a lessee are as follows:

- The lease term includes the non-cancellable period of the lease. Extension options are included in the lease term unless it is reasonably certain that they will not be exercised.
- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City uses its estimated incremental borrowing rate as the discount rate for leases.
- Leases with payments depending on an index or rate, such as the Consumer Price Index or market rate, are initially measured using the index or rate as of the commencement of the lease term.
- Leases with periodic percentage payment increases or flat rate payment increases specified in the lease terms are included in the measurement of the lease liability.

The City monitors changes in circumstances requiring remeasurement of its leases and will remeasure the lease assets and liabilities if certain changes occur that are expected to significantly affect the amount of the lease liabilities.

City as lessor

The City is a lessor for non-cancelable leases of land, buildings, and equipment. The City recognizes a lease receivable and a deferred inflow of resources in the Government-wide, Governmental, and Proprietary Fund financial statements. At the commencement of a lease, the City measures the lease receivable at the present value of payments expected to be received over the life of the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the lease term.

Key estimates and judgements related to leases in which the City is a lessor are as follows:

- The lease term includes the non-cancellable period of the lease. Extension options are included in the lease term unless it is reasonably certain that they will not be exercised.
- The City uses its incremental borrowing rate as the discount rate for leases.
- Leases with payments depending on an index or rate, such as the Consumer Price Index or market rate, are initially measured using the index or rate as of the commencement of the lease term.
- Leases with periodic percentage payment increases or flat rate payment increases specified in the lease terms are included in the measurement of the lease receivable.

The City monitors changes in circumstances requiring a remeasurement of its leases and will remeasure the lease receivables and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivables.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

18. Subscription-Based Information Technology Agreements (SBITA)

GASB 96 defines a SBITA as a contract that conveys control of the right to use another party's information technology (IT) software, alone or in combination with tangible capital assets, as specified in the contract for a period in an exchange or exchange-like transaction. The City recognizes a subscription liability and an intangible subscription right-of-use asset at the beginning of the subscription term if they have a term exceeding one year and the cumulative future payments on the contract exceed \$100,000 unless the contract is considered a short-term SBITA. A SBITA asset is measured based on the net present value of subscription payments expected to be made during the subscription term, using the incremental borrowing rate, and is amortized using the straight-line method over the shorter of the subscription term or the useful life of the underlying IT assets. Remeasurement of a subscription liability occurs when there is a change in the contract term and/or other changes that are likely to have a significant impact on the subscription liability.

F. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities

An element of that reconciliation states, "Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which proceeds exceeded payments." The details of this \$(44,592,843) difference are as shown on the following page:

Debt issued or incurred:	
Issuance of general obligation debt	\$ (51,660,000)
Issuance of certificates of obligation	(28,770,000)
Principal repayments:	
General obligation debt principal retirement	17,045,000
Certificates of obligation principal retirement	12,695,000
Refunded debt principal	11,390,000
Premium:	
General obligation bond premium	(3,543,112)
Certificates of obligation bond premium	(1,749,731)
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	\$ (44,592,843)

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

Another element of that reconciliation states, "The net effect of various miscellaneous transactions involving capital assets (i.e., subscription-based IT agreements, leases, sales, trade-ins and donations) is to decrease net position." The details of this \$9,243,124 difference are as follows:

Net effect of transactions involving asset retirements/disposals	\$ (1,855,573)
Donations of capital assets increase net position in the statement of activities but do not appear in the governmental funds because they are not financial resources	11,098,697
Net adjustment to increase net changes in fund balances - total governmental funds	<u>\$ 9,243,124</u>

Another element of that reconciliation states, "Certain expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of the \$520,934 difference are as follows:

Change in:	
Net pension liability	\$ 14,290,321
Municipal pension - Deferred	
Contributions	752,887
Economic differences	(1,054,787)
Assumption changes	(31,822)
Actuarial gain/loss	(11,576,924)
Total Municipal pension - Deferred	<u>(11,910,646)</u>
OPEB liability	(1,310,615)
OPEB - Deferred	
Contributions	121,640
Economic differences	368,997
Assumption changes	(129,908)
Total OPEB - Deferred	<u>360,729</u>
Compensated absences	(1,243,048)
Accrued interest	334,193
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 520,934</u>

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Deficit Fund Net Position

The Materials Management, Risk Retention, Engineering Services, Customer Service, Facilities and Environmental Services internal service funds had deficit net positions of (\$255,543), (\$5,728,618), (\$6,466,192), (\$3,524,693), (\$434,994) and (2,767,480), respectively, due to the implementation of GASB Statement No. 68 “Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27” and GASB Statement No.75 “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions” (OPEB) which resulted in an increase in the net pension liability and the total OPEB liability in the prior years during implementation.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

In order to facilitate effective cash management practices, the operating cash of all funds is pooled into a common account for the purpose of increasing income through combined investment activities. At year-end, the City had \$400,097,453 in cash and cash equivalents of which \$8,700 is in petty cash.

The Public Funds Investment Act (Texas Government Code) authorizes the City to invest in obligations of the U.S. Treasury, U.S. agencies, fully collateralized repurchase agreements, public fund investment pools, SEC-registered no-load money market mutual funds, municipal securities of any state rated A or better, certificates of deposit (fully collateralized, insured, and standby letters of credit backed), and commercial paper rated not less than A-1 or P-1 with a stated maturity of no more than 365 days. The City’s investment policy may further restrict those investment options. The investments reported on September 30, 2025, were similar to those held during the fiscal year.

The City reports all investments in the financial statements at fair value. At September 30, 2025, the City’s investments carried a fair value of \$1,079,320,717 of which \$391,568,238 was in a local governmental investment pool which the City classifies in the financial statements as cash equivalents, resulting in \$687,752,479 of investment balances reported in the financial statements.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, Fair Value Measurement and Application establishes an authoritative definition of fair value, sets a framework for measuring fair value, and requires additional disclosures about fair value measurements. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets a government can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included within Level 1, observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is based on the lowest priority level input significant to the entire measurement.

The City invests in State and Local Government Series (SLGS), which are classified in Level 2 of the fair value hierarchy which are valued using significant other observable inputs. The City considers SLGS Level 2 investments, because only government bodies or other entities that issue state or local government bonds may buy SLGS and may only buy SLGS if the proceeds from those state or local government bonds are

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

subject to yield restrictions and arbitrage rebate requirements. There is no fixed maturity rate, and the SLGS rollover daily and remain outstanding until redeemed, in whole or in part.

At September 30, 2025, the City had the following recurring fair value investments:

	<u>Fair Value Measurement Method</u>				Weighted Average Maturity (Days)
	9/30/2025	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Percent of Total Investments	
<u>Investments Measured at Amortization Cost:</u>					
TexSTAR - Investment Pool	\$ 291,568,238	\$ -	\$ -	27.01%	1
TexPool - Investment Pool	\$ 100,000,000	-	-	9.27%	1
<u>Investments by Fair Value Level:</u>					
Debt Securities:					
U.S. Treasury Securities	\$ 463,736,856	-	463,736,856	42.97%	402
U.S. Treasury Securities - Discount	\$ -	-	-	0.00%	135
U.S. Agency Securities	\$ 124,883,050	-	124,883,050	11.57%	418
U.S. Agency Securities - Callable	\$ 44,969,165	-	44,969,165	4.17%	224
Commercial Paper	\$ 49,606,010	-	49,606,010	4.60%	99
Municipal Bonds - Coupon	\$ 4,557,398	-	4,557,398	0.42%	730
Total Investments	<u>1,079,320,717</u>	<u>-</u>	<u>687,752,479</u>		
Total Cash and Investments	<u>\$ 1,079,320,717</u>	<u>\$ -</u>	<u>\$ 687,752,479</u>		
Portfolio Weighted Average Maturity					238

Of the investments recorded at fair value, the U.S. treasuries, the U.S. agency securities, commercial paper, and municipal bonds are valued based upon observable inputs, including but not limited to, model prices for similar assets, benchmark yield curves, and matrix pricing.

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair values due to interest rate fluctuations by limiting the weighted average maturity of its investment portfolio to less than twenty-four months.

Credit risk. The City's investment policy limits investments to obligations of the United States of America and its agencies, investment quality obligations of the State of Texas (including agencies, municipalities, counties, and other political subdivisions) with a rating not less than AA, certificates of deposits and savings deposits (fully insured, collateralized, or standby letter of credit backed), fully collateralized repurchase agreements, local public fund investment pools with a dollar weighted average maturity of 60 days or less, U.S. government money market mutual funds with a dollar weighted average maturity of 60 days or less and a stable net asset value of \$1 for each share, and commercial paper that has a maturity of 270 days or less and a minimum rating of A-1, P-1, or an equivalent rating by at least two nationally recognized rating agencies. The City's investments in TexSTAR and TexPool were rated "AAAm" by Standard & Poor's, the highest rating a local government investment pool can achieve.

Custodial credit risk. This is the risk that in the event of a bank or counterparty failure, the City's deposits may not be returned. The policy states that all bank deposits of City funds shall be secured by pledged collateral with a market value equal to no less than 102 percent of the principal plus accrued interest less an amount insured by FDIC. As of September 30, 2025, the bank balance for deposits was \$7,614,028 and was fully collateralized by the City's third-party custodian, BNY Mellon.

Concentration of Credit Risk. The City's investment policy minimizes the risk of potential loss by diversifying investment types according to the following limitations based on value: U.S. Treasury bills/notes/bonds (100%), U.S. Agencies and Instrumentalities (100%), State of Texas Obligations – including agencies and local governments (15%), local government investment pools (50% in government

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

securities and 15% in prime securities), repurchase agreements (20%), certificates of deposit (35%), savings deposits (15%), U.S. Money Market Mutual Funds (50%), callable U.S. Agencies and Instrumentalities (20%), and commercial paper (20%).

Local Government Investment Pools. During the year, the City invested in two public fund investment pools, TexSTAR and TexPool. The fair value of the position of TexSTAR is measured at net asset value, and the fair value of the position of TexPool is measured at amortized cost. Each pool's governing body is composed of individuals who are employees, officers, or elected officials of participants in the funds or who do not have a business relationship with the fund and are qualified to advise. Investment objective and strategies of the pools are to seek preservation of principal, liquidity and current income through investment in a diversified portfolio of short-term marketable securities. Pools offer same day access to investment funds, which may be redeemed daily. As the redemption period is only one day or less, the City classifies these balances in the financials as cash equivalent. The pools may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, a general banking moratorium, or a national state of emergency affecting the pool's liquidity. The City has no unfunded commitments related to the investment pool.

Cash, cash equivalents and investments, at fair value, are reported together on the financial statements. Investments, at fair value, by fund were as follows:

	General Fund	Debt Service	Capital Projects	Other Governmental Funds
Unrestricted investments	\$ 25,372,657	\$ 1,564,353	\$ 187,472,378	\$ 33,060,565
Change in fair value	86,944	5,362	642,408	113,288
Restricted investments	-	-	-	-
Change in fair value	-	-	-	-
Total	\$ 25,459,601	\$ 1,569,715	\$ 188,114,786	\$ 33,173,853

	Electric	Water	Wastewater	Solid Waste
Unrestricted investments	\$ 53,477,140	\$ 34,552,161	\$ 16,262,111	\$ 12,283,402
Change in fair value	183,250	118,399	55,725	42,092
Restricted investments	56,391,923	109,360,252	113,776,574	23,624,198
Change in fair value	193,238	374,743	389,876	80,953
Total	\$ 110,245,551	\$ 144,405,555	\$ 130,484,286	\$ 36,030,645

	Airport	Internal Service Funds	Total City Investments
Unrestricted investments	\$ 2,076,261	\$ 7,538,959	\$ 373,659,987
Change in fair value	7,115	25,834	1,280,417
Restricted investments	784,173	7,806,706	311,743,826
Change in fair value	2,687	26,752	1,068,249
Total	\$ 2,870,236	\$ 15,398,251	\$ 687,752,479

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

B. Property Tax Revenue

Property taxes attach as an enforceable lien on property as of January 1st. Taxes are levied on October 1st and are due and payable at that time; therefore, the legally enforceable claim arises on October 1st. A receivable is recorded at that time. All unpaid taxes levied October 1st become delinquent February 1st of the following year.

Property taxes at the fund level are recorded as receivables and revenue in the period they become available. Current-year revenues recognized are those Ad valorem taxes collected within the current period or soon enough thereafter to pay current liabilities, which is sixty days after year-end. All other outstanding receivables are adjusted from revenue and recognized as deferred inflows of resources for future collections. Current tax collections for the year ended September 30, 2025, were 99.30% of the tax levy. An allowance is provided for delinquent taxes not expected to be collected in the future.

At September 30, 2025, the City had a tax rate of \$0.58542 per \$100 valuation. Based upon the maximum Ad valorem tax of \$2.50 per \$100 valuation imposed by Texas Constitutional law, the City had a tax rate margin of \$1.91458. Additional revenues up to \$395,154,105 could be raised per year based on the current year's certified assessed value of \$20,639,205,739 before the limit is reached.

On December 7, 2010, the City Council approved a Tax Increment Financing Reinvestment Zone (TIRZ #1) for the purpose of dedicating the increase in tax revenues generated within the TIRZ district for development in the downtown area of the City for a total of 30 years. The tax increment to be paid is 100% of the increment in years 1-5, 95% in years 6-10, 90% in years 11-20, and 85% in years 21-30. In fiscal year 2025, the total assessed value of \$230,565,487 after supplemental adjustments for TIRZ #1 was an increase of \$151,208,633 over the base fiscal year 2011 assessed value and resulted in \$796,685 of property tax revenue recorded in the TIRZ Fund as part of All Other Special Revenue Funds.

On December 18, 2012, the City Council approved a Tax Increment Financing Reinvestment Zone (TIRZ #2) for the purpose of dedicating 40% of the increase in tax revenues generated within the TIRZ district for development in the Westpark Industrial District for a total of 25 years. In fiscal year 2025, the assessed value of \$413,776,211 after supplemental adjustments was an increase of \$413,656,753 over the base fiscal year 2014 assessed value and resulted in \$968,651 of property tax revenue recorded in the TIRZ Fund as part of All Other Special Revenue Funds. Denton County participates in the zone and based on their tax rate and a participation contribution of 40% of the County's tax rate, \$310,853 of property tax revenue was generated for Fiscal Year 2025.

The City created the Rayzor Ranch Public Improvement District No. 1 in 2014 for the undertaking and financing of public improvements authorized by Chapter 372 of the Texas Local Government Code. The project is located on the City's northern sector, east of Interstate 35, and encompasses approximately 229.693 contiguous acres. The estimated costs of the proposed public improvements total \$40 million. The authorized improvement costs will be apportioned 100% to the District. The method of assessment will impose equal shares of the costs of the proposed public improvements on parcels that are similarly benefited. No City property will be assessed, and the City will not be obligated to pay any assessments.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

C. Receivables

Receivables at September 30, 2025, for the City's individual major funds and other funds (non-major funds, internal service funds and fiduciary funds), including the applicable allowances for uncollectible accounts, are as follows:

	General	Debt Service	Capital Projects	ARPA	Other Governmental Funds	Electric
Receivables:						
Taxes	\$ 11,595,072	\$ 836,458	\$ -	\$ -	\$ 410,703	\$ -
Accounts	483,388	-	-	-	-	11,762,842
Accrued interest	267,671	16,503	1,977,744	-	346,958	1,159,066
Unbilled utility service	-	-	-	-	-	14,848,692
Lease	-	-	-	-	-	1,514,548
Other	15,910,765	-	-	-	36,569	4,668,198
Gross receivables	<u>28,256,896</u>	<u>852,961</u>	<u>1,977,744</u>	<u>-</u>	<u>794,230</u>	<u>33,953,346</u>
Less: Allowance for uncollectibles	<u>(13,978,476)</u>	<u>(230,205)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,534,832)</u>
Net Total receivables	<u>\$ 14,278,420</u>	<u>\$ 622,756</u>	<u>\$ 1,977,744</u>	<u>\$ -</u>	<u>\$ 794,230</u>	<u>\$ 32,418,514</u>

	Water	Wastewater	Solid Waste	Airport	Internal Service Funds	Total
Receivables:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,842,233
Accounts	2,753,366	2,339,360	1,844,358	117,978	624,152	19,925,444
Accrued interest	1,518,207	1,371,845	378,808	30,177	161,888	7,228,867
Unbilled utility service	3,062,471	2,630,653	2,265,545	-	-	22,807,361
Lease	-	-	655,104	-	1,017,864	3,187,516
Other	-	-	-	83,453	282,175	20,981,160
Gross receivables	<u>7,334,044</u>	<u>6,341,858</u>	<u>5,143,815</u>	<u>231,608</u>	<u>2,086,079</u>	<u>86,972,581</u>
Less: Allowance for uncollectibles	<u>(397,094)</u>	<u>(271,326)</u>	<u>(147,860)</u>	<u>(19,572)</u>	<u>(52,197)</u>	<u>(16,631,564)</u>
Net Total receivables	<u>\$ 6,936,950</u>	<u>\$ 6,070,532</u>	<u>\$ 4,995,955</u>	<u>\$ 212,036</u>	<u>\$ 2,033,882</u>	<u>\$ 70,341,017</u>

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

D. Capital Assets

Capital asset balances and transactions for the year ended September 30, 2025, are summarized below and on the following page.

	Balance at September 30, 2024	Transfers and Increases	Transfers and Decreases	Balance at September 30, 2025
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 49,344,048	\$ 4,441,555	\$ -	\$ 53,785,603
Construction in progress	353,398,312	112,603,355	(26,968,555)	439,033,112
Total capital assets not being depreciated/amortized	402,742,360	117,044,910	(26,968,555)	492,818,715
Capital assets being depreciated/amortized:				
Buildings	127,133,155	3,047,835	-	130,180,990
Right-to-use lease building	300,845	-	-	300,845
Infrastructure	479,618,584	15,732,752	(225,795)	495,125,541
Machinery, equipment, and other improvements	181,385,720	12,616,449	(3,636,605)	190,365,564
SBITA assets	13,098,184	16,035,502	(6,232,745)	22,900,941
Total capital assets being depreciated/amortized	801,536,488	47,432,538	(10,095,145)	838,873,881
Less accumulated depreciation/amortization for:				
Buildings	42,429,543	3,141,543	-	45,571,086
Right-to-use lease building	131,619	75,212	-	206,831
Infrastructure	250,272,774	17,774,336	-	268,047,110
Machinery, equipment, and other improvements	117,788,582	12,385,587	(2,993,041)	127,181,128
SBITA assets	6,848,879	6,103,772	(1,445,825)	11,506,826
Total accumulated depreciation/amortization	417,471,397	39,480,450	(4,438,866)	452,512,981
Total capital assets, being depreciated/amortized, net	384,065,091	7,952,088	(5,656,279)	386,360,900
Governmental activities capital assets, net	\$ 786,807,451	\$ 124,996,998	\$ (32,624,834)	\$ 879,179,615



(continued)

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

	Balance at September 30, 2024	Transfers and Increases	Transfers and Decreases	Balance at September 30, 2025
Business-type activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 89,923,052	\$ 1,817,495	\$ (165,039)	\$ 91,575,508
Construction in progress	389,889,601	202,665,326	(124,253,340.00)	468,301,587
Total capital assets not being depreciated/amortized	479,812,653	204,482,821	(124,418,379.00)	559,877,095
Capital assets being depreciated/amortized:				
Buildings	40,347,903	-	-	40,347,903
Landfill improvements	32,550,765	-	-	32,550,765
Water rights	69,883,098	-	-	69,883,098
Infrastructure	835,382,293	118,466,803	-	953,849,096
Plant, machinery, equipment, and other improvements	936,252,165	34,146,860	▲(8,592,095.00)	961,806,930
SBITA assets	7,378,150	2,167,004	(2,387,864.00)	7,157,290
Lease Assets	-	-	-	-
Total capital assets being depreciated/amortized	1,921,794,374	154,780,667	(10,979,959.00)	2,065,595,082
Less accumulated depreciation/amortization for:				
Buildings	14,757,008	942,341	-	15,699,349
Landfill improvements	31,851,016	560,825	-	32,411,841
Water rights	24,624,132	695,990	-	25,320,122
Infrastructure	268,397,764	25,051,053	-	293,448,817
Plant, machinery, equipment, and other improvements	343,585,537	32,906,794	(7,180,425)	369,311,906
SBITA assets	2,420,835	1,348,289	(351,457)	3,417,667
Lease Assets	-	-	-	-
Total accumulated depreciation/amortization	685,636,292	61,505,292	(7,531,882.00)	739,609,702
Total capital assets, being depreciated/amortized, net	1,236,158,082	93,275,375	(3,448,077.00)	1,325,985,380
Business-type activities capital assets, net	\$ 1,715,970,735	\$ 297,758,196	\$ (127,866,456.00)	\$ 1,885,862,475

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

Depreciation and amortization expense was charged to activities of funds/functions/programs as follows:

Governmental activities:	
General government	11,618,315
Public Safety	6,061,919
Public Works	12,043,921
Parks & Recreation	3,474,320
Capital assets held by the internal service funds are charged to the various functions based upon usage	6,281,975
Total amortization and depreciation expense - governmental activities	<u>\$ 39,480,450</u>
Business-type activities:	
Electric	\$ 26,025,998
Water	13,592,921
Wastewater	14,290,677
Solid Waste	6,352,429
Airport	1,243,267
Total amortization and depreciation expense - business-type activities	<u>\$ 61,505,292</u>

Construction commitments:

The City has several major construction/capital projects planned or in progress as of September 30, 2025. These projects are evidenced by contractual commitments with contractors and include:

Project	Spent-to-Date	Remaining Commitment
2019 Street Reconstruction - Neighborhood 2 & 6	\$ 59,492,590	\$ 3,727,511
Hickory Creek Road Realignment	29,775,222	27,994,270
Hickory Creek Substation Reconstruction	55,583,140	995,447
Bonnie Brae South Construction	48,519,685	5,160,465
Ray Roberts Water Treatment Plant Performance Upgrade	34,311,823	6,487,588
Pecan Creek Water Reclamation Plant Expansion to 26MGD	12,104,059	28,595,941
Bonnie Brae 2nd Arterial	16,749,928	19,990,920
Underwood Substation	19,459,500	3,926,578
FY 23/24 Transformers	17,762,603	4,818,122
Ray Roberts Water Treatment Plant Expansion 1 & 2	2,436,412	18,601,438
Regional Toll Revenue - McKinney (Formerly FM 426)	17,246,415	1,020,888
Mayhill Denton County Transit Authority Bridge	16,992,240	1,524,991
Loop 288 Property	13,652,440	3,073,722
Fire Station No 6	14,012,306	277,438
Hickory Creek Wastewater Treatment Plant	11,384,620	7,600
Milam Creek Basin Wastewater Line	3,190,691	7,275,790
	<u>\$ 372,673,674</u>	<u>\$ 133,478,709</u>

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

E. Interfund Receivables, Payables and Transfers

A summary of interfund receivables and payables (in thousands) at September 30, 2025, is as follows:

	Interfund Receivables:					
	Governmental Major Funds		Business-Type Major Funds			
	General Fund	Non-Major Governmental Funds	Electric	Water	Wastewater	Total
Interfund Payables:						
Non-Major Governmental Funds	\$ 354	\$ -	\$ -	\$ -	\$ -	\$ 354
Internal Service Funds	1,849	1,286	21,945	2,187	1,223	28,490
Total	\$ 2,203	\$ 1,286	\$ 21,945	\$ 2,187	\$ 1,223	\$ 28,844

The most significant interfund receivables and payables include the following:

<u>Interfund receivables</u>	<u>Interfund payables</u>	<u>Amount</u>
Electric fund	Internal service funds-materials management	\$ 21,945,369
Water fund	Internal service funds-materials management	2,186,986
General fund	Internal service funds-materials management	1,849,737
Non-Major Governmental Funds	Internal service funds-materials management	1,285,663
Wastewater fund	Internal service funds-materials management	1,222,698
General fund	Non-Major Governmental Funds	353,537
	Total:	\$ 28,843,990

The outstanding balances between Electric, Water, Wastewater, and General Fund related to the Materials Management Fund are a result of the cash position in the Materials Management Fund due to inventory purchases. The outstanding balance between the General Fund and the Non-Major Governmental Funds is due to reimbursement timing from outside sources.

Transfers between funds (in thousands) during the year were as follows:

	Transfers Out:										
	Governmental Major Funds			Business-Type Major Funds						Internal Service Funds	Total
	General Fund	Capital Projects Fund	Non-Major Governmental Funds	Electric Fund	Water Fund	Wastewater Fund	Solid Waste	Airport Fund	Internal Service Funds	Total	
Transfers In:											
Governmental Major Funds:											
General Fund	\$ -	\$ -	\$ 8	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8	
Debt Service Fund	-	-	-	-	-	-	-	752	-	752	
Capital Projects Fund	1,561	-	13,133	-	-	-	-	-	160	14,854	
Non-Major Governmental	-	-	-	1,143	565	418	-	-	-	2,126	
Electric Fund	7	-	-	-	165	-	-	-	-	172	
Water Fund	-	37	-	165	-	-	-	-	-	202	
Wastewater Fund	-	-	-	-	588	-	-	-	100	688	
Solid Waste Fund	-	-	79	-	-	-	-	-	78	157	
Internal Service Funds	-	-	-	-	51	12	4	-	-	67	
Total	\$ 1,568	\$ 37	\$ 13,220	\$ 1,308	\$ 1,369	\$ 430	\$ 4	\$ 752	\$ 338	\$ 19,026	

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

The most significant transfers include the following:

<u>Transfers from fund</u>	<u>Transfers to fund</u>	<u>Amount</u>
Non-Major Gov't	Capital Projects	\$ 13,133,291
Business-type Major Funds (Electric, Water, and Wastewater)	Non-Major Gov't – Street Improvement Fund	2,126,082
General Fund	Capital Projects	1,561,001
Business-type Major Funds - Airport	Debt Service Fund	751,656
	Total:	<u>\$ 17,572,030</u>

Transfers from the Non-Major Governmental Fund – Street Improvement Fund and from the General Fund were to fund capital projects such as streets, building renovations, equipment, and park improvements. Transfers from Other-Special Revenue Funds (SRF) were to fund road capital projects. Transfers from the Business-type Major Funds (Electric, Water, and Wastewater) to the Non-Major Governmental Fund – Street Improvement Fund were to fund street maintenance operations in the Street Improvements Fund. Transfers from Business-type Major Funds – Airport to the Debt Service Fund were to pay for Airport-related debt payments previously paid by property taxes.

F. Other Assets

In March 2010, the City issued Combination Tax & Electric Utility System Revenue Refunding Bonds, Series 2010 with a maturity of 15 years for prepaying certain contractual obligations to TMPA. The principal amount of the bonds was \$58,820,000 with a reoffering premium and other bond issuance costs of \$3,835,015 for a total of \$62,655,015. As the proceeds of this debt issuance were placed with Texas Municipal Power Agency (TMPA) and the City received an economic benefit over a period of years, an Other Asset was recorded in the Electric Fund Statement of Net Position in the amount of \$62,655,015. In September 2017, 37.9% of the unamortized balance of these Other Assets were impaired and recorded as a GASB 62 Regulatory Asset when TMPA reduced its power generation operations to seasonal. The remaining balance of the Other Assets were impaired and recorded as a GASB 62 Regulatory Asset in September 2019 upon TMPA's notification to ERCOT of the plan to retire and decommission the Gibbons Creek generation plant. The Regulatory asset is fully amortized as of September 30, 2025. See footnote V.E. for more information on TMPA.

In February 2021, the State of Texas experienced unprecedented freezing temperatures that put pressure on the availability of electric power (the "Weather Event"). Due to the high demand for power during this period and the limited availability of the power, the purchase price for power increased dramatically during this period. These energy price increases resulting in utilities, including the Electric Fund of the City of Denton, needing to access financial reserves to make payment to ERCOT for the power purchased necessary to service their customers. Due to the unparalleled dollar amount of the purchased power, the City of Denton issued \$140 million of commercial paper to provide temporary funding for immediate cash flow needs. In September 2021, the City issued \$141,990,000 of revenue refunding bonds to convert the outstanding commercial paper principal plus interest to debt to be paid over a period of 30 years. The Electric Fund recorded \$140,000,000 of this purchased power expense as a regulatory asset in Other Assets to be amortized over the period of 30 years, starting with fiscal year ending September 30, 2022.

Capitalized Interest-GASB Statement No. 89, "Accounting for Interest Cost incurred before the end of a Construction Period", was implemented in FY 2022 to eliminate interest associated with the construction of capital assets. As these interest costs add to the full capitalized costs associated with the plant and infrastructure assets and provide an economic benefit over a period of years, a regulatory asset was established to continue capitalized interest for the Electric Fund. The regulatory asset recorded additions totaling \$6,792,340 from FY's 2022-2024 and \$4,825,949 in FY 2025 with amortization occurring over the life of related assets to align with the recovery of costs through rates.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

To qualify to utilize GASB 62, the following must apply:

- The regulated business-type activity’s rate for regulated services provided to its customers are established by or are subject to approval of
- an independent, third-party regulator or by its own governing board empowered by statute or contract to establish rates that bind customers.
- The regulated rates are designed to recover the specific regulated business-type activity’s costs of providing the regulated services.

In view of the demand for the regulated services or products and the level of competition, direct and indirect, it is reasonable to assume that rates set at levels that will recover the regulated business-type activity costs can be charged to and collected from customers. This criterion requires consideration of anticipated changes in levels of demand or competition during the recovery period for any capitalized costs.

The City of Denton qualifies to utilize GASB 62 due to:

- State and local statues empower the City of Denton City Council to establish retail rates.
- The City of Denton specific costs are recovered through City of Denton retail rates.

Current and projected customer demand support the recovery of City of Denton cost of service.

	Balance at October 1, 2024	Increases	Amortization	Balance at September 30, 2025	Years Remaining
Regulatory Assets:					
2010 TMPA Obligation	\$ 2,088,510	\$ -	\$ 2,088,510	\$ -	0
2021 Weather Event	126,006,128	-	4,782,575	121,223,553	26
Capitalized Interest	6,500,155	4,825,949	212,936	11,113,168	4-40
Total Other Assets	<u>\$ 134,594,793</u>	<u>\$ 4,825,949</u>	<u>\$ 7,084,021</u>	<u>\$ 132,336,721</u>	

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

G. Long-term Debt

Long-term liabilities transactions for the year ended September 30, 2025, are summarized as follows below and on the following pages:

	Balance at October 1, 2024	Increases	Decreases	Balance at September 30, 2025	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 328,400,000	\$ 51,660,000	\$ 26,665,000	\$ 353,395,000	\$ 18,825,000
Certificates of obligation	193,855,000	31,345,000	15,610,000	209,590,000	16,135,000
Compensated absences payable	19,451,469	12,242,132	8,996,256	22,697,345	12,040,860
Claims and judgement payable	9,201,570	30,356,318	30,161,035	9,396,853	3,004,453
Net pension liability	78,842,512	-	17,272,358	61,570,154	-
Other post employment benefits	34,172,930	1,685,564	-	35,858,494	790,397
Leases liability	173,686	-	78,205	95,481	-
Right-to-use liability	5,277,849	4,559,376	-	9,837,225	4,086,021
Unamortized premium/(discounts)	38,270,941	5,481,031	4,802,741	38,949,231	4,425,002
Total governmental activities long-term liabilities	<u>\$ 707,645,957</u>	<u>\$ 137,329,421</u>	<u>\$ 103,585,595</u>	<u>\$ 741,389,783</u>	<u>\$ 59,306,733</u>
Business-type Activities:					
Revenue bonds	\$ 339,010,000	\$ 10,135,000	\$ 19,075,000	\$ 330,070,000	\$ 20,045,000
General obligation bonds	124,070,000	26,660,000	18,450,000	132,280,000	14,330,000
Certificates of obligation	689,255,000	201,300,000	51,190,000	839,365,000	28,670,000
Compensated absences payable	3,679,955	6,364,439	2,921,003	7,123,391	5,898,580
Net pension liability	31,964,439	-	5,639,928	26,324,511	-
Other post employment benefits	15,626,950	677,100	-	16,304,050	338,501
Notes payable	7,500,000	-	7,500,000	-	-
Right-to-use liability	4,739,302	-	1,585,662	3,153,640	2,647,909
Landfill closure/post-closure	13,145,325	1,152,911	-	14,298,236	-
Unamortized premium/(discounts)	66,772,551	14,256,333	9,207,090	71,821,794	8,528,081
Total business-type activities	<u>1,295,763,522</u>	<u>260,545,783</u>	<u>115,568,683</u>	<u>1,440,740,622</u>	<u>80,458,071</u>
Total long-term liabilities	<u>\$ 2,003,409,479</u>	<u>\$ 397,875,204</u>	<u>\$ 219,154,278</u>	<u>\$ 2,182,130,405</u>	<u>\$ 139,764,804</u>

For Internal Service funds, long-term liabilities are included as part of the above totals for governmental activities. Compensated absences payables and net pension liability balances and payments are based on the assignment of an employee within a fund. Other postemployment benefits are liquidated from the Health Insurance internal service fund with the retiree subsidy amounts paid predominantly by the General Fund. Claims payable represent an estimate of self-insured claims liability outstanding in the Health Insurance and Risk Retention internal service funds as well as one possible litigation payable in the Electric Fund. Subscription-Based IT Arrangements (SBITA) and Lease liabilities represent GASB 96 and GASB 87 entries, respectively.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

General Bonded Debt - General bonded debt at September 30, 2025, is comprised of the following:

General Obligation Bonds and Certificates of Obligation Debt	Interest Rate (%)	Issue Date	Final Maturity	Original Amount of Issue	Gross Principle Outstanding at September 30, 2025
General obligation refunding	2.0 to 3.5	2014	2034	\$ 7,165,000	\$ 2,130,000
General obligation refunding	3.0 to 5.0	2015	2035	36,110,000	6,265,000
General obligation refunding	3.0 to 5.0	2016	2036	27,635,000	14,010,000
General obligation refunding	3.0 to 5.0	2017	2037	27,825,000	11,360,000
General obligation	3.0 to 5.0	2018	2038	19,235,000	14,315,000
General obligation refunding	3.0 to 5.0	2019	2039	18,015,000	14,045,000
General obligation refunding	2.0 to 5.0	2020	2040	27,675,000	21,705,000
General obligation refunding	2.0 to 5.0	2020A	2031	1,415,000	905,000
General obligation	2.0 to 5.0	2021	2041	54,710,000	46,985,000
General obligation	4.0 to 5.0	2022	2042	57,805,000	50,565,000
General obligation	4.0 to 5.0	2023	2043	40,485,000	36,240,000
General obligation	4.0 to 5.0	2024	2044	85,380,000	83,210,000
General obligation	4.0 to 5.0	2025	2045	51,660,000	51,660,000
Total general obligation bonds				\$ 455,115,000	\$ 353,395,000
Certificates of obligation	2.0 to 5.0	2014	2034	\$ 8,635,000	\$ 355,000
Certificates of obligation	2.0 to 5.0	2015	2035	7,420,000	-
Certificates of obligation	3.0 to 5.0	2016	2036	7,190,000	2,325,000
Certificates of obligation	3.0 to 5.0	2017	2037	17,000,000	6,320,000
Certificates of obligation	3.0 to 5.0	2018	2038	9,555,000	4,270,000
Certificates of obligation	3.375 to 5.0	2018	2038	28,170,000	19,595,000
Certificates of obligation	3.0 to 5.0	2019	2039	9,390,000	3,510,000
Certificates of obligation	2.0 to 5.0	2020	2040	24,020,000	17,360,000
Certificates of obligation	2.0 to 5.0	2021	2041	24,735,000	18,670,000
Certificates of obligation	4.0 to 5.0	2022	2044	12,565,000	9,125,000
Certificates of obligation	4.0 to 5.0	2023	2044	31,160,000	27,270,000
Certificates of obligation	4.0 to 5.0	2024	2044	73,270,000	69,445,000
Certificates of obligation	4.0 to 5.0	2025	2045	31,345,000	31,345,000
Total certificates of obligation				284,455,000	209,590,000
Total general bonded debt				\$ 739,570,000	\$ 562,985,000

[These amounts do not include net unamortized premiums/ (discounts) of \$38,949,231 nor net deferred gain/ (loss) on refunding of (\$476,150).]

Proceeds of general obligation bonded debt are restricted to the uses for which they were approved in the bond elections or, in the case of a refunding issuance, to the uses for which the certificates of obligation were originally issued. The City Charter expressly prohibits the use of bond proceeds to fund operating expenses. The general obligations are collateralized by the full faith and credit of the City and, primarily, payable from property taxes.

In August 2025, the City issued \$78,320,000 (\$26,660,000 of which is included as part of business-type activities) in general obligation refunding bonds. Of this amount, \$51,660,000 was issued to pay the costs of bond election capital improvements for streets, parks, and public safety projects in the Capital Projects fund.

In August 2025, the City issued \$232,645,000 (\$201,300,000 of which is included as part of business-type activities) in certificates of obligation. The debt was issued to pay the costs of various capital improvements in the Capital Projects Fund (\$30,145,000), the Electric Fund (\$42,230,000), the Water Fund (\$75,435,000), the Wastewater Fund (\$73,075,000), the Technology Services Fund (\$1,650,000), the Solid Waste Fund (\$10,560,000), and the Fleet Fund (\$925,000).

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

In June 2025, the City issued \$10,135,000 in utility system bonds, all in the Water fund. The debt was issued to acquire, construct, and equip extensions, renovation and improvements to the waterworks system, including the renovation and expansion of the Lake Ray Roberts Treatment Plant.

On September 30, 2025, the City had no general obligation bonds or certificates of obligation considered defeased but still outstanding.

Business-type Revenue Bonds – Revenue bond debt at September 30, 2025, is comprised of the following issues:

Revenue Bonds	Interest Rate (%)	Issue Date	Final Maturity	Original Amount of Issue	Gross Principle Outstanding at September 30, 2025
Utility system	3.25 to 5.0	2017	2037	\$ 214,890,000	\$ 163,165,000
Utility system Refunding	0.27 to 2.7	2021	2051	141,990,000	131,050,000
Utility system	5.27	2024	2028	31,395,000	25,720,000
TWDB	1.99 to 3.54	2025	2050	10,135,000	10,135,000
Total revenue bonds				\$ 398,410,000	\$ 330,070,000

[These amounts do not include net unamortized premiums/ (discounts) of \$12,761,529.]

The revenue bonds are collateralized by the revenue of the Denton utility system funds (System) and the related interest and sinking fund. The ordinance provides that the revenue of the System is to be used first to pay operating and maintenance expenses of the System and second to establish and maintain the revenue bond funds. Any remaining revenues may then be used for any lawful purpose. The ordinance also contains provisions, which among other items restrict the issuance of additional revenue bonds unless certain financial ratios are met. Management believes the City is in compliance with all significant requirements. The interest and sinking fund had a net position balance of \$23,357,305 as of September 30, 2025, and is restricted for debt service. On September 30, 2025, the City had no revenue bonds considered defeased but still outstanding.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

Business-type General Obligation Bonds and Certificates of Obligation – General obligation bonds and certificates of obligation issued for electric, water, wastewater, and solid waste funds at September 30, 2025, is comprised of the following:

General Obligation Bonds and Certificates of Obligation Debt	Interest Rate (%)	Issue Date	Final Maturity	Original Amount of Issue	Gross Principle Outstanding at September 30, 2025
General obligation refunding	3.0 to 5.0	2014A	2025	\$ 27,155,000	\$ -
General obligation refunding	3.0 to 5.0	2015	2035	1,530,000	130,000
General obligation refunding	4.0 to 5.0	2015A	2026	33,945,000	325,000
General obligation refunding	3.0 to 5.0	2016	2028	1,295,000	370,000
General obligation refunding	3.0 to 5.0	2016A	2030	38,425,000	14,365,000
General obligation refunding	3.0 to 5.0	2019	2039	26,325,000	-
General obligation refunding	2.0 to 5.0	2020	2040	34,405,000	15,185,000
General obligation refunding	2.0 to 5.0	2020A	2031	12,735,000	8,120,000
General obligation refunding	4.0 to 5.0	2022	2042	13,480,000	8,315,000
General obligation refunding	4.0 to 5.0	2023	2043	32,140,000	26,560,000
General obligation refunding	4.0 to 5.0	2024	2044	32,250,000	32,250,000
General obligation refunding	4.0 to 5.0	2025	2045	26,660,000	26,660,000
Total general obligation bonds				<u>\$ 280,345,000</u>	<u>\$ 132,280,000</u>
Certificates of obligation	2.0 to 5.0	2014	2044	\$ 80,545,000	\$ 17,750,000
Certificates of obligation	2.0 to 5.0	2015	2045	85,595,000	31,900,000
Certificates of obligation	3.0 to 5.0	2016	2046	76,115,000	54,845,000
Certificates of obligation	3.0 to 5.0	2017	2047	73,800,000	53,260,000
Certificates of obligation	3.375 to 5.0	2018	2028	1,375,000	480,000
Certificates of obligation	3.0 to 5.0	2019	2049	19,365,000	15,770,000
Certificates of obligation	2.0 to 5.0	2020	2050	34,060,000	29,775,000
Certificates of obligation	2.0 to 5.0	2021	2041	72,300,000	64,295,000
Certificates of obligation	4.0 to 5.0	2022	2044	99,590,000	91,975,000
Certificates of obligation	4.0 to 5.0	2023	2044	117,980,000	112,655,000
Certificates of obligation	4.0 to 5.0	2024	2044	169,520,000	165,360,000
Certificates of obligation	4.0 to 5.0	2025	2045	201,300,000	201,300,000
Total certificates of obligation				<u>1,031,545,000</u>	<u>839,365,000</u>
Total business-type G.O./C.O. bonds				<u>\$ 1,311,890,000</u>	<u>\$ 971,645,000</u>

[These amounts do not include net unamortized premiums/ (discounts) of \$59,060,265 nor net deferred gain/ (loss) on refunding of (\$1,393,799)]

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

Schedule of Long-term Debt Maturities

Aggregate maturities of the long-term debt (principal and interest) for the years after September 30, 2025, are shown below:

Governmental Activities:

Fiscal Year	General Obligation		Certificates of Obligation		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 18,825,000	\$ 14,422,481	\$ 16,135,000	\$ 8,887,906	\$ 34,960,000	\$ 23,310,387
2027	19,310,000	13,651,031	15,575,000	8,163,044	34,885,000	21,814,075
2028	18,700,000	12,780,600	14,980,000	7,401,294	33,680,000	20,181,894
2029	18,415,000	11,909,303	13,935,000	6,683,194	32,350,000	18,592,497
2030	19,305,000	11,030,319	12,770,000	6,028,219	32,075,000	17,058,538
2031-2035	104,185,000	42,107,772	57,715,000	22,068,985	161,900,000	64,176,757
2036-2040	98,305,000	21,382,809	49,830,000	10,929,069	148,135,000	32,311,878
2041-2045	56,350,000	4,587,113	28,650,000	2,505,588	85,000,000	7,092,701
2046-2053	-	-	-	-	-	-
Total	\$ 353,395,000	\$ 131,871,428	\$ 209,590,000	\$ 72,667,299	\$ 562,985,000	\$ 204,538,727

Business-Type Activities:

Fiscal Year	General Obligation		Certificates of Obligation		Revenue		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 14,330,000	\$ 6,020,994	\$ 28,670,000	\$ 35,794,565	\$ 20,045,000	\$ 13,111,363	\$ 63,045,000	\$ 54,926,92
2027	16,680,000	5,324,000	26,940,000	34,758,556	20,915,000	12,446,156	64,535,000	52,528,71
2028	16,070,000	4,541,350	27,910,000	33,387,306	21,860,000	11,495,736	65,840,000	49,424,39
2029	15,710,000	3,780,200	28,890,000	31,967,306	22,860,000	10,489,530	67,460,000	46,237,03
2030	16,595,000	3,010,075	29,930,000	30,511,031	16,595,000	9,619,746	63,120,000	43,140,85
2031-2035	43,640,000	6,856,500	167,530,000	129,973,457	94,600,000	36,396,168	305,770,000	173,226,12
2036-2040	9,255,000	960,125	208,500,000	88,686,231	59,715,000	16,883,694	277,470,000	106,530,05
2041-2045	-	-	215,445,000	41,472,497	29,415,000	10,757,919	244,860,000	52,230,41
2046-2050	-	-	68,365,000	13,775,306	34,450,000	5,336,236	102,815,000	19,111,54
2051-2055	-	-	37,185,000	2,967,663	9,615,000	783,564	46,800,000	\$ 3,751,22
Total	\$ 132,280,000	\$ 30,493,244	\$ 839,365,000	\$ 443,293,918	\$ 330,070,000	\$ 127,320,112	\$ 1,301,715,000	\$ 601,107,27

[These amounts do not include net unamortized premiums/ (discounts) of \$110,772,919 nor net deferred gain/ (loss) on refunding of (\$1,869,949).]

Bonds Authorized and Unissued

General obligation bonds authorized but unissued as of September 30, 2025, amounted to \$213,625,000. When issued, the proceeds will be allocated to the applicable street, drainage, public safety, affordable housing, library, and parks projects.

All bonds were issued publicly through negotiated or competitive terms. There is a direct placement of \$10,135,000 through Texas Water Development Board. There is no acceleration of maturity of the bonds in the event of default, and the City has never defaulted on the payment of bonds.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

H. Landfill Closure and Post-Closure Cost

State and federal laws and regulations require the City to place a final cover on its Mayhill Road landfill site upon closure and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only upon anticipated closure, the City reports a portion of these costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. Based on an updated model created by a 2022 engineering study, total landfill closure and post-closure cost as of September 30, 2025, was \$58,239,177. The \$14,298,236 reported as landfill closure and post-closure care liability as of September 30, 2025, is a \$1,152,911 increase from the \$13,145,325 liability reported on September 30, 2024. This liability represents the cumulative amount incurred to date based on the use of 24.55% of the estimated capacity of the entire landfill at September 30, 2025. The change in estimated capacity decreased due to the remaining life increasing from updated Permit 1590B approval in August 2021.

Based on this estimate, the remaining potential estimated liability for closure and post-closure care of the entire landfill \$43,940,941. The City will recognize the remaining estimated cost of closure and post-closure care as the remaining capacity is filled. These amounts are based on what it would cost to perform closure and post-closure care in 2025. Actual cost may fluctuate due to inflation, changes in technology, or changes in regulations. The landfill has a remaining life of 31 years, and the City expects to close the landfill in fiscal year 2056.

The solid waste fund has provided for a reservation and designation of cash and investments of \$16,943,647 at September 30, 2025, and anticipates increasing the reserve in future periods as the closure and post-closure activities are carried out.

I. Leases

The City is a lessor in various non-cancelable leases of land, building, and equipment. During fiscal year 2025, the City recognized \$255,461 in lease revenue and \$50,602 in interest revenue.

As of September 30, 2025, the City's lease receivable balance of \$3,187,515 was comprised of the following:

Governmental Activities

One equipment lease with rents received totaling in \$159,652 during the fiscal year 2025, at an interest rate of .582%, with a remaining lease term of 2 years	159,652
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Four land leases with rents received totaling \$858,211 during the fiscal year 2025, at an interest rate of 1.882% with remaining lease terms of 43 years	858,211
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Business-type Activities

Various land leases with rents received totaling \$141,222 during the fiscal year 2025, at an interest rate of 1.473% to 3.053% to with remaining lease terms ranging from 10 to 45 years	2,169,652
	\$ 3,187,515

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

The lease receivables are expected to be received in subsequent years as follows:

Fiscal Year	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2026	\$ 114,464	\$ 17,556	\$ 176,181	\$ 32,558
2027	67,620	16,966	176,181	30,041
2028	34,160	16,718	176,181	27,477
2029	36,437	16,484	176,181	24,865
2030	36,644	16,220	176,181	22,203
2031-2035	106,562	79,305	859,064	69,683
2036-2040	115,800	76,473	175,603	30,610
2041-2044	506,177	262,215	254,080	19,198
	<u>\$ 1,017,864</u>	<u>\$ 501,937</u>	<u>\$ 2,169,652</u>	<u>\$ 256,635</u>

The City has various aeronautical leasing agreements for land leases (54 agreements, 5 Licenses, 72 buildings) and hangar space (27) at Denton Enterprise Airport. These qualify as regulated leases and are not included in the measurement of lease receivables, in accordance with the requirements of GASB Statement No. 87. The City recognized \$1,001,746 (Land Lease) and \$185,100 (Hangar Lease) in lease revenue during fiscal year 2025 for these leases, which have CPI increases that range from 1-5 years, dependent on the lease terms ranging from 1-30 years, with some leases having additional options that range from 5-20 years. As of October 1, 2025, the minimum payments expected to be received over the next five years is shown in the table below:

Fiscal Year	Amount
2026	\$ 1,231,598
2027	1,262,552
2028	1,344,385
2029	1,377,224
2030	1,418,541
	<u>\$ 6,407,607</u>

Additionally, on January 1, 2023, City of Denton, TX entered a 48-month lease as Lessee for the use of Employee Health Clinic. An initial lease liability was recorded in the amount of \$300,845. As of September 30, 2025, the value of the lease liability is \$95,481. The City of Denton, TX is required to make monthly fixed payments of \$6,018. The lease has an interest rate of 0.2130%. The value of the right to use asset as of September 30, 2025, of \$300,845 with accumulated amortization of \$205,364. The City has one extension option(s), each for 12 months.

J. Subscription-Based Information Technology Agreements (SBITA)

The City entered into SBITA contracts involving various desktop and server software, electronic workflows and document management software along with other departmental specific operations management systems to assist in operations. As of September 30, 2025, all SBITA have fixed, periodic, payments over the subscription periods, which range from 1 to 4 years and expire no later than fiscal year 2029. In addition, some of these agreements are cancelable with 30 or 60-day notice. There are no commitments or

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

outflows of resources related to SBITA that are not yet effective. The short-term portion, due within one year, totals \$4,086,021 for Governmental Funds and \$2,647,909 for Business-type Funds.

The future subscription payments as of September 30, 2025, are as follows:

Fiscal Year	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2026	\$ 4,086,021	\$130,644	\$ 2,647,909	\$ 46,850
2027	1,917,068	130,644	168,577	46,850
2028	1,917,068	130,644	168,577	46,850
2029	1,917,068	130,644	168,577	46,850
	<u>\$ 9,837,225</u>	<u>\$522,576</u>	<u>\$ 3,153,640</u>	<u>\$187,400</u>

V. OTHER INFORMATION

A. Pension Plans

Employee Retirement Plans

The City of Denton participates in two pension plans; Texas Municipal Retirement System (TMRS), an agent multiple-employer, traditional, joint contributory, hybrid, defined benefit pension plan; and the Denton Firemen's Relief and Retirement Fund (FRRF), a single employer, contributory, defined benefit plan. Both plans are described in detail below. Aggregate amounts for the two pension plans are as follows:

	TMRS	FRRF	Total
Pension liability	\$ 726,035,642	\$ 177,904,171	\$ 903,939,813
Pension assets	648,100,639	167,944,509	816,045,148
Net pension liability	\$ 77,935,003	\$ 9,959,662	\$ 87,894,665
Deferred outflows of resources	\$ 30,143,664	\$ 13,428,323	\$ 43,571,987
Deferred inflows of resources	9,074,675	636,846	9,711,521
Pension expense	27,338,796	3,431,009	30,769,805

Texas Municipal Retirement Plan

Plan Description

The City of Denton participates as one of 901 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of the System with a six-member, Governor-appointed board of trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available annual comprehensive financial report obtainable at www.tmr.com. All eligible employees of the city are required to participate in TMRS.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the employee's benefit is calculated based on the sum of the employee's contributions with interest, and the city-financed monetary credits with interest. Employees may choose to receive their

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

retirement benefit in one of seven payment options. Employees may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the employee's deposits and interest.

Upon retirement, the employee's retirement benefits are calculated based on the sum of the employee's contributions, with interest, and the City-financed monetary credits, with interest. City-financed monetary credits are composed of three sources: prior service credits, current service credits, and updated service credits.

- Prior service credit, granted by each city joining TMRS, is a monetary credit equal to the accumulated value of the percentage of prior service credit selected by the City, multiplied by an employee's contributions that would have been made, based on the average salary prior to TMRS participation, for the number of months the employee was employed by the City before joining TMRS, accruing 3% annual interest and including the matching ratio adopted by the City.
- Current Service Credit is a monetary credit for service performed by an employee after the City joined TMRS and is based on a percentage (200%) of the employee's total contributions and interest credits (commonly referred to as the City's matching ratio). Each participating city designates the rate the employee contributions (7% for the City) and interest is credited on contribution balances annually at a guaranteed minimum 5% rate. Any change in the matching ratio would be applied prospectively.
- Updated Service Credits (USC) is an optional monetary credit granted on an annually repeated basis by the City, and it may increase an employee's monthly retirement benefit. In calculating USC, TMRS looks at the changes in the employees' salary over their career and any changes the City has made to its TMRS plan, such as the employee contribution rate or the City's matching ratio. Although USC may increase the employee's retirement benefit, USC does not affect the amount of contributions in an employee's account or the amount an employee will receive if they refund.

The plan provisions also include an annually repeating basis cost of living adjustments for retirees equal to 70% of the change in the consumer price index. If an employee terminates employment and refunds their account, the employee will receive their total contributions, plus credited interest. The employee will not receive any of the city-financed monetary credits. An employee can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after five years.

Employees Covered by Benefit Terms

At the December 31, 2024, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	957
Inactive employees entitled to but not yet receiving benefits	975
Active employees	<u>1,520</u>
Total	3,452

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the City Council. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 18.15% and 18.94% in calendar years 2024 and 2025, respectively. The City's contributions to TMRS for the year ended September 30, 2025, were \$25,761,959 and were equal to the required contributions.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2024, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB (10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the gender-distinct 2021 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate are applied for males and females, respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014, to December 31, 2018. They were adopted in 2019 and first used in December 31, 2019, actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2024 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35%	7.1%
Core Fixed Income	6%	5.0%
Non-Core Fixed Income	6%	6.8%
Hedge Funds	5%	6.4%
Private Equity	13%	8.5%
Private Debt	13%	8.2%
Real Estate	12%	6.7%
Infrastructure	6%	6.0%
Other Private Markets	4%	7.3%
Total	100%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2023	\$ 678,975,184	\$ 583,428,852	\$ 95,546,332
Changes for the year:			
Service cost	25,133,454	-	25,133,454
Interest	45,632,055	-	45,632,055
Change of benefit terms	-	-	-
Difference between expected and actual experience	7,317,890	-	7,317,890
Changes of assumptions	-	-	-
Contributions - employer	-	25,761,959	(25,761,959)
Contributions - employee	-	9,666,319	(9,666,319)
Net investment income	-	60,664,328	(60,664,328)
Benefit payments, including refunds of employee contributions	(31,022,941)	(31,022,941)	-
Administrative expense	-	(388,785)	388,785
Other changes	-	(9,093)	9,093
Net changes	47,060,458	64,671,787	(17,611,329)
Balance at 12/31/2024	\$ 726,035,642	\$ 648,100,639	\$ 77,935,003

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percent-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Current Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 182,263,273	\$ 77,935,003	\$ (7,355,448)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Change in Fiduciary Net Position, by Participating City, separately issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2025, the City recognized pension expense of \$27,338,796. This amount is included as part of personal services expenses.

At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to TMRS pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual investment earnings	\$ -	\$ 6,852,939
Contributions subsequent to the measurement date	19,343,268	-
Differences between expected and actual economic experience	10,800,396	-
Difference in assumption changes	-	2,221,736
Total	<u>\$ 30,143,664</u>	<u>\$ 9,074,675</u>

As reported as deferred outflows of resources, \$19,343,268 is related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the City's fiscal year ending September 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense (income) as follows:

<u>For the Year Ended September 30,</u>	<u>Net Deferred Outflows/Inflows)</u>
2026	\$ 4,683,041
2027	8,712,507
2028	(7,521,397)
2029	(4,148,430)
Total	<u>\$ 1,725,721</u>

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

Denton Firemen's Relief and Retirement Plan

Plan Description

The City contributes to the retirement plan for firefighters in the Denton Fire Department known as the Denton Firemen's Relief and Retirement Fund (the Fund). The Fund is a single employer, contributory, defined benefit plan. The benefit provisions of the Fund are authorized by the Texas Local Fire Fighters' Retirement Act (TLFFRA). TLFFRA provides the authority and procedure to amend benefit provisions. The plan is administered by the Board of Trustees of the Denton Firemen's Relief and Retirement Fund. The City does not have access to nor can it utilize assets within the retirement plan trust. The Fund issues a stand-alone report pursuant to GASB Statement No. 67, which may be obtained by writing the Denton Firemen's Relief and Retirement Fund at P.O. Box 2375, Denton, Texas 76202. See that report for all information about the plan fiduciary net position.

Benefits Provided

Firefighters in the Denton Fire Department are covered by the Denton Firemen's Relief and Retirement Fund which provides service retirement, death, disability, and withdrawal benefits. These benefits are fully vested after 20 years of credited service. Firefighters may retire at age 50 with 20 years of service. A partially vested benefit is provided for firefighters who terminate employment with at least 10 but less than 20 years of service. If a terminated firefighter has a partially vested benefit, the firefighter may retire starting on the date they would have both completed 20 years of service if they had remained a Denton firefighter and attained age 50. The present plan provides a monthly normal service retirement benefit, payable in a Joint and Two-Thirds to Spouse form of annuity, equal to 2.59% of Highest 36-Month Average Salary for each year of service.

A retiring firefighter who is at least age 52 with at least 22 years of service has the option to elect the Retroactive Deferred Retirement Option Plan (RETRO DROP) which will provide a lump sum benefit and a reduced monthly benefit. The reduced monthly benefit is based on the service and Highest 36-Month Average Salary as if the firefighter had terminated employment on their selected RETRO DROP benefit calculation date, which is no earlier than the later of the date the firefighter meets the age 52 and 22 years of service requirements and the date four years prior to the date the firefighter actually retires. Upon retirement, the employee will receive, in addition to the monthly retirement benefit, a lump sum equal to the sum of (1) the amount of monthly contributions the member has made to the Fund after the RETRO DROP benefit calculation date plus (2) the total of the monthly retirement benefits the member would have received between the RETRO DROP benefit calculation date and the date retired under the plan. There are no account balances. The lump sum is calculated at the time of retirement and distributed as soon as administratively possible.

There is no provision for automatic postretirement benefit increases. The Fund has the authority to provide, and has periodically in the past provided, ad hoc post-retirement benefit increases.

Employees Covered by Benefit Terms

In the December 31, 2023, actuarial valuation, the following numbers of members were covered by the Fund:

Inactive employees or beneficiaries currently receiving benefits	96
Inactive employees entitled to but not yet receiving benefits	8
Active employees	236
Total	340

Contributions

The contribution provisions of the Fund are authorized by TLFFRA. TLFFRA provides the authority and procedure to change the amount of contributions determined as a percentage of pay by each firefighter and a percentage of payroll by the City.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

The contribution policy of the Denton Firemen's Relief and Retirement Fund requires contributions equal to 12.6% of pay by the firefighters, the rate elected by the firefighters according to TLFFRA. The City began contributing in December 2017 according to a new City funding policy. The ordinance defining it includes an actuarially determined contribution rate over a closed 25-year amortization period, a contribution rate of 18.5% for several years, a minimum rate standard, and City review and approval of each actuarial valuation. December 31, 2023, actuarial valuation includes the assumption that the City contribution rate will be 18.5% over the unfunded liability amortization period. The costs of administering the plan are paid from the Fund assets. The City's contributions to the Fund for the year ended September 30, 2025, were \$6,136,743.

Ultimately, the funding policy also depends upon the total return of the Fund's assets, which varies from year to year. Investment policy decisions are established and maintained by the board of trustees. For the calendar year ending December 31, 2024, the money-weighted rate of return on pension plan investments was 8.61%. This measurement of the investment performance is net of investment-related expenses, reflecting the effect of the timing of the contributions received and the benefits paid during the year.

While the contribution requirements are not actuarially determined, state law requires that each change in plan benefits adopted by the Fund must first be approved by an eligible actuary, certifying the contribution commitment by the firefighters and the assumed city contribution rate together provide an adequate contribution arrangement. Using the entry age actuarial cost method, the plan's normal cost contribution rate is determined as a percentage of payroll. The excess of the total contribution rate over the normal cost contribution rate is used to amortize the plan's unfunded actuarial accrued liability (UAAL). The number of years needed to amortize the plan's UAAL is actuarially determined using an open, level percentage of payroll method.

Net Pension Liability

The City of Denton's net pension liability was measured as of December 31, 2024, and the total pension liability used to calculate the net pension liability was determined based actuarial valuation as of December 31, 2023, and rolled forward to December 31, 2024.

Total pension liability	\$ 177,904,171
Plan fiduciary net position	<u>167,944,509</u>
City's net pension liability	\$ 9,959,662
 Plan fiduciary net position as a percentage of the total pension liability	 94.4%

Actuarial Assumptions

The total pension liability in December 31, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.00%, plus promotion, step and longevity increases that vary by service
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS-2010 (public safety) total dataset mortality tables employees and for retirees (sex distinct), projected for mortality improvement generationally using the projection scale MP-2019.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

The long-term expected rate of return on pension plan investments is reviewed for each biennial actuarial valuation and was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future net real rates of return by the target asset allocation percentage (currently resulting in 4.96%) and by adding expected inflation (2.5%). In addition, the final 6.75% assumption was selected by rounding down and thereby reflects a reduction of 0.71% for adverse deviation.

The target allocation and expected arithmetic net real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Equities		
Large Cap Domestic	40.0%	6.00%
Small/Mid Cap Domestic	10.0%	6.50%
International Developed	10.0%	6.50%
Alternatives		
Master Limited Partnerships	8.0%	6.50%
Real Estate	15.0%	4.00%
Fixed Income	15.0%	1.00%
Cash	2.0%	0.00%
Total	100.0%	
Weighted Average		4.96%

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. No projection of cash flows was used to determine the discount rate because December 31, 2023, actuarial valuation showed expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in seven years. Because of the seven-year amortization period of the UAAL, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments of 6.75% was applied to all periods of projected benefit payments as the discount rate to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City of Denton, calculated using the discount rate of 6.75%, as well as what the city's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Current Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 32,931,528	\$ 9,959,662	\$ (9,155,259)

Pension Plan Fiduciary Net Position

The plan fiduciary net position reported above is the same as reported by the Fund. Detailed information about the plan fiduciary net position is available in the Fund's separately issued audited financial statements, which are reported using the economic resources measurement focus and the accrual basis of accounting in

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

conformity with accounting principles generally accepted in the United States of America. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Investments are reported at fair value, the price that would be recognized to sell an asset in an orderly transaction between market participants at the measurement date.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2024	\$ 167,333,614	\$ 152,072,995	\$ 15,260,619
Changes for the year:			
Service cost	6,063,143	-	6,063,143
Interest	11,469,317	-	11,469,317
Change of benefit terms	-	-	-
Difference between expected and actual experience	-	-	-
Contributions - employer	-	5,846,904	(5,846,904)
Contributions - employee	-	3,889,705	(3,889,705)
Net investment income	-	13,206,709	(13,206,709)
Benefit payments, including refunds of employee contributions	(6,961,903)	(6,961,903)	-
Administrative expense	-	(109,901)	109,901
Net changes	10,570,557	15,871,514	(5,300,957)
Balance at 12/31/2025	<u>\$ 177,904,171</u>	<u>\$ 167,944,509</u>	<u>\$ 9,959,662</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2025, the City recognized a pension expense of \$3,431,009. Amounts recognized in the fiscal year represent changes between the current and prior year measurement dates. On September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to the Fund from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual investment earnings	\$ -	\$ 636,846
Contributions subsequent to the measurement date	4,478,547	-
Differences between expected and actual economic experience	7,682,485	-
Difference in assumption changes	1,267,291	-
Total	<u>\$ 13,428,323</u>	<u>\$ 636,846</u>

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$4,478,547 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2025, and the City's fiscal year ending September 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense (income) as follows:

For the Year Ended September 30,	Net Deferred Outflows/(Inflows)
2026	\$ 1,065,863
2027	3,645,280
2028	295,193
2029	734,679
2030	1,048,277
Thereafter	1,523,638
Total	\$ 8,312,930

B. Post-employment Benefits Other than Pensions (OPEB)

The City of Denton provides for two post-employment benefit (OPEB) plans; one provides for post-employment medical care through a single-employer defined benefit medical plan (Medical OPEB), and the other is the Texas Municipal Retirement System Supplemental Death Benefits Fund (TMRS SDBF), a single-employer defined benefit OPEB plan. Both plans are described in detail below.

Aggregate amounts for the two OPEB plans are as follows:

	Medical OPEB	TMRS SDBF	Total
OPEB liability	\$ 46,919,770	\$ 4,113,881	\$ 51,033,651
OPEB assets	-	-	-
Total OPEB liability	\$ 46,919,770	\$ 4,113,881	\$ 51,033,651
Deferred outflows of resources	\$ 6,270,276	\$ 648,252	\$ 6,918,528
Deferred inflows of resources	(11,008,086)	(1,202,444)	(12,210,530)
OPEB expense	3,717,424	183,507	3,900,931

Medical Benefits

Plan Description

The City of Denton provides post-employment medical care (OPEB) for retired employees through a single employer defined benefit medical plan. The plan provides medical benefits for eligible retirees, their spouses, and dependents through the City's group health insurance plans, which covers both active and retired members. The benefits, benefit levels, and contribution rates are recommended annually by the City management as part of the budget process. Any changes in rate subsidies for retirees are approved by the City Council. Since an irrevocable trust has not been established, the plan is not accounted for as a trust fund. The plan does not issue a separate financial report.

Benefits Provided

The City provides post-employment medical, dental, and vision care benefits to its retirees. To be eligible for benefits, an employee must qualify for retirement under the Texas Municipal Retirement System or the Denton Firemen's Relief and Retirement Plan. Retirees must make a one-time irrevocable decision to choose

**CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025**

benefits at the time of retirement, after that their eligibility for the benefits ceases. However, retirees can move between plans and can add and drop dependents based on qualifying events.

All medical care benefits are provided through the City’s self-insured health plan. The benefit levels are the same as those afforded to active employees.

Employees Covered by the Benefit Terms

In the December 31, 2024, actuarial valuation, the following number of employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	247
Active employees	<u>1,689</u>
Total	1,936

Funding Policy

The plan premium rates are recommended annually by City management and approved by the City Council as part of the annual budget. The retiree’s contribution is the full amount of the actuarially determined blended premium rate less a subsidy dependent upon years of service at retirement. By providing retirees with access to the City’s healthcare plans based on the same rates it charges to active employees, the City is in effect providing a subsidy to retirees. This implied subsidy exists because, on average, retiree health care costs are higher than active employee healthcare costs. By not contributing anything toward this plan in advance, the City employs a pay-as-you-go method through paying the higher rate for active employees each year. The City contributes \$40 per month for each five-year increment of service, up to \$200 per month, toward the cost of retiree coverage. The full cost for dental and vision is paid by the retiree. Retirees are required to enroll in Medicare Part B once eligible (age 65) and are moved into a fully insured Medicare Supplement plan at that time. The same City contribution level applies to the supplement.

Medical OPEB Liability

The City’s medical OPEB liability of \$46,919,770 was measured as of December 31, 2024, the same date as the actuarial valuation.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

Actuarial Methods and Assumptions

The medical OPEB liability in the December 31, 2024, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement date, unless otherwise specified.

Significant method and assumptions used for this fiscal year valuation were as follows:

Actuarial Assumptions

Valuation date	December 31, 2023
Actuarial cost method	Individual Entry-Age Normal Method
	4.05% as of December 31, 2022
Discount Rate	3.77% as of December 31, 2023
	4.08% as of December 31, 2024
Inflation rate	2.50% per annum
Projected salary increases	3.60% to 11.85% for TMRS, including inflation
	3.00% to 9.18% for Fire, including inflation
Healthcare trend rates	Initial rate of 7.20% declining to an ultimate rate of 4.25% after 15 years
Mortality	<p>TMRS: For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP-2021 table to account for future mortality improvements.</p> <p>Firefighters: The gender-distinct PubS-2010 (safety employees) total data set mortality are used. The rates are projected on a fully generational basis using the projection scale MP-2019.</p>
Participation Rates	<p>65% for employees retiring at age 65 or older;</p> <p>45% for employees retiring between the ages of 50 and 64;</p> <p>5% for employees retiring between the ages of 45 and 49;</p> <p>0% for employees retiring before the age of 45.</p>

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

Changes in the Medical OPEB Liability

	<u>Total Medical OPEB Liability</u>
Balance at 12/31/2023	\$ 45,653,463
Changes for the year:	
Service cost	2,882,929
Interest	1,740,446
Difference between expected and actual experience	(105,456)
Changes of assumptions	(1,393,130)
Benefit payments	<u>(1,858,482)</u>
Net changes	1,266,307
Balance at 12/31/2024	<u>\$ 46,919,770</u>

Total OPEB liability as a percentage of covered payroll was 26.86%.

Sensitivity of the Medical OPEB Liability to Changes in the Discount Rate

The following schedule shows the impact of the medical OPEB liability if the discount rate used was 1% less than (3.08%) and 1% greater than (4.08%) the discount rate that was used (5.08%) in measuring the medical OPEB liability:

	1% Decrease <u>(3.08%)</u>	Current Discount Rate <u>(4.08%)</u>	1% Increase <u>(5.08%)</u>
Total medical OPEB liability	\$ 51,619,415	\$ 46,919,770	\$ 42,780,452

Sensitivity of the Medical OPEB Liability to Changes in the Healthcare Cost Trend Rate Assumption

The following schedule shows the impact of the medical OPEB liability if the healthcare trend cost rate used was 1% less or 1% more than the healthcare cost trend rate that was used in measuring the medical OPEB liability:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Total medical OPEB liability	<u>\$ 42,999,140</u>	\$ 46,919,770	<u>\$ 51,543,954</u>

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

Medical OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Medical OPEB

For the year ended September 30, 2025, the City recognized medical OPEB expense of \$3,717,424. At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to medical OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 143,622	\$ 2,032,442
Changes in actuarial assumptions	4,606,710	8,975,644
Contributions subsequent to the measurement date	<u>1,519,944</u>	<u>-</u>
Totals	<u>\$ 6,270,276</u>	<u>\$ 11,008,086</u>

Deferred outflows of resources related to OPEB contributions subsequent to the measurement date (\$1,519,944) will be recognized as a reduction of the medical OPEB liability for the City's fiscal year ending September 30, 2026. Other amounts reported as deferred outflows of resources related to the medical OPEB will be recognized in OPEB expense as follows:

<u>Year Ending September 30,</u>	<u>Net Deferred Outflows/(Inflows)</u>
2026	\$ (913,744)
2027	(1,291,494)
2028	(925,126)
2029	(977,147)
2030	(1,319,674)
Thereafter	<u>(992,569)</u>
Total	<u>\$ (6,257,754)</u>

TMRS Supplemental Death Benefit Fund

Plan Description

The City of Denton voluntarily participates in the Texas Municipal Retirement System Supplemental Death Benefits Fund (TMRS SDBF). The SDBF is a defined benefit group-term life insurance Other Postemployment Benefit (OPEB) plan as defined by GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. It is established and administered in accordance with the TMRS Act identically to the City's pension plan.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

Benefits Provided

The SDBF provides group-term life insurance to City employees who are active members in TMRS, including or not including retirees. The City Council opted into this system via an ordinance, and may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1st of any year to be effective the following January 1st.

Payments from this fund are similar to group-term life insurance benefits and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an “other postemployment benefit” (OPEB) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan.

Employees Covered by the Benefit Terms

In the December 31, 2024 actuarial valuation, the following number of employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	732
Inactive employees entitled to but not yet receiving benefits	267
Active employees	1,520
Total	2,519

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. For FY 2024 and FY 2025 the contribution was 0.28% and 0.23% respectively, of which 0.10% represented the retiree-only portion for each year, as a percentage of annual covered payroll. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to ensure that adequate resources are available to meet all the death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees’ entire careers. The City’s contribution to the SDBF for two years ended September 30, 2025, and 2024 were \$399,190 and \$377,550 respectively, representing contributions for both active and retiree coverage, which equaled the required contribution each year.

Actuarial Methods and Assumptions

The SDBF OPEB liability in the December 31, 2024, actuarial valuation was determined using the following actuarial assumptions:

	12/31/2024
Inflation rate	2.50% per annum
Discount rate	4.08%
Actuarial cost method	Entry Age Normal Method
Projected salary increases	3.60% to 11.85% including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the following:

Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates are projected on a fully generational basis by scale

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MP-2021 (with immediate convergence) to account for future mortality improvements. For disabled annuitants, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used with a 4-year set forward for males and a 3-year set forward for females. In addition, a 3.5% and 3% minimum mortality rate is applied to reflect the impairment for younger members who became disabled for males and females, respectively. The rates are projected on a fully generational basis by scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor. Administrative expenses for the SDBF are paid through the TMRS Pension Trust Fund and are wholly accounted for under the provisions of GASB Statement No. 68.

The actuarial assumptions used in the December 31, 2024, valuation were based on the results of an actuarial experience study for the period ending December 31, 2022.

Discount Rate

The SDBF program is treated as an unfunded OPEB plan because the SDBF trust covers both actives and retirees, and the assets are not segregated for these groups. As such, a single discount rate of 3.08% was used to measure the SDBF OPEB Liability. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-year Municipal GO AA Index” as of December 31, 2024.

Sensitivity of the SDBF OPEB Liability to Changes in the Discount Rate

The following schedule shows the impact of the SDBF OPEB liability if the discount rate used was 1% less than (4.08%) and 1% greater than (4.08%) the discount rate that was used (5.08%) in measuring the medical OPEB liability:

	1% Decrease (3.08%)	Current Discount Rate (4.08%)	1% Increase (5.08%)
Total SDBF OPEB liability	\$ 4,917,775	\$ 4,113,881	\$ 3,487,733

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources Related to OPEBs

On September 30, 2025, the City reported a liability of \$4,113,881 for its Total SDBF OPEB liability. The total SDBF liability was determined by an actuarial valuation as of December 31, 2024. For the year ended September 30, 2025, the City recognized SDBF OPEB expense of \$183,507. There were no changes of benefit terms that affected measurement of the Total SDBF Liability during the measurement period.

Changes in the SDBF OPEB Liability

	Total SDBF OPEB Liability
Balance at 12/31/2023	\$ 4,146,417
Changes for the year:	
Service cost	179,426
Interest	157,100
Difference between expected and actual experience	(3,170)
Changes of assumptions	(227,872)
Benefit payments	(138,020)
Net changes	(32,536)
Balance at 12/31/2024	\$ 4,113,881

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Total OPEB liability as a percentage of covered payroll was 2.98%.

At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to other SDBF post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 42,184	\$ 58,959
Changes in actuarial assumptions	315,634	1,143,485
Contributions subsequent to the measurement date	290,434	-
Totals	<u>\$ 648,252</u>	<u>\$ 1,202,444</u>

Other amounts reported as deferred outflows of resources related to SDBF OPEB will be recognized in OPEB expense as follows:

Year Ending September 30	Net Deferred Outflows/(Inflows)
2026	\$ (215,156)
2027	(322,718)
2028	(268,453)
2029	(15,787)
2030	(22,512)
Total	<u>\$ (844,626)</u>

C. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. For the calendar years 2024 and 2025 the plan, available to all permanent City employees, permitted them to defer, until future years, up to \$23,000 and \$23,500 respectively. Employees who are age 50 or older may contribute an additional amount of \$7,500, the total not to exceed \$31,000 in 2025. Employees who are within three years of retirement eligibility may elect to participate in a catch-up provision allowed by Section 457, which has an annual maximum contribution amount of \$46,000 in 2024 and \$47,000 in 2025. The withdrawal of deferred compensation funds is only available to employees by loan, termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are, until paid or made available to the employee or other beneficiary, solely the property and rights of the employees. Accordingly, the assets and associated liability of the plan are not included in the City's financial statements.

It is the opinion of the City's legal counsel that the City has no liability for losses under the plan.

D. Self-insurance Plan

The City has established a self-insurance plan for liability and workers' compensation claims in the Risk Retention Fund. Accrued claims payable include provisions for claims reported and claims incurred but not reported. The provision for reported claims is determined by estimating the amount which will ultimately be

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paid to each claimant. The provision for claims incurred but not yet reported is estimated based on actuarial studies.

It is the policy of the City of Denton not to purchase commercial insurance for workers' compensation claims. Commercial liability insurance coverage is purchased for general liability, aviation ground operations liability, auto liability and physical damage, public officials' liability, professional liability for EMT operations, employment practices liability, law enforcement professional liability, cyber, and commercial crime (employee theft and dishonesty).

Additionally, excess insurance is purchased for general liability, flood (for specific properties), and workers' compensation exposures. The City reports liabilities when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated to meet the deductible for the policy. Liabilities include an amount for claims that have been incurred but not reported. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount.

In January 2008, the City started a self-insured group employee health insurance plan. Claims are paid from the Health Insurance Fund, which has an annually negotiated stop loss provision.

The City's costs associated with the self-insurance plans are interfund transactions. Accordingly, they are treated as operating revenues of the Internal Service Risk Retention Fund and Health Insurance Fund and operating expenditures (expenses) of the other funds and employee payroll deductions.

Claims liabilities are re-evaluated periodically to take into consideration the settlement of claims, new claims, and other factors. As of September 30, 2025, the estimated value of these liabilities was \$9,396,852.

Changes in balances of claims liabilities during fiscal years 2024 and 2025 were as shown as follows:

	Claims Liability Beginning of Fiscal Year	Claims and Change in Estimates	Claim Payments	Claims Liability End of Fiscal Year
Worker's Compensation				
2025	\$3,588,606	\$1,682,200	\$1,082,761	\$4,188,045
2024	\$3,052,113	\$1,656,528	\$1,120,035	\$3,588,606
General Liability				
2025	\$2,265,977	\$ 868,734	\$ 109,011	\$3,025,700
2024	\$1,802,160	\$ 842,957	\$ 379,140	\$2,265,977
Health Insurance				
2025	\$3,346,987	\$27,805,384	\$28,969,263	\$2,183,108
2024	\$3,951,994	\$27,455,602	\$28,060,609	\$3,346,987

On September 30, 2025, the City of Denton had a negative unrestricted net position of \$5,728,618 in the Risk Retention Fund and an additional positive net position of \$791,056 in the Health Insurance Fund for payment of claims, both in addition to the liability balances recorded. There were no significant reductions in insurance coverage from coverage in the prior year, and the amount of settlements did not exceed insurance coverage in the current year or in any of the past three fiscal years.

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E. Commitments and Contingencies

Agreement with TMPA

In 1976, the City, along with the cities of Bryan, Greenville, and Garland, Texas (the Cities) entered into a Power Sales Contract with the Texas Municipal Power Agency (TMPA). TMPA was created through concurrent ordinances of the Cities and is governed by a Board of Directors consisting of eight members, two appointed by the governing body of each city. Under the terms of the agreement, TMPA agreed to construct or acquire electric generating plants to supply energy and power to the Cities for a period of not less than 35 years. The Cities in turn agreed to purchase all future power and energy requirements in excess of the amounts generated by their systems from TMPA at prices intended to cover operating costs and retirement of debt. In the event that revenues were insufficient to cover all costs and retire the outstanding debt, each of the cities guaranteed a portion of the unpaid debt based, generally, upon the pro rata share.

TMPA, a municipal corporation, is governed by a Board of Directors consisting of eight members. The governing body of each of the four Cities appoints two members to the Board. An affirmative vote of five Directors, plus a weighted majority vote based on the respective energy usage of the Cities, is required for major decisions.

The City pays TMPA a pro-rated monthly charge based on the City's contractual portion of TMPA's annual fixed operating costs and debt service payments, which is currently 21.3%. As of September 30, 2025, total TMPA long-term debt outstanding was approximately \$226,534,000, all of which was transmission debt and has no effect on the term of the contract. All outstanding generation debt was paid off on September 1, 2018.

Effective September 1, 2016, TMPA and the Member Cities entered into a Joint Operating Agreement (JOA). In general, the purposes of the JOA include: (i) funding TMPA operations such as mine reclamation, transmission service, and plant decommissioning following expiration of the Power Sales Contract (PSC); (ii) subject to certain exceptions, requiring Member City approval for the issuance of new debt, the execution of certain significant contracts, and the sale of property exceeding \$10 million in value; (iii) specifying provisions for determining how costs of TMPA and proceeds from the sale of assets are to be allocated among the Member Cities; (iv) providing for the establishment by TMPA of reserve funds for the decommissioning of the plant and the indemnification of TMPA Board Members and Member City officials, employees, contractors, and agents; and (v) dividing the operations of TMPA into three business functions (mine, generation, and transmission) and requiring separate budgets and books for each business function.

The PSC provides upon dissolution of TMPA, the assets of TMPA automatically being transferred to the Member Cities, with each Member City receiving an undivided interest in the assets of TMPA in proportion to the amount paid by the Member City to TMPA. The JOA requires TMPA to periodically make this calculation for each business unit and sets out formulas for making these calculations. Under the JOA, these ownership calculations are relevant not only to the allocation of assets upon dissolution of TMPA, but also to the allocation of certain proceeds from the sale of assets, and in some cases, the allocation of TMPA costs.

At the request of a majority of Member Cities, TMPA is required by the JOA to transfer a divided interest in the transmission system to each Member City. Under this partition process, the objective is for each City to receive ownership of transmission facilities in the vicinity of the Member City, and in proportion to the Member City's ownership interest in the transmission business. Any such transfer of transmission assets must be in compliance with relevant bond covenants, including those requiring defeasance of all or a portion of transmission debt.

The JOA included a reclamation plan for the mine, required the development of a decommissioning plan, and set out standards for environmental remediation. TMPA is required to comply with these plans and standards.

Under the JOA, in discharging its contractual obligations, including mine reclamation, decommissioning, transmission service, environmental remediation, indemnification, and other obligations, TMPA is rendering services to the Member Cities. The JOA obligates each Member City to pay the cost of these services, and to collect rates and charges for electric service sufficient to enable it to pay to TMPA all amounts due under the

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JOA for these services. The City's payment obligations under the JOA are payable exclusively from such electric utility revenues and constitute an operating expense of the electric system.

Unless terminated earlier through the mutual consent of all parties, the JOA remains in effect until the dissolution of TMPA and the winding up of its affairs.

Effective September 1, 2016, the JOA was amended (Amendment No. 1). The primary purposes of the amendment were to authorize the sale of Gibbons Creek and the sale of the Southern 345 kV Transmission System and to authorize the issuance of refunding bonds in connection with such sales. As the sale contemplated by Amendment No. 1 did not occur, by its own terms, Amendment No. 1 ceased to have any force or effect. Effective September 22, 2017, the JOA was amended a second time (Amendment No. 2). The purposes of this amendment are to: continue TMPA's authority to issue mine reclamation bonds as had been contemplated in Amendment No. 1; revise the dates on which the separate budgets of the JOA become effective; authorize TMPA to sell certain mining and transmission assets, provided the sales do not exceed in value certain financial thresholds, and provided the sales comply with bond covenants; and allow for an extension to the term of the PSC, applicable only to the cities notifying TMPA of the extension, in order to complete a period of seasonal operation in 2018, or such other period of time as desired by the notifying cities. Pursuant to this provision, the City extended the PSC from September 1, 2018, to September 30, 2018, in order to complete the period of 2018 seasonal operation. As of September 30, 2018, the PSC had expired for all member cities.

On September 17, 2019, the JOA was amended (Amendment No. 3). The amendment defined portions specific to the generation business that had been tied to the expired PSC and clarified all board members may vote on matters involving decommissioning and the sale of the plant. It exempted financial commitments related to bonding from the requirement to obtain approval of all Member Cities relating to certain budget increases. This is to address concerns by the Attorney General of Texas that a potential situation could arise where a Member City could interfere with TMPA's existing bond deposit requirement obligations ("bond reserve equivalent") should that obligation require a 20% increase over the previous year's budget. The amendment also allows for the sale of mine tracts only after the completion of mine reclamation. This would permit the sale of a mine tract subject to bonding provided that the conveyance reserves easements, leases, or other property rights are reserved to enable TMPA to complete reclamation.

On June 28, 2021, the JOA was amended (Amendment No. 4). This amendment modified the agreement to make it unambiguous that in the event that all mining assets are sold, all Member Cities shall remain responsible for the costs of closing the mining operation according to each's percentage share and that these are included: "all obligations are discharged with respect to mine reclamation bonds, surety bonds, banking agreements, letters of credit, and other financial commitments related to providing financial security or assurance for TMPA's mine reclamation responsibilities." Additionally, it modified the agreement by removing the cap on sales of the mining assets and allowed for the sale of the mine as a whole.

Effective September 26, 2017, Gibbons Creek transitioned into a seasonal operations mode, operating during the summer months only (May-September). Due to the significant decline in service utility of the generation assets, such assets were deemed largely impaired as of September 30, 2017. On June 1, 2019, the TMPA Board of Directors voted to permanently retire the generation facility. The City also wholly impaired its TMPA prepaid purchase power due to the retirement which was fully amortized as of March 31, 2025. See note IV.F. for more information.

In 2019, TMPA issued a request for proposal involving only the sale of generation assets. Proposals were received in August 2019, and TMPA entered negotiations with one of the proposers. On December 10, 2020, the TMPA Board of Directors approved a fully negotiated Asset Purchase Agreement (APA) with Gibbons Creek Environmental Redevelopment Group LLC (GCERG). As required by the TMPA Joint Operating Agreement, each TMPA member city was required to approve the APA. On January 26, 2021, the City Council approved of the APA with GCERG. On February 10, 2021, TMPA and GCERG closed on the sale of the Gibbons Creek Steam Generation Plant and property. Through the sale, GCERG acquired 6,200 acres including the plant, CCR (coal combustion residuals) units, and reservoir. GCERG must decommission the

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plant and remediate all CCR units to TCEQ/EPA standards. GCERG provides independent financial security to TMPA for remediation/decommissioning and post closure activities and certain land use limits imposed on CCR containing parcels. The City's Electric fund had a liability recorded for TMPA's decommissioning obligation of \$21,167,124 as of September 30, 2020. As part of the sale of Gibbons Creek, the City paid \$6,037,368 of this liability in February 2021. The remaining liability of \$15,129,756 was recognized as a gain in other non-operating revenues. This sale to GCERG only includes the generation assets and TMPA retained the approximate 11,000 acres associated with the mine land and all transmission assets.

On July 15, 2021, the TMPA Board of Directors authorized the Gibbons Creek Lignite Mine with approximately 11,000 acres to be sold. The sale finalized in December 2021. The City received its portion of the sale in the amount of \$15,174,089 which was recorded as revenues in the Electric fund for the fiscal year ending September 30, 2022. Following the closing, TMPA will continue to conduct mine reclamation activities pursuant to a reclamation easement that will remain in effect until all bonded areas are released from bond.

Selected financial statement information of TMPA is as follows:

	September 30	
	(Unaudited)	
	2025	2024
	(000s)	(000s)
Operating revenues	\$ 36,392	\$ 36,891
Operating expenses	13,821	15,728
Operating income	22,571	21,163
Other non-operating sources (uses)	1,437	6,664
Current unrestricted assets	22,509	22,509
Total assets and deferred outflows	244,355	225,091
Long-term debt – Noncurrent	218,584	199,737
Total liabilities and deferred inflows	259,124	238,243
Total net position	(14,769)	(13,152)

Financial statements for TMPA are available from the TMPA website www.texasmpa.org.

Power Purchase Agreements

Following is a list of power purchase agreements in effect as of the publication date of these financial statements. The information provided is all that is allowed under the confidentiality provision(s) of the agreements.

Santa Rita Wind - In 2016, the city entered into a 20-year power purchase agreement with Santa Rita Wind, LLC, a subsidiary of Invenergy, LLC. The agreement has been transferred to BHER Santa Rita Investment, LLC, a subsidiary of Berkshire Hathaway Energy Company. Under the agreement, which is scheduled to end April 2038, the city will purchase 150 MW of wind generation and environmental attributes. Commercial operation date was April 1, 2018.

Bluebell Solar Energy - In 2015, the city entered into a 20-year power purchase agreement with Bluebell Solar Energy, LLC, a subsidiary of NextEra Energy, Inc. Under the agreement, which is scheduled to end November 2038, the city will purchase 30 MW of solar energy and environmental attributes. Commercial operation date was November 1, 2018.

Engie Long Draw Solar - In 2018, the city entered into a 15-year power purchase agreement with Engie Long Draw Solar, LLC, a subsidiary of Engie, LLC. Under the agreement, which is scheduled to end June 2035, the city will purchase 75 MW of solar generation and environmental attributes. Commercial operation date was December 29, 2020.

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Bluebell Solar II Energy - In 2018, the city entered into a 15-year power purchase agreement with Bluebell Solar II Energy, LLC, a subsidiary of NextEra Energy, Inc. Under the agreement, which is scheduled to end December 2035, the City will purchase 100 MW of solar generation and environmental attributes. Commercial operation date was December 28, 2020.

Yellow Viking Solar – In 2024, the city entered into a 15-year power purchase agreement with Yellow Viking Development One, LLC, a subsidiary of Osaka Gas USA Corporation. The agreement has been transferred to Lydian Energy. Under the agreement, which is scheduled to end in July 2042, the city will purchase 100 MW of solar generation and environmental attributes. The expected commercial operation date is on or before July 13, 2027.

Blue Summit I Wind - In 2025, the city entered into a 15-year power purchase agreement with Blue Summit I Wind, LLC, a subsidiary of NextEra Energy, Inc. Under the agreement, which is scheduled to end in December 2040, the City will purchase 140 MW of wind generation and environmental attributes. Commercial operation date was November 1, 2025.

Tidwell Prairie IIA - In 2025, the city entered into a 10-year tolling agreement with Tidwell Prairie IIA, LLC, a subsidiary of Jupiter Power, LLC. Under the agreement, which is scheduled to end June 2036, the City will purchase energy storage services from a 100 MW 2-hour battery generator. The expected commercial operation date is on or before June 1, 2026.

Encumbrances

As discussed in note I.D., Budgetary information, encumbrances are utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the total amount encumbered in governmental funds expected to be honored upon performance by the vendor in the next year were as follows:

General Fund	\$ 8,307,642
Capital Projects Fund	\$ 17,402,788
ARPA Fund	\$ 1,304,486
Nonmajor Governmental Funds	<u>\$ 44,445,040</u>
Total	<u>\$ 71,459,956</u>

F. Tax Abatements

The City enters into economic development incentive agreements with entities to promote development and redevelopment within the City, stimulate commercial activity, generate additional sales tax, and enhance the property tax base and economic vitality of the City. Some agreements provide for an abatement of property taxes, while others provide for a rebate of a portion of sales and use tax or a portion of ad valorem (property) tax, as established per the agreements. The incentives are performance-based, and the City generally expects to receive increased revenue because of the agreements. These incentive agreements require approval by a City Council ordinance and are authorized under Chapter 312 (Property Redevelopment and Tax Abatement Act) of the Texas Tax Code and Chapter 380 of the Texas Local Government Code.

Property Tax Abatements

Tax abatements under Chapter 312 of the Texas Tax Code allow the City to designate tax reinvestment zones and negotiate tax abatement agreements with applicants. In 1990, the City Council adopted a resolution setting guidelines and criteria for granting abatements in the reinvestment zones which specifically notes incentives are limited to companies which create new wealth and do not adversely affect existing businesses operating within the City. The City is required to renew/adopt a Tax Abatement Policy every two years in accordance with Chapter 312 of the Texas Tax Code. The last policy was adopted in May of 2024. The abatement agreements authorize the appraisal districts to reduce the assessed value of the taxpayer's property by a percentage specified in the agreement, and the taxpayer will pay taxes on the lower assessed value during the

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term of the agreement. For the fiscal year ending September 30, 2025, the City abated property taxes totaling \$204,605 under this program, as detailed in the following agreements:

- Peterbilt – In 2016, a 70% tax abatement agreement for a term of eight years was granted to Peterbilt Motors on new capital investments, including the construction of a new stand-alone 102,000 square foot building. In the event of a failure to meet the conditions of the agreement, an increased assessed value of real property of at least \$18.5 million, the agreement provides for a full refund of all abatements previously granted plus interest. Peterbilt met the \$18,500,000 required threshold for tax year 2024. The abatement amounted to \$153,747. This is the final year of the abatement.
- West Gate Business Park (WGBP) – In 2016, a 60% tax abatement agreement for a term of ten years was granted to WGBP on new capital investments only to include Buildings 2 and 3 in the business park. WGBP could receive an additional 10% abatement for the location of a supplier to an existing primary industry and/or an additional 5% for the location of a national headquarters for a total abatement of up to 75%. In the event of a failure to meet the conditions of the agreement, an increased assessed value of real property of at least \$3 million, the agreement provides for a full refund of all abatements previously granted plus interest. The abatement amount for the current fiscal year was \$50,858.

The City has an additional abatement agreement not listed above for Tyson Sales and Distribution. The grantee has contracted their expansions in the current economic climate and did not meet the timely completion requirements in the Agreement for the construction of the facility. The Agreement was terminated.

Chapter 380 Agreements

The City Council has the authority under Chapter 380 of the Texas Local Government Code to grant or loan City funds to accomplish specific economic development goals. These incentives are considered on a case-by-case basis. The City has Strategic Growth Areas organized by the North American Industry Classification System (NAICS) codes and internal target industry sectors for recruitment that will be given priority consideration. Consideration may also be given for projects causing infill redevelopment or other desirable development objectives and/or any other activity which the City Council determines meets a specific public purpose for economic development.

Thirteen agreements are based on the contribution in sales, property (including TIRZ), and/or hotel tax. For the fiscal year ending September 30, 2025, the City rebated sales taxes totaling \$4,023,146, property taxes totaling \$772,271 (\$219,614 of which was paid out of the Westpark TIRZ No. Two), and hotel occupancy taxes totaling \$773,921.

Two active agreements are based on Job-based and Expansion/Relocation/Headquarter grants. For the fiscal year that ended September 30, 2025, the City provided cash grant reimbursements for Job-based grants for Expansion/relocation Grants in the amount of \$54,711 this fiscal year as detailed in the following agreements:

- Unicorn Lake – In 2004, an agreement was approved for Unicorn Lake, an urban-style mixed-use development. The grantee receives one-third of the City sales tax, or 0.5%, generated by the project for a maximum of fifteen years as reimbursement for public improvement costs related to the project not to exceed \$6,664,901 plus accrued interest. The tax rebates initiated in 2010 and terminated in 2025. The tax rebate amount for the current fiscal year was \$12,638. This is the final payment under the agreement.
- Rayzor Ranch – In 2007, an agreement was approved for the Rayzor Ranch mixed-use development. The 410-acre project will have over one million square feet of retail and will be built in two phases. The agreement provides a sales tax reimbursement of one half of the City sales tax, or 0.75%, generated by the project for public improvement costs, which includes the widening of a state highway bisecting the project. The grantee will receive a maximum of \$20 million over a 15-year term for phase

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one and a maximum of \$48 million over a term of 20 years for phase two. An additional 15% of the City sales tax, or 0.225%, was added to both phases to offset the hotel and convention center costs until \$5 million is reached. In the current fiscal year, the tax rebate amount for phase one was \$1,989,950, and the tax rebate amount for phase two was \$1,553,616.

- Golden Triangle Mall – In 2011, an agreement was approved for a major renovation of the Golden Triangle Mall. A threshold of a minimum \$45 to \$65 million was required as an investment into the property to receive a one-half share of the sales tax resulting from the renovations, less a monthly mall baseline amount established at \$95,898. The total grant payments may not exceed 15.83% of the required investment. GTM Development has invested \$49.5 million in the development. Tenant investments in the property amounted to \$8.8 million, for a total investment of \$58.3 million. Based on this total investment the total grant payment should not exceed \$9.2 million. The tax rebates initiated in 2016 and will terminate in 2035. The tax rebate amount for the current fiscal year was \$19,648.
- West Gate Business Park (WGBP) – In 2015, an agreement was approved for West Gate Business Park (WGBP) for industrial development and provided for a 70% rebate of increased City property tax revenue generated for a period of ten years. WGBP includes three multi-tenant buildings totaling 413,000 square feet of new industrial/manufacturing space in the City. In 2016 the agreement was amended to include a 70% rebate on Building 1 improvements and to add a one-time grant payment in the amount of \$50,000. The tax rebate amount for the current fiscal year was \$58,354.
- WinCo Foods – In 2015, an agreement was approved for WinCo Foods for a \$135 million, 800,000 square foot distribution facility expected to create 165 jobs with an annual payroll of around \$7.2 million. In the event of a failure to meet the conditions of the agreement, the agreement provides for a 20-50% refund of all rebates previously granted, depending on the timing of a failure. WinCo received reimbursement for infrastructure financing from Water and Wastewater funds and a local sale and use tax grant for the construction and equipping of the facility in prior fiscal years, completing those portions of the agreement. The active portion of the agreement provides for the following:
 - A grant equal to 100% of the incremental property tax generated by the property and paid into the Tax Increment Fund by both the City and the County, paid annually until the full reimbursement of the project costs for public improvements is reached. The tax rebate amount out of the Westpark TIRZ No. Two for the current fiscal year was \$219,614 with \$166,259 being the City portion of the tax rebate and \$53,355 being the County portion of the tax rebate.
 - A grant equal to 60% of City property taxes attributable to improvements resulting in an increase of assessed value of real property improvements and tangible personal property, paid annually until full reimbursement of the project costs for public improvements is reached. Once this full reimbursement is reached, the 60% property tax rebate will continue for a period of four years as long as the increase in investment in improvements is \$50 million excluding purchase price of the property. The tax rebate amount for the current fiscal year was \$245,982.
- O'Reilly Hotel Partners Denton – In 2015, an agreement was approved for O'Reilly Hotel Partners Denton for a convention center with a hotel and restaurant located in the Rayzor Ranch Town Center. The agreement includes a 100% rebate of the property tax (excluding land, inventory, vehicles, and supplies), hotel occupancy tax, and sales tax generated by the project. The term is for a maximum of 25 years or a combined principal (\$28 million) and interest (\$26 million) amount of \$54 million is reached, whichever comes first. The agreement also includes 100% rebate of the construction sales

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SEPTEMBER 30, 2025

tax up to \$850,000, then 50% thereafter. The construction sales tax rebate portion of the agreement was completed in fiscal year 2017-2018. In the event of a failure to meet the conditions of the agreement, the agreement provides for a 100% refund of all rebates granted in the previous year. The sales tax, property tax, and hotel occupancy tax rebate amounts for the current fiscal year were \$59,208, \$248,321, and \$773,921, respectively.

- Buc-ee's Travel Center – In 2015, an agreement was approved for Buc-ee's Travel Center. The agreement provides for a sales tax reimbursement of one half of the City sales tax, or 0.75%, generated from businesses located within the property boundaries for a five-year period. At the conclusion of the sales tax reimbursement term, the City has agreed to a one-time cash grant payment of \$2 million minus the total sales tax previously reimbursed, only if the grantee has not received a full \$2 million in sales tax reimbursements. In addition, at the conclusion of the sales tax reimbursement term, the agreement provides a sales tax reimbursement infrastructure grant of one half of the City sales tax, or 0.75%, generated by the Buc-ee's Travel Center and developed outparcels that contain sit-down restaurants or retail establishments for a period of twenty years. The City has also agreed to pay the grantee one quarter of the City sales tax, or 0.375%, generated by outparcels not included in the previously mentioned infrastructure grant, including fast food restaurants and drive-through uses. The tax rebate amount for the current fiscal year was \$378,072.
- TeamOfDefenders– In 2020 an agreement was approved for TeamOfDefenders. The agreement consists of a performance-based five-year expansion grant up to \$50,000 to be provided as a reimbursement of actual costs. In addition, the company was awarded a stratified Job-based grant based on annual wages of new employees, not to exceed \$29,500. They were awarded an additional \$500 residency bonus for new employees, not to exceed \$27,000. The total incentive package is not to exceed \$106,500. The Job-based grant initiated in 2020. Two jobs were added but will not be reimbursed until the following fiscal year. The final Expansion Grant payment in the amount of \$4,711 was paid in the current fiscal year.
- Safran– In 2021 an agreement was approved for Safran. The agreement consists of a performance-based five-year expansion grant up to \$50,000 to be provided as a reimbursement of actual costs. In addition, the company was awarded a stratified Job-based grant based on annual wages of new employees, not to exceed \$101,500. They were awarded an additional \$300 residency grant for new resident employees and \$700 bonus for new established resident employees, not to exceed \$23,625. The total incentive package is not to exceed \$175,125. No payments were made this fiscal year.
- Southwire Company, LLC-In 2024 an agreement was approved for Southwire. The company is North America's leading manufacturer of wire and cable used in the distribution and transmission of electricity. Southwire was awarded a 10-year performance-based Chapter 380 agreement for a 50% incremental rebate incentive, total not to exceed \$1,955,100, for a 100,000 square foot expansion of their current facility. The company is leveraging \$85.4 million dollars over the next three years and anticipates an increase in valuation of over \$69 million in expansion and modernization efforts. A total of 95-net new jobs will be added at the campus in Denton.
- Fine Arts Theater of Denton, LLC- In 2024 an agreement was approved for Fine Arts Theater of Denton for the rehabilitation and renovation of the 1934 historic Fine Arts Theater that is located on the Denton Downtown Square. The theater's functionality extends beyond film screenings and is envisioned as a multi-use venue, capable of hosting film festivals, concerts, live performances, and private event rentals. The theatre renovation represents a capital investment of \$9.1 million. Two Downtown Tax Increment Reinvestment Zone (TIRZ) No. One grants were approved for a total of \$1.6 million. TIRZ Grant 1 includes a total of \$1,076,366 to pay down the construction loan principal to the required amount for the bank loan. TIRZ Grant 2 is an annual operation grant of \$544,503 for

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

shortfall between net profit and debt service. Fifteen jobs will be created by the project. The theater is expected to open in April 2026.

- Enginotech- In 2024, a global plastic injection manufacturer based in India, selected Denton for their North America Headquarters. Since identifying their new headquarters' location, they have doubled their footprint by developing three new products and obtaining multiple contracts. The Denton location will provide parts to PACCAR (Peterbilt and Kenworth) in Canada, Denton, and Mexico. The company was awarded a five-year 50% rebate of business personal property estimated at \$79,545 and a one-time Headquarters Grant in the amount of \$50,000. In addition, the company was awarded a stratified job-based grant not to exceed \$194,000 and a Residency Grant, not to exceed \$16,000. An Expansion Grant payment in the amount of \$50,000 was paid in the current fiscal year, which completes the Expansion Grant.
- Bloomfield Homes, LP- In 2024, An agreement was awarded to Bloomfield homes for a a ten-year 33% sales and use tax rebate for construction of homes at the Glenwood Meadows and Country Lakes additions. The sales tax rebate amounted to \$10,014 this fiscal year.
- United States Cold Storage (USCS)- In 2025, an agreement was approved for a performance-based ad valorem tax rebate at 60% for 8 years and a sales tax rebate at 75% for the construction and equipping of the facility. USCS currently maintains a cold storage facility in Denton. The company plans on adding on a second phase to its existing refrigerated warehouse facility and estimate that their investment in new building, machinery, and equipment will create approximately \$35 million in new ad-valorem value in Denton. The project involves plans to create 172 jobs with a weighted average salary of \$57,164.
- Mayday Manufacturing Company- In 2025, an agreement was awarded for a performance-based incremental ad-valorem tax rebate at 60% for 10 years for business expansion and an Expansion Grant in the amount of \$25,000. The company currently maintains a manufacturing facility in Denton and employs approximately 400. Mayday plans to expand its existing facility and estimates that its investment in the building, machinery, and equipment will generate \$14.5 million in new capital investment. The project involves plans to create 50 new jobs with an average salary of \$54,020.
- Panel Rey/PR Gypsum- In 2025, an agreement was approved for a five-year performance-based ad valorem tax rebate at 60% estimated at \$170,357 and a one-time Relocation Grant in the amount of \$50,000. In addition, the company was awarded a stratified job-based grant not to exceed \$16,500. This is the first manufacturing expansion into the United States for a company that produces joint compound used in the construction of residential and commercial projects. Panel Rey is seeking to purchase an existing 60,000 square foot building as Phase I of their U.S. expansion. The company's planned investment in the building, machinery, and equipment will be approximately \$15 million. The project involves plans to create 20 jobs with a weighted salary of \$72,733.

The City approved one Chapter 380 sales tax rebate, a Remediation Grant and a job-based grant, as well as one tax abatement agreement that will come online in future fiscal years. Novartis Gene Therapies was awarded both a Chapter 380 and a tax abatement agreement. From the Future did not expand and has not come online. Currently, the City is in the process of terminating the Agreement with DynaGrid, as the company did not locate their principal place of business within the corporate limits of the City of Denton, as required per the Agreement.

G. Litigation

Various claims and lawsuits are pending against the City. In accordance with GAAP, those judgments considered "probable" are accrued, while those claims and judgments considered "reasonably possible" are disclosed but not accrued. In the opinion of City management and legal counsel, the maximum amount of all significant claims considered reasonably possible, excluding condemnation proceedings is approximately \$500,000 as of September 30, 2025. Potential losses after insurance coverage on all probable claims and lawsuits will not have a material effect on the City's financial position as of September 30, 2025.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

H. Subsequent Events

The City has evaluated all events or transactions that occurred after September 30, 2025, up through the date the financial statements were issued.

The Water Utilities Department applied for and received approval for \$195,845,000 in funding from the Texas Water Development Board (TWDB) State Water Implementation Fund for Texas (SWIFT) program. In December 2025, the City received \$11,235,000 which relates to the latest issuance out of the 5-year financing plan.

I. New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) issued the following statement which became effective for the fiscal year ending September 30, 2025.

Statement No. 101 “*Compensated Absences*” - The City of Denton implemented GASB Statement No. 101, Compensated Absences, in fiscal year 2025. The Statement provides updated recognition and measurement guidance for unused leave and for leave that has been used but not yet paid. Under the standard, a liability is recognized when leave is attributable to past service, accumulates, and is more likely than not to be used or paid. The adoption of GASB 101 represents a change in accounting principle; however, its implementation did not result in a material impact on the City's financial statements. As of fiscal year-end, the City's compensated absences liability totaled \$29,820,736, of which \$17,939,440 is current (due within one year) and \$11,881,296 is noncurrent.

Statement No. 102 “*Certain Risk Disclosures*” - The City implemented Governmental Accounting Standards Board (GASB) Statement No. 102, Certain Risk Disclosures, for the fiscal year ended September 30, 2025. This Statement requires governments to evaluate whether certain concentrations or constraints exist that make the government vulnerable to the risk of a substantial impact and to disclose information about those risks if certain criteria are met. Concentration is defined as a lack of diversity related to a significant inflow or outflow of resources, while a constraint is a limitation imposed by external parties or by formal action of the City's highest level of decision-making authority. The Statement further requires an evaluation of whether events associated with such concentrations or constraints have occurred, have begun to occur, or are more likely than not to occur within 12 months of the issuance of the financial statements. After implementing GASB Statement No. 102, the City determined that no concentrations or constraints met the criteria for disclosure as of the issuance date of these financial statements. The implementation of this Statement did not have a material impact on the City's financial position or results of operations.

The following statements for the GASB are effective for future fiscal years ending as listed below. The City is in the process of reviewing and evaluating these statements and their potential impact on the City's financial statements.

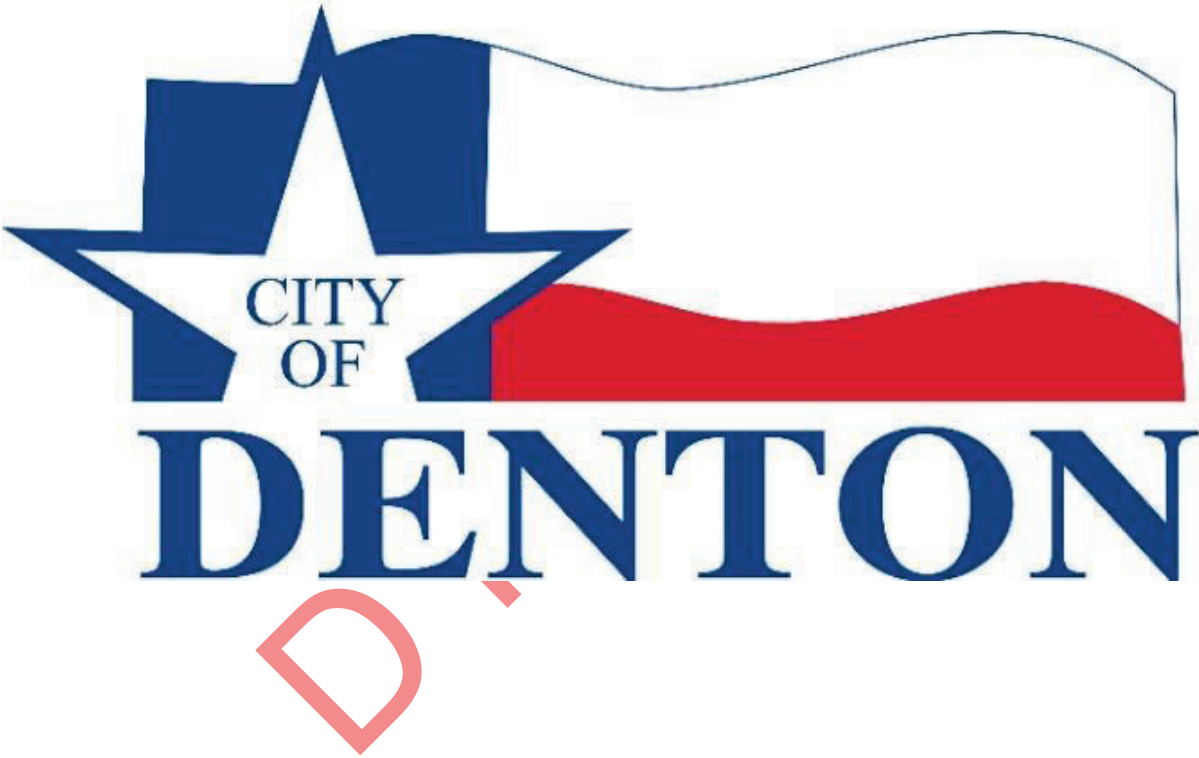
Statement No. 103 “*Financial Reporting Model Improvements*” - will improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The Statement also addresses certain application issues. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.

Statement No. 104 “*Disclosure of Certain Capital Assets*” - will provide users of government financial statements with essential information about certain types of capital assets to be disclosed separately in the capital assets note disclosures, such as lease and subscription assets. The Statement also requires additional disclosures for capital assets held for sale. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2025

Statement No. 105 “*Subsequent Events*” - will improve financial reporting practices related to subsequent events by promoting consistency in their application and better meeting the information needs of financial statement users. It defines subsequent events as transactions or occurrences that happen after the financial statement date but before the statements are available for issuance, which is when they are complete under GAAP and all necessary approvals have been obtained. The requirements of this Statement are effective for fiscal years beginning after June 15, 2026.

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CITY OF DENTON, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 TEXAS MUNICIPAL RETIREMENT SYSTEM
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
 LAST TEN FISCAL YEARS

Exhibit XIII

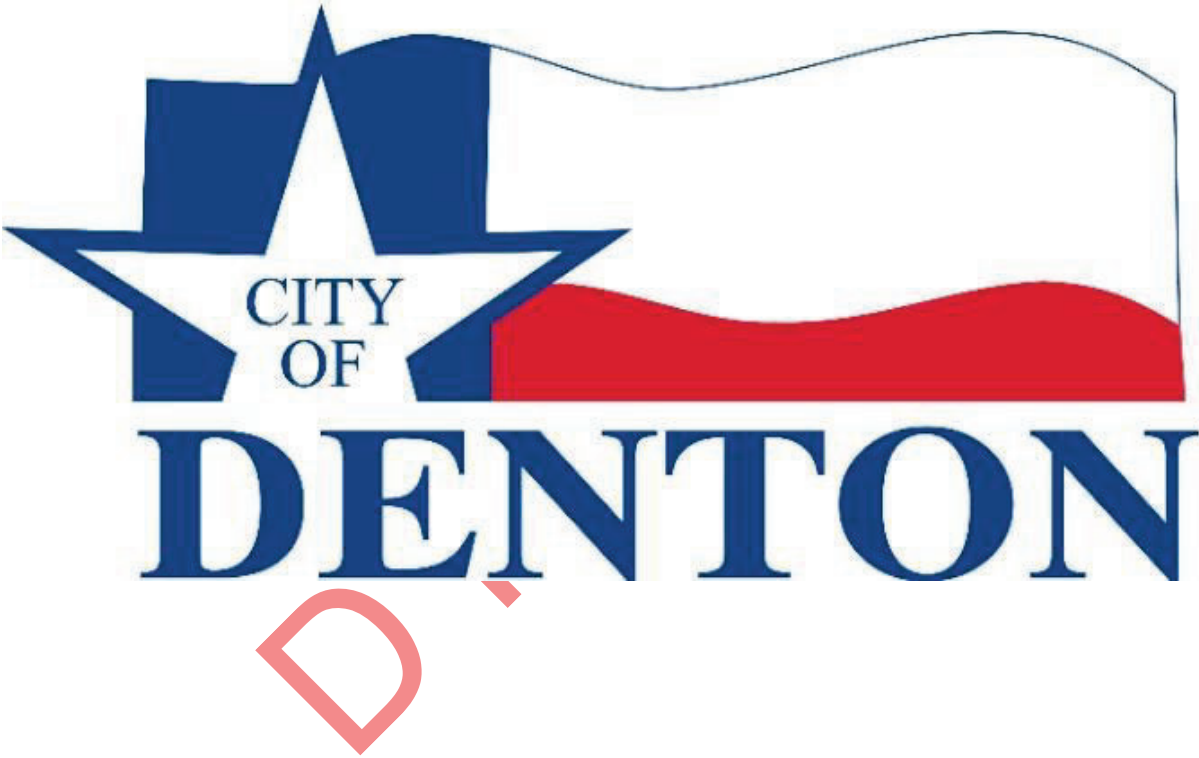
	Measurement Year 2015	Measurement Year 2016	Measurement Year 2017	Measurement Year 2018	Measurement Year 2019
Total pension liability:					
Service Cost	\$ 12,615,957	\$ 13,925,238	\$ 14,514,171	\$ 14,990,529	\$ 16,283,811
Interest (on the total pension liability)	26,905,700	27,656,654	29,543,513	31,468,411	33,434,342
Difference between expected and actual experience	(1,525,911)	763,589	1,514,980	1,255,443	2,005,979
Change of assumptions	(428,789)	-	-	-	1,438,798
Benefit payments, including refunds of employee contributions	(12,697,735)	(13,023,330)	(16,349,644)	(18,238,039)	(20,234,184)
Net change in total pension liability	24,869,222	29,322,151	29,223,020	29,476,344	32,928,746
Total pension liability - beginning	384,408,038	409,277,260	438,599,411	467,822,431	497,298,775
Total pension liability - ending (a)	\$ 409,277,260	\$ 438,599,411	\$ 467,822,431	\$ 497,298,775	\$ 530,227,521
Plan fiduciary net position:					
Contributions - employer	\$ 13,615,410	\$ 14,046,860	\$ 14,821,752	\$ 15,107,443	\$ 16,255,126
Contributions - employee	5,365,231	5,712,464	6,014,227	6,175,407	6,693,287
Net investment income (loss)	469,530	21,947,635	48,954,660	(12,175,765)	61,399,432
Benefit payments, including refunds of employee contributions	(12,697,735)	(13,023,330)	(16,349,644)	(18,238,039)	(20,234,184)
Administrative expense	(285,957)	(247,766)	(253,578)	(235,169)	(346,657)
Other	(14,123)	(13,349)	(12,851)	(12,287)	(10,413)
Net change in plan fiduciary net position	6,452,356	28,422,514	53,174,566	(9,378,410)	63,756,591
Plan fiduciary net position - beginning	318,166,193	324,618,549	353,041,063	406,215,629	396,837,219
Plan fiduciary net position - ending (b)	\$ 324,618,549	\$ 353,041,063	\$ 406,215,629	\$ 396,837,219	\$ 460,593,810
Net pension liability - ending (a) - (b)	\$ 84,658,711	\$ 85,558,348	\$ 61,606,802	\$ 100,461,556	\$ 69,633,711
Plan fiduciary net position as a percentage of total pension liability	79.32%	80.49%	86.83%	79.80%	86.87%
Covered payroll	\$ 76,646,157	\$ 81,481,789	\$ 85,227,078	\$ 88,179,581	\$ 95,618,386
Net pension liability as a percentage of covered payroll	110.45%	105.00%	72.29%	113.93%	72.82%

(continued on the following page)

CITY OF DENTON, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 TEXAS MUNICIPAL RETIREMENT SYSTEM
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
 LAST TEN FISCAL YEARS

Exhibit XIII

	Measurement Year 2020	Measurement Year 2021	Measurement Year 2022	Measurement Year 2023	Measurement Year 2024
Total pension liability:					
Service Cost	\$ 18,685,981	\$ 17,667,234	\$ 19,111,021	\$ 21,408,496	\$ 25,133,454
Interest (on the total pension liability)	35,523,156	37,617,145	40,284,903	43,175,635	45,632,055
Difference between expected and actual experience	2,636,510	8,560,080	8,678,564	3,120,640	7,317,890
Change of assumptions	-	-	-	(4,298,128)	
Benefit payments, including refunds of employee contributions	(26,603,058)	(24,025,384)	(26,062,628)	(26,732,504)	(31,022,941)
Net change in total pension liability	30,242,589	39,819,075	42,011,860	36,674,139	47,060,458
Total pension liability - beginning	530,227,521	560,470,110	600,289,185	642,301,045	678,975,184
Total pension liability - ending (a)	\$ 560,470,110	\$ 600,289,185	\$ 642,301,045	\$ 678,975,184	\$ 726,035,642
Plan fiduciary net position:					
Contributions - employer	\$ 18,613,464	\$ 17,849,684	\$ 19,140,875	\$ 21,790,165	\$ 25,761,959
Contributions - employee	7,536,737	7,095,275	7,670,708	8,535,599	9,666,319
Net investment income (loss)	34,987,709	64,564,009	(40,913,118)	60,236,192	60,664,328
Benefit payments, including refunds of employee contributions	(26,603,058)	(24,025,384)	(26,062,628)	(26,732,504)	(31,022,941)
Administrative expense	(226,230)	(298,515)	(353,785)	(382,866)	(388,785)
Other	(8,826)	2,046	422,171	(2,675)	(9,093)
Net change in plan fiduciary net position	34,299,796	65,187,115	(40,095,777)	63,443,911	64,671,787
Plan fiduciary net position - beginning	460,593,810	494,893,606	560,080,721	519,984,941	583,428,852
Plan fiduciary net position - ending (b)	\$ 494,893,606	\$ 560,080,721	\$ 519,984,944	\$ 583,428,852	\$ 648,100,639
Net pension liability - ending (a) - (b)	\$ 65,576,504	\$ 40,208,464	\$ 122,316,104	\$ 95,546,332	\$ 77,935,003
Plan fiduciary net position as a percentage of total pension liability	88.30%	93.30%	80.96%	85.93%	89.27%
Covered payroll	\$ 107,576,172	\$ 101,361,066	\$ 109,581,543	\$ 121,846,875	\$ 138,020,067
Net pension liability as a percentage of covered payroll	60.96%	39.67%	111.62%	78.42%	56.47% (concluded)



**CITY OF DENTON, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS
LAST TEN FISCAL YEARS (Unaudited)**

Fiscal Year	(a) Actuarially Determined Contributions	(b) Contributions in Relation to the Actuarially Determined Contributions	(c) Contribution Excess (Deficiency) (b) - (a)	(d) Covered Payroll	Contributions as a Percentage of Covered Payroll (b)/(d)
2016	14,435,638	14,435,638	-	83,127,601	17.37%
2017	14,648,606	14,648,606	-	84,753,377	17.28%
2018	14,931,800	14,931,800	-	86,832,074	17.20%
2019	16,035,042	16,035,042	-	94,158,313	17.03%
2020	17,562,597	17,562,597	-	101,964,029	17.22%
2021	17,794,920	17,794,920	-	101,641,023	17.51%
2022	18,471,103	18,471,103	-	105,519,237	17.50%
2023	19,140,875	19,140,875	-	109,581,543	17.47%
2024	21,790,165	21,790,165	-	121,846,875	17.88%
2025	26,591,225	26,591,225	-	142,559,469	18.65%

Notes to Schedule:

Actuarial determined contribution rates are calculated as of December 31st and become effective in January, 13 months later. Contributions above do not include contributions into the supplemental death benefit fund.

Methods and assumptions used to determine contribution rate for 2025:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	21 Years (longest amortization ladder)
Asset Valuation Method	10 Year Smoothed Market; 12% Soft Corridor
Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates vary by age. Last updated for the 2023 valuation pursuant to and experience study of the period ending 2022.
Mortality	<p>Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).</p> <p>Pre-retirement: PUB(10) mortality tables, with the 110% Public Safety table used for males and the 100% General Employees table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).</p>
Other	There were no benefit changes during the year

CITY OF DENTON, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 DENTON FIREMEN'S RELIEF AND RETIREMENT FUND
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
 LAST TEN FISCAL YEARS

Exhibit XV

	Measurement Year 2015	Measurement Year 2016	Measurement Year 2017	Measurement Year 2018	Measurement Year 2019
Total pension liability:					
Service Cost	\$ 2,836,263	\$ 3,089,911	\$ 3,182,608	\$ 3,615,495	\$ 3,723,960
Interest (on the total pension liability)	5,998,959	6,135,588	6,493,255	7,049,261	7,497,583
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	(2,063,421)	-	2,040,716	-	1,526,958
Change of assumptions	2,331,908	-	-	-	3,446,011
Benefit payments, including refunds of employee contributions	(4,048,358)	(4,270,006)	(3,768,829)	(4,055,856)	(4,206,975)
Net change in total pension liability	5,055,351	4,955,493	7,947,750	6,608,900	11,987,537
Total pension liability - beginning	84,887,334	89,942,685	94,898,178	102,845,928	109,454,828
Total pension liability - ending (a)	<u>\$ 89,942,685</u>	<u>\$ 94,898,178</u>	<u>\$ 102,845,928</u>	<u>\$ 109,454,828</u>	<u>\$ 121,442,365</u>
Plan fiduciary net position:					
Contributions - employer	\$ 2,567,219	\$ 2,759,844	\$ 2,979,807	\$ 3,434,007	\$ 3,639,740
Contributions - employee	1,803,064	1,997,155	2,142,990	2,338,837	2,478,958
Net investment income (loss)	(3,287,188)	6,935,215	8,793,234	(183,148)	15,141,275
Benefit payments, including refunds of employee contributions	(4,048,358)	(4,270,006)	(3,768,829)	(4,055,856)	(4,206,975)
Administrative expense	(76,538)	(94,175)	(63,669)	(87,899)	(71,427)
Net change in plan fiduciary net position	(3,041,801)	7,328,033	10,083,533	1,445,941	16,981,571
Plan fiduciary net position - beginning	71,018,518	67,976,717	75,304,750	85,388,283	86,834,224
Plan fiduciary net position - ending (b)	<u>\$ 67,976,717</u>	<u>\$ 75,304,750</u>	<u>\$ 85,388,283</u>	<u>\$ 86,834,224</u>	<u>\$ 103,815,795</u>
OPEB liability - ending (a) - (b)	<u>\$ 21,965,968</u>	<u>\$ 19,593,428</u>	<u>\$ 17,457,645</u>	<u>\$ 22,620,604</u>	<u>\$ 17,626,570</u>
Plan fiduciary net position as a percentage of total pension liability	75.58%	79.35%	83.03%	79.33%	85.49%
Covered payroll	\$ 14,310,032	\$ 15,850,437	\$ 17,007,857	\$ 18,562,198	\$ 19,674,270
OPEB liability as a percentage of covered payroll	153.50%	123.61%	102.64%	121.86%	89.59%

(continued on the following page)

CITY OF DENTON, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 DENTON FIREMEN'S RELIEF AND RETIREMENT FUND
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
 LAST TEN FISCAL YEARS

Exhibit XV

	Measurement Year 2020	Measurement Year 2021	Measurement Year 2022	Measurement Year 2023	Measurement Year 2024
Total pension liability:					
Service Cost	\$ 4,252,475	\$ 4,380,049	\$ 4,965,768	\$ 5,114,741	\$ 6,063,143
Interest (on the total pension liability)	8,293,527	8,791,959	9,787,310	10,437,944	11,469,317
Changes of benefit terms	-	1,074,140	-	-	-
Difference between expected and actual experience	-	4,783,943	-	5,114,242	-
Change of assumptions	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(5,655,539)	(4,923,273)	(4,816,472)	(5,709,565)	(6,961,903)
Net change in total pension liability	6,890,463	14,106,818	9,936,606	14,957,362	10,570,557
Total pension liability - beginning	121,442,365	128,332,828	142,439,646	152,376,252	167,333,614
Total pension liability - ending (a)	<u>\$ 128,332,828</u>	<u>\$ 142,439,646</u>	<u>\$ 152,376,252</u>	<u>\$ 167,333,614</u>	<u>\$ 177,904,171</u>
Plan fiduciary net position:					
Contributions - employer	\$ 4,069,311	\$ 4,249,769	\$ 4,545,905	\$ 4,888,426	\$ 5,846,904
Contributions - employee	2,771,532	2,894,437	3,096,130	3,329,414	3,889,705
Net investment income (loss)	12,313,949	21,206,371	(6,446,061)	12,849,568	13,206,709
Benefit payments, including refunds of employee contributions	(5,655,539)	(4,923,273)	(4,816,472)	(5,709,565)	(6,961,903)
Administrative expense	(116,909)	(87,866)	(114,279)	(87,648)	(109,901)
Net change in plan fiduciary net position	13,382,344	23,339,438	(3,734,777)	15,270,195	15,871,514
Plan fiduciary net position - beginning	103,815,795	117,198,139	140,537,577	136,802,800	152,072,995
Plan fiduciary net position - ending (b)	<u>\$ 117,198,139</u>	<u>\$ 140,537,577</u>	<u>\$ 136,802,800</u>	<u>\$ 152,072,995</u>	<u>\$ 167,944,509</u>
OPEB liability - ending (a) - (b)	<u>\$ 11,134,689</u>	<u>\$ 1,902,069</u>	<u>\$ 15,573,452</u>	<u>\$ 15,260,619</u>	<u>\$ 9,959,662</u>
Plan fiduciary net position as a percentage of total pension liability	91.32%	98.66%	89.78%	90.88%	94.40%
Covered payroll	\$ 21,996,287	\$ 22,971,722	\$ 24,572,460	\$ 26,423,921	\$ 30,870,675
OPEB liability as a percentage of covered payroll	50.62%	8.28%	63.38%	57.75%	32.26% (concluded)

**CITY OF DENTON, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
FIREMEN'S RELIEF AND RETIREMENT FUND
SCHEDULE OF CONTRIBUTIONS
LAST TEN FISCAL YEARS (Unaudited)**

Fiscal Year	(a) Annual Required Contributions	(b) Contributions in Relation to the Annual Required Contributions	(c) Contribution Excess (Deficiency) (b) - (a)	(d) Covered Payroll	Contributions as a Percentage of Covered Payroll (b)/(d)
2016	2,819,046	2,819,046	-	15,540,826	18.14%
2017	2,924,757	2,924,757	-	16,747,217	17.46%
2018	3,310,248	3,310,248	-	18,080,014	18.31%
2019	3,610,711	3,610,711	-	19,517,358	18.50%
2020	3,838,014	3,838,014	-	20,746,026	18.50%
2021	4,158,368	4,158,368	-	22,477,667	18.50%
2022	4,440,025	4,440,025	-	24,000,134	18.50%
2023	4,804,198	4,804,198	-	25,968,636	18.50%
2024	5,530,963	5,530,963	-	29,897,097	18.50%
2025	6,136,743	6,136,743	-	32,400,966	18.94%

Notes to Schedule:

Annual required contributions are not actuarially determined. In accordance with city ordinance since 2017, the City has contributed to the Firemen's Relief and Retirement Fund at the rate of 18.88%, the assumed actuarial valuation rate over the unfunded liability amortization period.

While the contribution requirements are not actuarially determined, state law requires an actuary certify the assumed City contribution rate is adequate. Methods and assumptions used to contribution adequacy in the December 31, 2023 actuarial valuation:

Actuarial Cost Method	Entry Age
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	6.5 Years
Asset Valuation Method	5-year smoothing
Inflation	2.50%
Salary Increases	3.00% annual general compensation increase plus promotion, step, and longevity increases that varies by service
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation
Retirement Age	Average expected age at retirement of 57
Mortality	PubS-2010 (public safety) total dataset mortality tables for employees and for retirees (Sex distinct), projected for mortality improvement generationally using the projection scale MP-2019

CITY OF DENTON, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 MEDICAL OTHER POST-EMPLOYMENT BENEFITS
 SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
 LAST EIGHT FISCAL YEARS (PREVIOUS YEARS ARE NOT AVAILABLE)^{1,2}

	Measurement Year 2017	Measurement Year 2018	Measurement Year 2019	Measurement Year 2020	Measurement Year 2021	Measurement Year 2022	Measurement Year 2023	Measurement Year 2024
Total OPEB liability:								
Service Cost	\$ 1,750,172	\$ 1,995,008	\$ 2,052,606	\$ 2,884,792	\$ 3,554,317	\$ 3,282,530	\$ 2,538,726	\$ 2,882,929
Interest (on the total OPEB liability)	1,360,179	1,329,949	1,507,925	1,186,428	995,640	921,256	1,687,421	1,740,446
Changes of benefit terms	-	-	-	-	-	-	-	-
Difference between expected and actual experience	-	(150,485)	(1,512,289)	329,072	(1,283,436)	(42,650)	(920,557)	(105,456)
Change of assumptions or other inputs	2,067,787	(1,724,923)	1,444,810	3,664,984	(1,091,668)	(10,266,201)	3,039,595	(1,393,130)
Benefit payments	(742,818)	(899,361)	(1,126,992)	(1,695,382)	(1,826,367)	(1,679,015)	(2,174,160)	(1,858,482)
Net change in total OPEB liability	4,435,320	550,188	2,366,060	6,369,894	348,486	(7,784,080)	4,171,025	1,266,307
Total OPEB liability - beginning	35,196,570	39,631,890	40,182,078	42,548,138	48,918,032	49,266,518	41,482,438	45,653,463
Total OPEB liability - ending	\$ 39,631,890	\$ 40,182,078	\$ 42,548,138	\$ 48,918,032	\$ 49,266,518	\$ 41,482,438	\$ 45,653,463	\$ 46,919,770
Covered-employee payroll	104,783,403	\$ 109,480,718	\$ 118,063,295	\$ 130,944,182	\$ 126,595,871	\$ 137,686,788	\$ 152,743,678	\$ 174,682,731
OPEB liability as a percentage of covered-employee payroll	37.82%	36.70%	36.04%	37.36%	38.92%	30.13%	29.89%	26.86%

¹Schedule is intended to present information for ten years. Additional years of information will be presented as they become available.

²There are no assets accumulated in a trust that meets the criteria in Paragraph 4 of GASB Statement No. 75 to pay related benefits.

Methods and assumptions used to determine contribution rate for 2024:

Actuarial cost method	Entry-Age Normal
Discount rate	4.08% as of December 31, 2024 (This was a change of assumption, up from 3.77%, December 31, 2023)
Inflation rate	2.50%
Projected salary increases	3.60% to 11.85% for TMRS and 3.00% to 9.18% for Fire, including inflation
Demographic assumptions	Based on the experience study covering the four-year period ending December 31, 2023 as conducted for the Texas Municipal Retirement System (TMRS) and the assumptions used in the December 31, 2023 actuarial valuation for the Denton Firemen's Relief and Retirement Fund.
Healthcare trend rates	Initial rate of 7.20% declining to an ultimate rate of 4.25% after 15 years.
Mortality	TMRS: For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used, with male rates multiplied by 103% and female rates multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Fire: For healthy retirees, the gender-distinct PubS-2010 (safety employees) total data set mortality tables are used. The rates are projected on a fully generational basis using the project scale MP-2019.
Participation rates	65% for employees retiring at age 65 or older; 45% for employees retiring between the ages of 50 and 64; 5% for employees retiring between the ages of 45 and 49; 0% for employees retiring before the ages of 45.

CITY OF DENTON, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 TEXAS MUNICIPAL RETIREMENT SYSTEM - SUPPLEMENTAL DEATH BENEFIT FUND
 SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
 LAST EIGHT FISCAL YEARS (PREVIOUS YEARS ARE NOT AVAILABLE)^{1,2}

	Measurement Year 2017	Measurement Year 2018	Measurement Year 2019	Measurement Year 2020	Measurement Year 2021	Measurement Year 2022	Measurement Year 2023	Measurement Year 2024
Total OPEB liability:								
Service Cost	\$ 144,886	\$ 176,359	\$ 152,989	\$ 236,668	\$ 233,130	\$ 284,912	\$ 146,216	\$ 179,426
Interest (on the total OPEB liability)	106,885	110,831	130,143	115,434	103,668	100,639	151,640	157,100
Difference between expected and actual experience	-	155,143	(284,991)	(28,782)	(158,830)	46,933	30,281	(3,170)
Change of assumptions or other inputs	270,541	(247,941)	680,198	720,927	172,092	(1,978,189)	208,108	(227,872)
Benefit payments	(17,045)	(17,636)	(28,686)	(32,273)	(81,089)	(98,623)	(121,847)	(138,020)
Net change in total OPEB liability	505,267	176,756	649,653	1,011,974	268,971	(1,644,328)	414,398	(32,536)
Total OPEB liability - beginning	2,763,726	3,268,993	3,445,749	4,095,402	5,107,376	5,376,347	3,732,019	4,146,417
Total OPEB liability - ending	\$ 3,268,993	\$ 3,445,749	\$ 4,095,402	\$ 5,107,376	\$ 5,376,347	\$ 3,732,019	\$ 4,146,417	\$ 4,113,881
Covered-employee payroll	\$ 85,227,078	\$ 88,179,581	\$ 95,618,386	\$ 107,576,172	\$ 101,361,066	\$ 137,686,788	\$ 121,846,875	\$ 138,020,067
OPEB liability as a percentage of covered-employee payroll	3.84%	3.91%	4.28%	4.75%	5.30%	2.71%	3.40%	2.98%

¹Schedule is intended to present information for ten years. Additional years of information will be presented as they become available.

²There are no assets accumulated in a trust that meets the criteria in Paragraph 4 of GASB Statement No. 75 to pay related benefits.

Methods and assumptions used to determine contribution rate for 2024:

Inflation rate	2.50% per annum
Discount rate	4.08% (as of December 31, 2024.) The prior year discount rate was 3.77%.
Actuarial cost method	Entry Age Normal
Projected salary increases	3.60 % to 11.85%, including inflation.
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB No. 68.
Mortality rates - service retirees	For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used, with male rates multiplied by 103% and female rates multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

CITY OF DENTON, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts		Actual Amounts	Adjustments - Budgetary Basis	Actual on a Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final				
REVENUES:						
Taxes	\$ 50,012,675	\$ 50,040,043	\$ 50,087,820	\$ -	\$ 50,087,820	\$ 47,777
Investment revenue (loss)	27,368	27,368	1,071,608	-	1,071,608	1,044,240
Total revenues	50,040,043	50,067,411	51,159,428	-	51,159,428	1,092,017
EXPENDITURES:						
Debt service:						
Principal, interest and fiscal charges	129,462,195	129,462,195	50,729,801	73,014,927	123,744,728	5,717,467
Bond refunding	-	-	-	-	-	-
Bond issuance costs	-	-	56,915	(56,915)	-	-
Total expenditures	129,462,195	129,462,195	50,786,716	72,958,012	123,744,728	5,717,467
Excess (deficiency) of revenues over (under) expenditures	(79,422,152)	(79,394,784)	372,712	(72,958,012)	(72,585,300)	6,809,484
OTHER FINANCING SOURCES (USES):						
Refunding bonds issued	-	-	10,375,000	(10,375,000)	-	-
Payment to refunded bond agent	-	-	(11,400,289)	11,400,289	-	-
Premium on debt issuance	-	-	1,084,796	(1,084,796)	-	-
Transfers in	79,422,152	79,422,152	751,656	73,014,927	73,766,583	(5,655,569)
Total other financing sources (uses)	79,422,152	79,422,152	811,163	72,955,420	73,766,583	(5,655,569)
Net change in fund balance	-	27,368	1,183,875	(2,592)	1,181,283	1,153,915
Fund balance at beginning of year	1,410,137	1,410,137	1,410,137	-	1,410,137	-
Fund balance at end of year	\$ 1,410,137	\$ 1,437,505	\$ 2,594,012	\$ (2,592)	\$ 2,591,420	\$ 1,153,915

Adjustments - Budgetary Basis are pass-through debt service payments budgeted as transfers in from enterprise and internal service funds.
Other Financing Sources (Uses) related to refunding are adjusted out as they are non-budgeted items reducing future debt service payments.

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APPENDIX C

FORMS OF BOND COUNSEL'S OPINIONS

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Proposed Form of Opinion of Bond Counsel

*An opinion in substantially the following form will be delivered by
McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Certificates,
assuming no material changes in facts or law.*

[Issue Date]

**CITY OF DENTON, TEXAS
CERTIFICATES OF OBLIGATION
SERIES 2026
DATED JULY 15, 2026
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$ _____**

AS BOND COUNSEL FOR THE CITY OF DENTON, TEXAS (the “*Issuer*”) in connection with the issuance of the Certificates of Obligation described above (the “*Certificates*”), we have examined into the legality and validity of the Certificates, which bear interest from the dates and mature on the dates, and are subject to redemption, in accordance with the terms and conditions stated in the text of the Certificates. Terms used herein and not otherwise defined shall have the meaning given in the Ordinance of the Issuer authorizing the issuance and sale of the Certificates (the “*Ordinance*”).

WE HAVE EXAMINED the Constitution and laws of the State of Texas, certified copies of the proceedings of the City Council of the Issuer relating to the issuance of the Certificates, including the Ordinance and other documents authorizing and relating to the issuance of the Certificates; and we have examined various certificates and documents executed by officers and officials of the Issuer upon which certificates and documents we rely as to certain matters stated below. We have also examined one of the executed Certificates (Number T-1).

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Certificates have been duly authorized, issued and delivered, all in accordance with law; and that, except as may be limited by laws applicable to the Issuer relating to bankruptcy, reorganization, and other similar matters affecting creditors’ rights generally, or by general principles of equity or governmental immunity of political subdivisions which permit the exercise of judicial discretion, the Certificates will constitute valid and legally binding obligations of the Issuer, and ad valorem taxes sufficient to provide for the payment of the interest on and principal of the Certificates have been levied and pledged for such purpose, within the limit prescribed by law, and that the Certificates are additionally secured by and payable from limited surplus revenues (not to exceed \$1,000) of the Issuer’s Utility System (consisting of the Issuer’s combined waterworks system, sanitary sewer system, drainage system and electric light and power system), remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve, and other requirements in connection with all of the Issuer’s revenue bonds or other obligations (now or hereafter outstanding), which are payable from all or any part of the Net Revenues of the Issuer’s Utility System.

IT IS FURTHER OUR OPINION that, except as discussed below, under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion, for federal income tax purposes, the interest on the Certificates (i) is excludable from the gross income of the owners thereof and (ii) the Certificates will not be treated as “specified private activity bonds” the interest on which would be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the “*Code*”). In expressing the aforementioned opinions, we have relied on certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants regarding the use and investment of the proceeds of the Certificates and the use of the property financed

therewith. We call your attention to the fact that if such representations are determined to be inaccurate or if the Issuer fails to comply with such covenants, interest on the Certificates may become includable in gross income retroactively to the date of issuance of the Certificates.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Certificates, including the amount, accrual or receipt of interest on, the Certificates. Owners of the Certificates should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Certificates.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Certificates, may be includable in a corporation's adjusted financial statement income for purposes of determining the alternative minimum tax imposed on certain corporations by section 55 of the Code.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Certificates, nor as to any such insurance policies issued in the future.

OUR SOLE ENGAGEMENT in connection with the issuance of the Certificates is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Certificates under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Certificates for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the Issuer, or the disclosure thereof in connection with the sale of the Certificates, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Certificates and have relied solely on certificates executed by officials of the Issuer as to the current outstanding indebtedness of, and assessed valuation of taxable property within, and the sufficiency of the pledged surplus net revenues of, the Issuer. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "*Service*"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Certificates. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Certificates as includable in gross income for federal income tax purposes.

Respectfully,

Proposed Form of Opinion of Bond Counsel

*An opinion in substantially the following form will be delivered by
McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Bonds,
assuming no material changes in facts or law.*

[Issue Date]

**CITY OF DENTON, TEXAS
GENERAL OBLIGATION REFUNDING AND IMPROVEMENT BONDS
SERIES 2026
DATED JULY 15, 2026
IN THE PRINCIPAL AMOUNT OF \$ _____**

AS BOND COUNSEL FOR THE CITY OF DENTON, TEXAS (the “*Issuer*”) in connection with the issuance of the bonds described above (the “*Bonds*”), we have examined into the legality and validity of the Bonds, which bear interest from the dates and mature on the dates, and are subject to redemption, in accordance with the terms and conditions stated in the text of the Bonds. Terms used herein and not otherwise defined shall have the meaning given in the Ordinance of the Issuer authorizing the issuance and sale of the Bonds (the “*Ordinance*”).

WE HAVE EXAMINED the Constitution and laws of the State of Texas, certified copies of the proceedings of the City Council of the Issuer relating to the issuance of the Bonds, including the Ordinance and other documents authorizing and relating to the issuance of the Bonds; and we have examined various certificates and documents executed by officers and officials of the Issuer upon which certificates and documents we rely as to certain matters stated below. We have also examined one of the executed Bonds (Number T-1).

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been duly authorized, issued and delivered, all in accordance with law; and that, except as may be limited by laws applicable to the Issuer relating to bankruptcy, reorganization and other similar matters affecting creditors’ rights generally, or by general principles of equity or governmental immunity of political subdivisions which permit the exercise of judicial discretion, the Bonds will constitute valid and legally binding obligations of the Issuer, and ad valorem taxes sufficient to provide for the payment of the interest on and principal of the Bonds have been levied and pledged for such purpose, within the limit prescribed by law.

IT IS FURTHER OUR OPINION that, except as discussed below, under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion, for federal income tax purposes, the interest on the Bonds (i) is excludable from the gross income of the owners thereof and (ii) the Bonds will not be treated as “specified private activity bonds” the interest on which would be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the “*Code*”). In expressing the aforementioned opinions, we have relied on certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants regarding the use and investment of the proceeds of the Bonds and the use of the property financed and refinanced therewith. We call your attention to the fact that if such representations are determined to be inaccurate or if the Issuer fails to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds, including the amount, accrual or receipt of interest on, the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Bonds, may be includable in a corporation's adjusted financial statement income for purposes of determining the alternative minimum tax imposed on certain corporations by section 55 of the Code.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the Issuer, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the Issuer as to the current outstanding indebtedness of, and assessed valuation of taxable property within, the Issuer. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "*Service*"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

Respectfully,

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Municipal Advisory Services
Provided By



ORDINANCE NO. 26-_____

AN ORDINANCE CONSIDERING ALL MATTERS INCIDENT AND RELATED TO THE ISSUANCE, SALE AND DELIVERY OF UP TO \$295,000,000 IN PRINCIPAL AMOUNT OF "CITY OF DENTON CERTIFICATES OF OBLIGATION, SERIES 2026"; AUTHORIZING THE ISSUANCE OF THE CERTIFICATES; DELEGATING THE AUTHORITY TO CERTAIN CITY OFFICIALS TO EXECUTE CERTAIN DOCUMENTS RELATING TO THE SALE OF THE CERTIFICATES; APPROVING AND AUTHORIZING INSTRUMENTS AND PROCEDURES RELATING TO SAID CERTIFICATES; ENACTING OTHER PROVISIONS RELATING TO THE SUBJECT; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the City Council of the City of Denton, Texas (the "Issuer"), deems it advisable to issue Certificates of Obligation in the amount of up to \$295,000,000 for the purposes hereinafter set forth; and

WHEREAS, the Certificates of Obligation hereinafter authorized and designated are to be issued and delivered for cash pursuant to Subchapter C of Chapter 271, Texas Local Government Code, Subchapter B, Chapter 1502, Texas Government Code and Chapter 1371, Texas Government Code; and

WHEREAS, the City Council has heretofore passed two ordinances authorizing and directing the City Secretary to give notice of intention to issue Certificates of Obligation, and said notices have been duly published in a newspaper of general circulation in said Issuer, said newspaper being a "newspaper" as defined in Section 2051.044, Texas Government Code; and

WHEREAS, the Issuer received no petition from the qualified electors of the Issuer protesting the issuance of such Certificates of Obligation; and

WHEREAS, no bond proposition to authorize the issuance of bonds for the same purpose as any of the projects being financed with the proceeds of the Certificates of Obligation was submitted to the voters of the Issuer during the preceding three years and failed to be approved; and

WHEREAS, the Issuer is an "issuer" within the meaning of Section 1371.001(4)(P), Texas Government Code, having (i) a principal amount of at least \$100 million in outstanding long-term indebtedness, in long-term indebtedness proposed to be issued, or in a combination of outstanding or proposed long-term indebtedness and (ii) some amount of long-term indebtedness outstanding or proposed to be issued that is rated in one of the four highest rating categories for long-term debt instruments by a nationally recognized rating agency for municipal securities, without regard to the effect of any credit agreement or other form of credit enhancement entered into in connection with the obligation; and

WHEREAS, it is officially found, determined, and declared that the meeting at which this Ordinance has been adopted was open to the public and public notice of the time, place and subject matter of the public business to be considered and acted upon at said meeting, including this Ordinance, was given, all as required by the applicable provisions of Texas Government Code Chapter 551; NOW, THEREFORE,

THE COUNCIL OF THE CITY OF DENTON HEREBY ORDAINS:

SECTION 1. RECITALS, AMOUNT, PURPOSE AND DESIGNATION OF THE CERTIFICATES.

(a) The recitals set forth in the preamble hereof are incorporated herein and shall have the same force and effect as if set forth in this Section.

(b) The term "Certificates" as used in this Ordinance shall mean and include collectively the certificate of obligation initially issued and delivered pursuant to this Ordinance (the "Initial Certificate") and all substitute certificates of obligation exchanged therefor, as well as all other substitute certificates of obligation and replacement certificates of obligation issued pursuant hereto, and the term "Certificate" shall mean any of the Certificates.

(c) The Certificates of Obligation of the City of Denton, Texas (the "Issuer") are hereby authorized to be issued and delivered in the maximum aggregate principal amount of \$295,000,000 for the purpose of paying all or a portion of the Issuer's contractual obligations incurred pursuant to contracts for the purchase, construction and acquisition of certain real and personal property, to wit: up to \$220,000,000 in principal amount for the purpose of: (i) acquisition of equipment for, and acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to, the Issuer's waterworks and wastewater system; and (ii) acquisition of equipment for, and acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to, the Issuer's electric light and power system; and also for the purpose of paying all or a portion of the Issuer's contractual obligations for professional services, including engineers, architects, attorneys, map makers, auditors, and financial advisors, in connection with said projects and said Certificates of Obligation; and up to \$75,000,000 in principal amount for the purpose of: (i) acquisition of vehicles and equipment for the fire, police, building inspections, community improvement services, animal services, streets and traffic control, facilities management, airport, technology services, fleet management, warehouse management, and parks and recreation departments; (ii) renovations to, and equipping of, existing municipal buildings, including the acquisition and installation of replacement heating, venting and air conditioning equipment, roofing, flooring and parking facilities; (iii) acquiring, constructing and installing building security systems, including security system technology equipment and software, for municipal buildings; (iv) constructing, reconstructing, renovating, installing and equipping municipal parks; (v) acquisition and installation of technology equipment, including radio equipment, computer equipment and software, and fiber replacement, for various municipal departments; (vi) constructing and improving streets, including traffic signalization, landscaping, drainage, sidewalks, utility line relocations and the acquisition of land and rights-of-way therefor; (vii) acquisition of equipment for, and acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to, the Issuer's drainage and storm sewer systems; (viii) acquisition of vehicles and equipment for, and acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to, the Issuer's solid waste disposal system; (ix) acquisition of equipment for, and acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to, public safety facilities for the fire department and (x) acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to the Linda McNatt Animal Care & Adoption Center; and also for the purpose of paying all or a portion of the Issuer's contractual obligations for professional services, including engineers, architects, attorneys, map makers, auditors, and financial advisors, in connection with said projects and said Certificates of Obligation (collectively, the "Projects").

(d) Each Certificate issued pursuant to this Ordinance shall be designated: "CITY OF DENTON CERTIFICATE OF OBLIGATION, SERIES 2026," and initially there shall be issued, sold, and delivered hereunder fully registered certificates, without interest coupons, payable to the respective registered owners thereof (with the Initial Certificate being made payable to the Purchaser as described in Section 10 hereof), or to the registered assignee or assignees of said Certificates or any portion or portions thereof (in each case, the "Registered Owner"). The Certificates shall be in the respective principal amounts, shall be numbered, shall mature and be payable on the date or dates in each of the years and in the principal amounts, and shall bear interest to their respective dates of maturity or redemption prior to maturity at the rates per annum, as set forth in the Pricing Certificate.

SECTION 2. DELEGATION TO PRICING OFFICER.

(a) As authorized by Section 1371.053, Texas Government Code, as amended, the City Manager or the Chief Financial Officer (the "Pricing Officer") is hereby authorized to act on behalf of the Issuer in selling and delivering the Certificates and carrying out the other procedures specified in this Ordinance, including, determining the date of the Certificates, any additional or different designation or title by which the Certificates shall be known, the price at which the Certificates will be sold, the years in which the Certificates will mature, the principal amount to mature in each of such years, the rate of interest to be borne by each such maturity, the interest payment and record dates, the price and terms upon and at which the Certificates shall be subject to redemption prior to maturity at the option of the Issuer, as well as any mandatory sinking fund redemption provisions, and all other matters relating to the issuance, sale, and delivery of the Certificates, including without limitation, obtaining municipal bond insurance for all or any portion of the Certificates (including in connection therewith the execution of any commitment agreements, membership agreements in mutual insurance companies, and other similar agreements) and providing for the terms and provisions thereof applicable to the Certificates, all of which shall be specified in the Pricing Certificate; provided that:

- (i) the aggregate original principal amount of the Certificates shall not exceed the amount set forth in Section 1(c) hereof;
- (ii) the maximum stated maturity of the Certificates shall not exceed February 15, 2056;
- (iii) the Certificates shall bear interest at a fixed rate, and the net effective interest rate on the Certificates shall not exceed 5.250%;
- (iv) the delegation made hereby shall expire if not exercised by the Pricing Officer through execution of the Pricing Certificate on or prior to January 14, 2027; and
- (v) on or prior to delivery, the Certificates shall be rated by a nationally recognized rating agency for municipal securities in one of the four highest categories for long-term obligations.

(b) In establishing the aggregate principal amount of the Certificates, the Pricing Officer shall establish an amount not exceeding the aggregate principal amount authorized in Subsection (a) hereof, and not exceeding the respective amounts set forth in Section 1(c) hereof for each group of Projects, which shall be sufficient in amount to provide for the purposes for which the Certificates are authorized and to pay costs of issuing the Certificates. The Certificates shall be sold with and subject to such terms as set forth in the Pricing Certificate.

SECTION 3. CHARACTERISTICS OF THE CERTIFICATES.

(a) Registration, Transfer, Conversion and Exchange; Authentication. The Issuer shall keep or cause to be kept at the principal corporate trust office of BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar") books or records for the registration of the transfer, conversion and exchange of the Certificates (the "Registration Books"), and the Issuer hereby appoints the Paying Agent/Registrar as its registrar and transfer agent to keep such books or records and make such registrations of transfers, conversions and exchanges under such reasonable regulations as the Issuer and Paying Agent/Registrar may prescribe; and the Paying Agent/Registrar shall make such registrations, transfers, conversions and exchanges as herein provided. The Paying Agent/Registrar shall obtain and record in the Registration Books the address of the Registered Owner of each Certificate to which payments with respect to the

Certificates shall be mailed, as herein provided; but it shall be the duty of each Registered Owner to notify the Paying Agent/Registrar in writing of the address to which payments shall be mailed, and such interest payments shall not be mailed unless such notice has been given. The Issuer shall have the right to inspect the Registration Books during regular business hours of the Paying Agent/Registrar, but otherwise the Paying Agent/Registrar shall keep the Registration Books confidential and, unless otherwise required by law, shall not permit their inspection by any other entity. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges for making such registration, transfer, conversion, exchange and delivery of a substitute Certificate or Certificates. Registration of assignments, transfers, conversions and exchanges of Certificates shall be made in the manner provided and with the effect stated in the FORM OF CERTIFICATE set forth in this Ordinance. Each substitute Certificate shall bear a letter and/or number to distinguish it from each other Certificate.

Except as provided in Section 3(c) of this Ordinance, an authorized representative of the Paying Agent/Registrar shall, before the delivery of any such Certificate, date and manually sign said Certificate, and no such Certificate shall be deemed to be issued or outstanding unless such Certificate is so executed. The Paying Agent/Registrar promptly shall cancel all paid Certificates and Certificates surrendered for conversion and exchange. No additional ordinances, orders, or resolutions need be passed or adopted by the governing body of the Issuer or any other body or person so as to accomplish the foregoing conversion and exchange of any Certificate or portion thereof, and the Paying Agent/Registrar shall provide for the printing, execution, and delivery of the substitute Certificates in the manner prescribed herein, and said Certificates shall be printed or typed on paper of customary weight and strength. Pursuant to Chapter 1201, Government Code, as amended, the duty of conversion and exchange of Certificates as aforesaid is hereby imposed upon the Paying Agent/Registrar, and, upon the execution of said Certificate, the converted and exchanged Certificate shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Certificates that initially were issued and delivered pursuant to this Ordinance, approved by the Attorney General of the State of Texas (the "Attorney General") and registered by the Comptroller of Public Accounts of the State of Texas (the "Comptroller").

(b) Payment of Certificates and Interest. The Issuer hereby further appoints the Paying Agent/Registrar to act as the paying agent for paying the principal of and interest on the Certificates, all as provided in this Ordinance. The Paying Agent/Registrar shall keep proper records of all payments made by the Issuer and the Paying Agent/Registrar with respect to the Certificates, and of all conversions and exchanges of Certificates, and all replacements of Certificates, as provided in this Ordinance. However, in the event of a nonpayment of interest on a scheduled payment date, and for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Issuer. Notice of the past due interest shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each Registered Owner appearing on the Registration Books at the close of business on the last business day next preceding the date of mailing of such notice.

(c) In General. The Certificates (i) shall be issued in fully registered form, without interest coupons, with the principal of and interest on such Certificates to be payable only to the Registered Owners thereof, (ii) may or shall be redeemed prior to their scheduled maturities (notice of which shall be given to the Paying Agent/Registrar by the Issuer at least 45 days prior to any such redemption date), (iii) may be converted and exchanged for other Certificates, (iv) may be transferred and assigned, (v) shall have the characteristics, (vi) shall be signed, sealed, executed and authenticated, (vii) the principal of and interest on the Certificates shall be payable, and (viii) shall be administered and the Paying Agent/Registrar and the Issuer shall have certain duties and responsibilities with respect to the Certificates, all as provided, and in the manner and to the effect as required or indicated, in the FORM OF CERTIFICATE set forth in this Ordinance (as modified in the Pricing Certificate). The Initial Certificate is not required to be, and shall

not be, authenticated by the Paying Agent/Registrar, but on each substitute Certificate issued in conversion of and exchange for any Certificate or Certificates issued under this Ordinance the Paying Agent/Registrar shall execute the Paying Agent/Registrar's Authentication Certificate, in the form set forth in the FORM OF CERTIFICATE.

(d) Paying Agent/Registrar for the Certificates. The Issuer covenants with the Registered Owners of the Certificates that at all times while the Certificates are outstanding the Issuer will provide a competent and legally qualified bank, trust company, financial institution, or other entity to act as and perform the services of Paying Agent/Registrar for the Certificates under this Ordinance, and that the Paying Agent/Registrar will be a single entity. The Issuer reserves the right to, and may, at its option, change the Paying Agent/Registrar upon not less than 60 days written notice to the Paying Agent/Registrar, to be effective not later than 60 days prior to the next principal or interest payment date after such notice. In the event that the entity at any time acting as Paying Agent/Registrar (or its successor by merger, acquisition, or other method) should resign or otherwise cease to act as such, the Issuer covenants that promptly it will appoint a competent and legally qualified bank, trust company, financial institution, or other agency to act as Paying Agent/Registrar under this Ordinance. Upon any change in the Paying Agent/Registrar, the previous Paying Agent/Registrar promptly shall transfer and deliver the Registration Books (or a copy thereof), along with all other pertinent books and records relating to the Certificates, to the new Paying Agent/Registrar designated and appointed by the Issuer. Upon any change in the Paying Agent/Registrar, the Issuer promptly will cause a written notice thereof to be sent by the new Paying Agent/Registrar to each Registered Owner of the Certificates, by United States mail, first-class postage prepaid, which notice also shall give the address of the new Paying Agent/Registrar. By accepting the position and performing as such, each Paying Agent/Registrar shall be deemed to have agreed to the provisions of this Ordinance, and a certified copy of this Ordinance shall be delivered to each Paying Agent/Registrar.

(e) Authentication. Except as provided below, no Certificate shall be valid or obligatory for any purpose or be entitled to any security or benefit of this Ordinance unless and until there appears thereon the Paying Agent/Registrar's Authentication Certificate substantially in the form provided in this Ordinance, duly authenticated by manual execution of the Paying Agent/Registrar. It shall not be required that the same authorized representative of the Paying Agent/Registrar sign the Paying Agent/Registrar's Authentication Certificate on all of the Certificates. In lieu of the executed Paying Agent/Registrar's Authentication Certificate described above, the Initial Certificate delivered on the closing date shall have attached thereto the Comptroller's Registration Certificate substantially in the form provided in this Ordinance, manually executed by the Comptroller or by her duly authorized agent, which certificate shall be evidence that the Initial Certificate has been duly approved by the Attorney General and that it is a valid and binding obligation of the Issuer, and has been registered by the Comptroller.

(f) Book-Entry-Only System. The Certificates issued in exchange for the Initial Certificate shall be initially issued in the form of a separate single fully registered Certificate for each of the maturities thereof. Upon initial issuance, the ownership of each such Certificate shall be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), and except as provided in subsection (g) hereof, all of the outstanding Certificates shall be registered in the name of Cede & Co., as nominee of DTC.

With respect to Certificates registered in the name of Cede & Co., as nominee of DTC, the Issuer and the Paying Agent/Registrar shall have no responsibility or obligation to any securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC was created ("DTC Participant") to hold securities to facilitate the clearance and settlement of securities transactions among DTC Participants or to any person on behalf of whom such a DTC Participant holds an interest in the Certificates. Without limiting the immediately preceding sentence, the Issuer and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of

DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Certificates, (ii) the delivery to any DTC Participant or any other person, other than a Registered Owner of Certificates, as shown on the Registration Books, of any notice with respect to the Certificates, or (iii) the payment to any DTC Participant or any other person, other than a Registered Owner of Certificates, as shown in the Registration Books of any amount with respect to principal of or interest on the Certificates. Notwithstanding any other provision of this Ordinance to the contrary, the Issuer and the Paying Agent/Registrar shall be entitled to treat and consider the person in whose name each Certificate is registered in the Registration Books as the absolute owner of such Certificate for the purpose of payment of principal and interest with respect to such Certificate, for the purpose of registering transfers with respect to such Certificate, and for all other purposes whatsoever. The Paying Agent/Registrar shall pay all principal of and interest on the Certificates only to or upon the order of the Registered Owners, as shown in the Registration Books as provided in this Ordinance, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Issuer's obligations with respect to payment of principal of and interest on the Certificates to the extent of the sum or sums so paid. No person other than a Registered Owner, as shown in the Registration Books, shall receive a Certificate evidencing the obligation of the Issuer to make payments of principal and interest pursuant to this Ordinance. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Ordinance with respect to interest checks being mailed to the Registered Owner at the close of business on the Record Date, the words "Cede & Co." in this Ordinance shall refer to such new nominee of DTC.

The previous execution and delivery of the Blanket Issuer Letter of Representations with respect to obligations of the Issuer is hereby ratified and confirmed; and the provisions thereof shall be fully applicable to the Certificates.

(g) Successor Securities Depository; Transfers Outside Book-Entry-Only System. In the event that the Issuer determines that DTC is incapable of discharging its responsibilities described herein and in the Blanket Issuer Letter of Representations to DTC or that it is in the best interest of the beneficial owners of the Certificates that they be able to obtain certificated Certificates, the Issuer shall (i) appoint a successor securities depository, qualified to act as such under Section 17A of the Securities and Exchange Act of 1934, as amended, notify DTC and DTC Participants of the appointment of such successor securities depository and transfer one or more separate Certificates to such successor securities depository or (ii) notify DTC and DTC Participants of the availability through DTC of Certificates and transfer one or more separate certificated Certificates to DTC Participants having Certificates credited to their DTC accounts. In such event, the Certificates shall no longer be restricted to being registered in the Registration Books in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names Registered Owners transferring or exchanging Certificates shall designate, in accordance with the provisions of this Ordinance.

(h) Payments to Cede & Co. Notwithstanding any other provision of this Ordinance to the contrary, so long as any Certificate is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of and interest on such Certificate and all notices with respect to such Certificate shall be made and given, respectively, in the manner provided in the Blanket Issuer Letter of Representations to DTC.

(i) Cancellation of Initial Certificate. On the closing date, the Initial Certificate, representing the entire principal amount of the Certificates, payable in stated installments to the Purchaser designated in Section 10 or its designee, executed by manual or facsimile signature of the Mayor and City Secretary of the Issuer, approved by the Attorney General, and registered and manually signed by the Comptroller, will be delivered to such Purchaser or its designee. Upon payment for the Initial Certificate, the Paying

Agent/Registrar shall cancel the Initial Certificate and deliver to DTC on behalf of such Purchaser one registered definitive Certificate for each year of maturity of the Certificates, in the aggregate principal amount of all of the Certificates for such maturity. To the extent that the Paying Agent/Registrar is eligible to participate in DTC's FAST System, pursuant to an agreement between the Paying Agent/Registrar and DTC, the Paying Agent/Registrar shall hold the definitive Certificates in safekeeping for DTC.

(j) Conditional Notice of Redemption. With respect to any optional redemption of the Certificates, unless the prerequisites to such redemption required by this Ordinance have been met and moneys sufficient to pay the principal of and premium, if any, and interest on the Certificates to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice shall state that said redemption may, at the option of the Issuer, be conditional upon the satisfaction of such prerequisites and receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption and sufficient moneys are not received, such notice shall be of no force and effect, the Issuer shall not redeem such Certificates and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Certificates have not been redeemed.

SECTION 4. FORM OF CERTIFICATES. The form of the Certificates, including the form of Paying Agent/Registrar's Authentication Certificate, the form of Assignment and the form of Comptroller's Registration Certificate to be attached to the Certificates initially issued and delivered pursuant to this Ordinance, shall be, respectively, substantially as follows, with such appropriate variations, omissions or insertions as are permitted or required by this Ordinance, and with the Form of Certificate to be modified pursuant to, and completed with information set forth in, the Pricing Certificate.

(a) [Form of Certificate]

NO. R-	UNITED STATES OF AMERICA STATE OF TEXAS CITY OF DENTON CERTIFICATE OF OBLIGATION SERIES 2026	PRINCIPAL AMOUNT \$ _____
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Interest Rate	Dated Date	Maturity Date	CUSIP No.
_____	_____, 2026	February 15, 20__	_____

REGISTERED OWNER:

PRINCIPAL AMOUNT: _____ DOLLARS

ON THE MATURITY DATE specified above, the City of Denton, in Denton County, Texas (the "Issuer"), being a political subdivision and municipal corporation of the State of Texas, hereby promises to pay to the Registered Owner specified above, or registered assigns (hereinafter called the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above. The Issuer promises to pay interest on the unpaid principal amount hereof (calculated on the basis of a 360-day year of twelve 30-day months) from the Delivery Date at the Interest Rate per annum specified above. Interest is payable on _____, 20__ and semiannually on each _____ and _____ thereafter to the Maturity Date specified above, or the date of redemption prior to maturity; except, if this Certificate is required to

be authenticated and the date of its authentication is later than the first Record Date (hereinafter defined), such Principal Amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date; provided, however, that if on the date of authentication hereof the interest on the Certificate or Certificates, if any, for which this Certificate is being exchanged is due but has not been paid, then this Certificate shall bear interest from the date to which such interest has been paid in full.

THE PRINCIPAL OF AND INTEREST ON this Certificate are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Certificate shall be paid to the Registered Owner hereof upon presentation and surrender of this Certificate at maturity, or upon the date fixed for its redemption prior to maturity, at the principal corporate trust office of BOKF, NA, Dallas, Texas, which is the "Paying Agent/Registrar" for this Certificate. The payment of interest on this Certificate shall be made by the Paying Agent/Registrar to the Registered Owner hereof on each interest payment date by check or draft, dated as of such interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the Issuer required by the ordinance authorizing the issuance of this Certificate (the "Certificate Ordinance") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check or draft shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the Registered Owner hereof, at its address as it appeared on the last business day of the month preceding each such date (the "Record Date") on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described. In addition, interest may be paid by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Registered Owner. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Issuer. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each Registered Owner of a Certificate appearing on the Registration Books at the close of business on the last business day next preceding the date of mailing of such notice.

ANY ACCRUED INTEREST due at maturity or upon the redemption of this Certificate prior to maturity as provided herein shall be paid to the Registered Owner upon presentation and surrender of this Certificate for redemption and payment at the principal corporate trust office of the Paying Agent/Registrar. The Issuer covenants with the Registered Owner of this Certificate that on or before each principal payment date, interest payment date, and accrued interest payment date for this Certificate it will make available to the Paying Agent/Registrar, from the "Interest and Sinking Fund" created by the Certificate Ordinance, the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on the Certificates, when due.

IF THE DATE for the payment of the principal of or interest on this Certificate shall be a Saturday, Sunday, a legal holiday or a day on which banking institutions in the city where the principal corporate trust office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day that is not such a Saturday, Sunday, legal holiday or day on which banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

THIS CERTIFICATE is one of a series of Certificates dated _____, 2026, authorized in accordance with the Constitution and laws of the State of Texas in the principal amount of \$295,000,000 for the purpose of paying all or a portion of the Issuer's contractual obligations incurred pursuant to contracts for the purchase, construction and acquisition of certain real and personal property, to wit: \$220,000,000

for the purpose of: (i) acquisition of equipment for, and acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to, the Issuer's waterworks and wastewater system; and (ii) acquisition of equipment for, and acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to, the Issuer's electric light and power system; and also for the purpose of paying all or a portion of the Issuer's contractual obligations for professional services, including engineers, architects, attorneys, map makers, auditors, and financial advisors, in connection with said projects and said Certificates; and \$75,000,000 for the purpose of: (i) acquisition of vehicles and equipment for the fire, police, building inspections, community improvement services, animal services, streets and traffic control, facilities management, airport, technology services, fleet management, warehouse management, and parks and recreation departments; (ii) renovations to, and equipping of, existing municipal buildings, including the acquisition and installation of replacement heating, venting and air conditioning equipment, roofing, flooring and parking facilities; (iii) acquiring, constructing and installing building security systems, including security system technology equipment and software, for municipal buildings; (iv) constructing, reconstructing, renovating, installing and equipping municipal parks; (v) acquisition and installation of technology equipment, including radio equipment, computer equipment and software, and fiber replacement, for various municipal departments; (vi) constructing and improving streets, including traffic signalization, landscaping, drainage, sidewalks, utility line relocations and the acquisition of land and rights-of-way therefor; (vii) acquisition of equipment for, and acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to, the Issuer's drainage and storm sewer systems; (viii) acquisition of vehicles and equipment for, and acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to, the Issuer's solid waste disposal system; (ix) acquisition of equipment for, and acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to, public safety facilities for the fire department and (x) acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to the Linda McNatt Animal Care & Adoption Center; and also for the purpose of paying all or a portion of the Issuer's contractual obligations for professional services, including engineers, architects, attorneys, map makers, auditors, and financial advisors, in connection with said projects and said Certificates.

ON _____, 20__, or on any date thereafter, the Certificates of this series may be redeemed prior to their scheduled maturities, at the option of the Issuer, with funds derived from any available and lawful source, as a whole, or in part, and, if in part, the particular Certificates, or portions thereof, to be redeemed shall be selected and designated by the Issuer (provided that a portion of a Certificate may be redeemed only in an integral multiple of \$5,000), at a redemption price equal to the principal amount to be redeemed plus accrued interest to the date fixed for redemption.

[THE CERTIFICATES scheduled to mature on _____ in the years ____ and ____ (the "Term Certificates") are subject to scheduled mandatory redemption by the Paying Agent/Registrar by lot, or by any other customary method that results in a random selection, at a price equal to the principal amount thereof, plus accrued interest to the redemption date, out of moneys available for such purpose in the interest and sinking fund for the Certificates, on the dates and in the respective principal amounts, set forth in the following schedule:

Term Certificate Maturity: February 15, 20__		Term Certificate Maturity: February 15, 20__	
Mandatory Redemption Date	Principal Amount	Mandatory Redemption Date	Principal Amount
February 15, 20__	\$ _____	February 15, 20__	\$ _____
February 15, 20__	_____	February 15, 20__	_____

February 15,20__ _____ February 15,20__ _____
February 15,20__ (maturity) _____ February 15,20__ (maturity) _____

The principal amount of Term Certificates of a stated maturity required to be redeemed on any mandatory redemption date pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the Issuer, by the principal amount of any Term Certificates of the same maturity which, at least 50 days prior to a mandatory redemption date (1) shall have been acquired by the Issuer at a price not exceeding the principal amount of such Term Certificates plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the Issuer at a price not exceeding the principal amount of such Term Certificates plus accrued interest to the date of purchase, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.]

AT LEAST 30 days prior to the date fixed for any redemption of Certificates or portions thereof prior to maturity a written notice of such redemption shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, to the Registered Owner of each Certificate to be redeemed at its address as it appeared on the 45th day prior to such redemption date; provided, however, that the failure of the Registered Owner to receive such notice, or any defect therein or in the sending or mailing thereof, shall not affect the validity or effectiveness of the proceedings for the redemption of any Certificate. By the date fixed for any such redemption due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Certificates or portions thereof that are to be so redeemed. If such written notice of redemption is sent and if due provision for such payment is made, all as provided above, the Certificates or portions thereof that are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the Registered Owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment. If a portion of any Certificate shall be redeemed, a substitute Certificate or Certificates having the same maturity date, bearing interest at the same rate, in any denomination or denominations in any integral multiple of \$5,000, at the written request of the Registered Owner, and in aggregate principal amount equal to the unredeemed portion thereof, will be issued to the Registered Owner upon the surrender thereof for cancellation, at the expense of the Issuer, all as provided in the Certificate Ordinance.

IF AT THE TIME OF MAILING of notice of optional redemption there shall not have either been deposited with the Paying Agent/Registrar or legally authorized escrow agent immediately available funds sufficient to redeem all the Certificates called for redemption, such notice may state that it is conditional, and is subject to the deposit of the redemption moneys with the Paying Agent/Registrar or legally authorized escrow agent at or prior to the redemption date or any prerequisite set forth in such notice of redemption. If such redemption is not effectuated, the Paying Agent/Registrar shall, within five days thereafter, give notice in the manner in which the notice of redemption was given that such moneys were not so received or such prerequisites were not met and shall rescind the redemption.

ALL CERTIFICATES OF THIS SERIES are issuable solely as fully registered certificates, without interest coupons, in the denomination of any integral multiple of \$5,000. As provided in the Certificate Ordinance, this Certificate may, at the request of the Registered Owner or the assignee or assignees hereof, be assigned, transferred, converted into and exchanged for a like aggregate principal amount of fully registered Certificates, without interest coupons, payable to the appropriate Registered Owner, assignee or assignees, as the case may be, having the same denomination or denominations in any integral multiple of \$5,000 as requested in writing by the appropriate Registered Owner, assignee or assignees, as the case may be, upon surrender of this Certificate to the Paying Agent/Registrar for cancellation, all in accordance

with the form and procedures set forth in the Certificate Ordinance. Among other requirements for such assignment and transfer, this Certificate must be presented and surrendered to the Paying Agent/Registrar, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment of this Certificate or any portion or portions hereof in any integral multiple of \$5,000 to the assignee or assignees in whose name or names this Certificate or any such portion or portions hereof is or are to be registered. The Form of Assignment printed or endorsed on this Certificate may be executed by the Registered Owner to evidence the assignment hereof, but such method is not exclusive, and other instruments of assignment satisfactory to the Paying Agent/Registrar may be used to evidence the assignment of this Certificate or any portion or portions hereof from time to time by the Registered Owner. The Paying Agent/Registrar's reasonable standard or customary fees and charges for assigning, transferring, converting and exchanging any Certificate or portion thereof will be paid by the Issuer. In any circumstance, any taxes or governmental charges required to be paid with respect thereto shall be paid by the one requesting such assignment, transfer, conversion or exchange, as a condition precedent to the exercise of such privilege. The Paying Agent/Registrar shall not be required to make any such transfer, conversion, or exchange (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or (ii) with respect to any Certificate or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

IN THE EVENT any Paying Agent/Registrar for the Certificates is changed by the Issuer, resigns, or otherwise ceases to act as such, the Issuer has covenanted in the Certificate Ordinance that it promptly will appoint a competent and legally qualified substitute therefor, and cause written notice thereof to be mailed to the Registered Owners of the Certificates.

IT IS HEREBY certified, recited and covenanted that this Certificate has been duly and validly authorized, issued and delivered; that all acts, conditions and things required or proper to be performed, exist and be done precedent to or in the authorization, issuance and delivery of this Certificate have been performed, existed and been done in accordance with law; and that annual ad valorem taxes sufficient to provide for the payment of the interest on and principal of this Certificate, as such interest comes due and such principal matures, have been levied and ordered to be levied against all taxable property in said Issuer, and have been pledged for such payment, within the limit prescribed by law; and that this Certificate is additionally secured by and payable from a limited pledge (not to exceed \$1,000) of the surplus revenues derived by the Issuer from the ownership and operation of the Issuer's Utility System (consisting of the Issuer's combined waterworks system, sanitary sewer system, and electric light and power system), all as provided in the Certificate Ordinance.

THE ISSUER HAS RESERVED THE RIGHT to issue, in accordance with law, and in accordance with the Certificate Ordinance, other and additional obligations, and to enter into contracts, payable from ad valorem taxes and/or revenues of the Issuer's Utility System, on a parity with, or with respect to said revenues, superior in lien to, this Certificate.

THE ISSUER HAS RESERVED THE RIGHT to amend the Certificate Ordinance as provided therein, and under some (but not all) circumstances amendments thereto must be approved by the Registered Owners of a majority in aggregate principal amount of the outstanding Certificates.

BY BECOMING the Registered Owner of this Certificate, the Registered Owner thereby acknowledges all of the terms and provisions of the Certificate Ordinance, agrees to be bound by such terms and provisions, acknowledges that the Certificate Ordinance is duly recorded and available for inspection in the official minutes and records of the governing body of the Issuer, and agrees that the terms and provisions of this Certificate and the Certificate Ordinance constitute a contract between each Registered Owner hereof and the Issuer.

IN WITNESS WHEREOF, the Issuer has caused this Certificate to be signed with the manual or facsimile signature of the Mayor of the Issuer (or in the Mayor's absence, of the Mayor Pro-Tem) and countersigned with the manual or facsimile signature of the City Secretary of said Issuer, and has caused the official seal of the Issuer to be duly impressed, or placed in facsimile, on this Certificate.

(signature)
City Secretary

(signature)
Mayor

(SEAL)

[INSERT BOND INSURANCE LEGEND, IF ANY]

(b) [Form of Paying Agent/Registrar's Authentication Certificate]

PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

(To be executed if this Certificate is not accompanied by an executed Comptroller's Registration Certificate)

It is hereby certified that this Certificate has been issued under the provisions of the Certificate Ordinance described in the text of this Certificate; and that this Certificate has been issued in conversion or replacement of, or in exchange for, a certificate, certificates, or a portion of a certificate or certificates of a series that originally was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

Dated: _____

BOKF, NA, Dallas, Texas
Paying Agent/Registrar

By: _____
Authorized Representative

(c) [Form of Assignment]

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto _____.

Please insert Social Security or Taxpayer Identification Number of Transferee

(Please print or typewrite name and address, including zip code, of Transferee.)

the within Certificate and all rights thereunder, and hereby irrevocably constitutes and appoints _____, attorney, to register the transfer of the within Certificate on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

NOTICE: Signature(s) must be guaranteed by an eligible guarantor institution participating in a securities transfer association recognized signature guarantee program.

NOTICE: The signature above must correspond with the name of the Registered Owner as it appears upon the front of this Certificate in every particular, without alteration or enlargement or any change whatsoever.

(d) [Form of Comptroller's Registration Certificate]

COMPTROLLER'S REGISTRATION CERTIFICATE: REGISTER NO. _____

I hereby certify that this Certificate of Obligation has been examined, certified as to validity and approved by the Attorney General of the State of Texas, and that this Certificate of Obligation has been registered by the Comptroller of Public Accounts of the State of Texas.

Witness my signature and seal this

Comptroller of Public Accounts of the State of Texas

(COMPTROLLER'S SEAL)

(e) [Initial Certificate Insertions]

(i) The Initial Certificate shall be in the form set forth in paragraph (a) of this Section, except that:

A. immediately under the name of the Certificate, the headings "Interest Rate" and "Maturity Date" shall both be completed with the words "As shown below" and "CUSIP No. _____" shall be deleted.

B. the first paragraph shall be deleted and the following will be inserted:

"THE CITY OF DENTON, TEXAS, in Denton County, Texas (the "Issuer"), being a political subdivision and municipal corporation of the State of Texas, hereby promises to pay to the Registered Owner specified above, or registered assigns (hereinafter called the "Registered Owner"), on February 15 in each of the years, in the principal installments and bearing interest at the per annum rates set forth in the following schedule:

<u>Years</u>	<u>Principal Installments (\$)</u>	<u>Interest Rates (%)</u>
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(Information from Pricing Certificate to be inserted)

The Issuer promises to pay interest on the unpaid principal amount hereof (calculated on the basis of a 360-day year of twelve 30-day months) from the Delivery Date at the respective Interest Rate per annum

specified above. Interest is payable on _____, 20__ and semiannually on each _____ and _____ thereafter to the date of payment of the principal installment specified above, or the date of redemption prior to maturity; except, that if this Certificate is required to be authenticated and the date of its authentication is later than the first Record Date (hereinafter defined), such Principal Amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date; provided, however, that if on the date of authentication hereof the interest on the Certificate or Certificates, if any, for which this Certificate is being exchanged is due but has not been paid, then this Certificate shall bear interest from the date to which such interest has been paid in full."

C. The Initial Certificate shall be numbered "T-1."

SECTION 5. INTEREST AND SINKING FUND; SURPLUS REVENUES.

(a) A special Interest and Sinking Fund (the "Interest and Sinking Fund") is hereby created solely for the benefit of the Certificates, and the Interest and Sinking Fund shall be established and maintained by the Issuer at an official depository bank of the Issuer. The Interest and Sinking Fund shall be kept separate and apart from all other funds and accounts of the Issuer, and shall be used only for paying the interest on and principal of the Certificates. All ad valorem taxes levied and collected for and on account of the Certificates, together with any accrued interest received upon sale of the Certificates, shall be deposited, as collected, to the credit of the Interest and Sinking Fund. During each year while any of the Certificates or interest thereon are outstanding and unpaid, the governing body of the Issuer shall compute and ascertain a rate and amount of ad valorem tax which will be sufficient to raise and produce the money required to pay the interest on the Certificates as such interest becomes due, and to provide and maintain a sinking fund adequate to pay the principal of its Certificates as such principal matures or is scheduled for redemption (but never less than 2% of the original principal amount of the Certificates as a sinking fund each year). Said tax shall be based on the latest approval tax rolls of the Issuer, with full allowance being made for tax delinquencies and the cost of tax collection. Said rate and amount of ad valorem tax is hereby levied, and is hereby ordered to be levied, against all taxable property in the Issuer for each year while any of the Certificates or interest thereon are outstanding and unpaid; and said tax shall be assessed and collected each such year and deposited to the credit of the aforesaid Interest and Sinking Fund. Said ad valorem taxes sufficient to provide for the payment of the interest on and principal of the Certificates, as such interest comes due and such principal matures or is scheduled for redemption, are hereby pledged for such payment, within the limit prescribed by law.

(b) The Certificates are additionally secured by revenues derived by the Issuer from the ownership and operation of the Issuer's Utility System (consisting of its combined waterworks system, sanitary sewer system, and electric light and power system) that remain after the payment of all maintenance and operation expenses thereof, and all debt service, reserve and other requirements in connection with all of the Issuer's revenue obligations (now or hereafter outstanding) or contractual obligations (now or hereafter existing) which are payable from all or any part of the net revenues of the Issuer's Utility System, constituting "Surplus Revenues", not to exceed \$1,000. The Issuer shall deposit such Surplus Revenues to the credit of the Interest and Sinking Fund created pursuant to this Section, to the extent necessary to pay the principal and interest on the Certificates. Notwithstanding the requirements of this Section, if Surplus Revenues or other lawfully available moneys of the Issuer are actually on deposit or budgeted and appropriated to be deposited in the Interest and Sinking Fund in advance of the time when ad valorem taxes are scheduled to be levied for any year, then the amount of taxes that otherwise would have been required to be levied pursuant to subsection (a) of this Section may be reduced to the extent and by the amount of the Surplus Revenues or other lawfully available funds then on deposit or budgeted and appropriated to be deposited in

the Interest and Sinking Fund. If Surplus Revenues are budgeted and appropriated for deposit into the Interest and Sinking Fund, the Issuer:

(i) shall transfer and deposit in the Interest and Sinking Fund each month an amount of not less than 1/12th of the annual debt service on the Certificates to be paid from Surplus Revenues until the amount on deposit in the Interest and Sinking Fund equals the amount required for annual debt service on the Certificates;

(ii) shall establish, adopt and maintain an annual budget that provides for either the monthly deposit of sufficient Surplus Revenues and/or tax revenues, the monthly deposit of any other legally available funds on hand at the time of the adoption of the annual budget, or a combination thereof, into the Interest and Sinking Fund for the repayment of the Certificates; and

(iii) shall at all times maintain and collect sufficient Utility System rates and charges in conjunction with any other legally available funds that, after payment of the costs of operating and maintaining the Utility System, produce revenues in an amount not less than the debt service requirements of all outstanding Utility System revenue bonds of the Issuer and other obligations of the Issuer which are secured in whole or in part by a pledge of revenues of the Utility System and for which the Issuer is budgeting the repayment of such obligations from the revenues of the Utility System, or the Issuer shall provide documentation which evidences the levy of an ad valorem tax rate dedicated to the Interest and Sinking Fund, in conjunction with any other legally available funds except Utility System rates and charges, sufficient for the repayment of Utility System debt service requirements.

(c) Chapter 1208, Texas Government Code, applies to the issuance of the Certificates and the pledge of the taxes and Surplus Revenues granted by the Issuer under this Section and Section 9, respectively, and is therefore valid, effective, and perfected. Should Texas law be amended at any time while the Certificates are outstanding and unpaid, the result of such amendment being that the pledge of the taxes and Surplus Revenues granted by the Issuer under this Section is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, in order to preserve to the Registered Owners of the Certificates a security interest in said pledge, the Issuer agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Texas Business & Commerce Code and enable a filing of a security interest in said pledge to occur.

SECTION 6. DEFEASANCE OF CERTIFICATES.

(a) Any Certificate and the interest thereon shall be deemed to be paid, retired and no longer outstanding (a "Defeased Certificate") within the meaning of this Ordinance, except to the extent provided in subsection (d) of this Section, when payment of the principal of such Certificate, plus interest thereon to the due date (whether such due date be by reason of maturity or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar in accordance with an escrow agreement or other instrument (the "Future Escrow Agreement") for such payment (1) lawful money of the United States of America sufficient to make such payment or (2) Government Obligations that mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, and when proper arrangements have been made by the Issuer with the Paying Agent/Registrar for the payment of its services until all Defeased Certificates shall have become due and payable. At such time as a Certificate shall be deemed to be a Defeased Certificate hereunder, as aforesaid, such Certificate and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes herein levied and pledged as provided in this Ordinance, and such principal and interest shall be payable solely from such money or Government Obligations. Notwithstanding any other provision of this

Ordinance to the contrary, it is hereby provided that any determination not to redeem Defeased Certificates that is made in conjunction with the payment arrangements specified in Subsection (a)(i) or (ii) of this Section shall not be irrevocable, provided that: (1) in the proceedings providing for such payment arrangements, the Issuer expressly reserves the right to call the Defeased Certificates for redemption; (2) gives notice of the reservation of that right to the Registered Owners of the Defeased Certificates immediately following the making of the payment arrangements; and (3) directs that notice of the reservation be included in any redemption notices that it authorizes.

(b) Any moneys so deposited with the Paying Agent/Registrar may at the written direction of the Issuer be invested in Government Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from such Government Obligations received by the Paying Agent/Registrar that is not required for the payment of the Certificates and interest thereon, with respect to which such money has been so deposited, shall be turned over to the Issuer, or deposited as directed in writing by the Issuer. Any Future Escrow Agreement pursuant to which the money and/or Government Obligations are held for the payment of Defeased Certificates may contain provisions permitting the investment or reinvestment of such moneys in Government Obligations or the substitution of other Government Obligations upon the satisfaction of the requirements specified in Subsection (a)(i) or (ii) of this Section. All income from such Government Obligations received by the Paying Agent/Registrar which is not required for the payment of the Defeased Certificates, with respect to which such money has been so deposited, shall be remitted to the Issuer or deposited as directed in writing by the Issuer.

(c) Unless modified in the Pricing Certificate, the term "Government Obligations" means any securities and obligations now or hereafter authorized by state law that are eligible to discharge obligations such as the Certificates, including (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America., (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the Issuer adopts or approves the proceedings authorizing the financial arrangements, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the Issuer adopts or approves the proceedings authorizing the financial arrangements, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent.

(d) Until all Defeased Certificates shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for such Defeased Certificates the same as if they had not been defeased, and the Issuer shall make proper arrangements to provide and pay for such services as required by this Ordinance.

(e) In the event that the Issuer elects to defease less than all of the principal amount of Certificates of a maturity, the Paying Agent/Registrar shall select, or cause to be selected, such amount of Certificates by such random method as it deems fair and appropriate.

SECTION 7. DAMAGED, MUTILATED, LOST, STOLEN, OR DESTROYED CERTIFICATES.

(a) Replacement Certificates. In the event any outstanding Certificate is damaged, mutilated, lost, stolen or destroyed, the Paying Agent/Registrar shall cause to be printed, executed and delivered, a new Certificate of the same principal amount, maturity and interest rate, as the damaged, mutilated, lost, stolen or destroyed Certificate, in replacement for such Certificate in the manner hereinafter provided.

(b) Application for Replacement Certificates. Application for replacement of damaged, mutilated, lost, stolen or destroyed Certificates shall be made by the Registered Owner thereof to the Paying Agent/Registrar. In every case of loss, theft or destruction of a Certificate, the Registered Owner applying for a replacement Certificate shall furnish to the Issuer and to the Paying Agent/Registrar such security or indemnity as may be required by them to save each of them harmless from any loss or damage with respect thereto. Also, in every case of loss, theft or destruction of a Certificate, the Registered Owner shall furnish to the Issuer and to the Paying Agent/Registrar evidence to their satisfaction of the loss, theft or destruction of such Certificate, as the case may be. In every case of damage or mutilation of a Certificate, the Registered Owner shall surrender to the Paying Agent/Registrar for cancellation the Certificate so damaged or mutilated.

(c) No Default Occurred. Notwithstanding the foregoing provisions of this Ordinance, in the event any such Certificate shall have matured, and no default has occurred that is then continuing in the payment of the principal of, redemption premium, if any, or interest on the Certificate, the Issuer may authorize the payment of the same (without surrender thereof except in the case of a damaged or mutilated Certificate) instead of issuing a replacement Certificate, provided security or indemnity is furnished as above provided in this Section.

(d) Charge for Issuing Replacement Certificates. Prior to the issuance of any replacement Certificate, the Paying Agent/Registrar shall charge the Registered Owner of such Certificate with all legal, printing, and other expenses in connection therewith. Every replacement Certificate issued pursuant to the provisions of this Section by virtue of the fact that any Certificate is lost, stolen or destroyed shall constitute a contractual obligation of the Issuer whether or not the lost, stolen or destroyed Certificate shall be found at any time, or be enforceable by anyone, and shall be entitled to all the benefits of this Ordinance equally and proportionately with any and all other Certificates duly issued under this Ordinance.

(e) Authority for Issuing Replacement Certificates. In accordance with Sec. 1206.022, Government Code, this Section 7 of this Ordinance shall constitute authority for the issuance of any such replacement Certificate without necessity of further action by the governing body of the Issuer or any other body or person, and the duty of the replacement of such Certificates is hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such Certificates in the form and manner and with the effect, as provided in Section 3(a) of this Ordinance for Certificates issued in conversion and exchange for other Certificates.

SECTION 8. CUSTODY, APPROVAL, AND REGISTRATION OF CERTIFICATES; BOND COUNSEL'S OPINION; CUSIP NUMBERS AND CONTINGENT INSURANCE PROVISION, IF OBTAINED; ENGAGEMENT OF BOND COUNSEL.

(a) The Mayor of the Issuer is hereby authorized to have control of the Initial Certificate and all necessary records and proceedings pertaining to the Initial Certificate pending its delivery and its investigation, examination, and approval by the Attorney General, and its registration by the Comptroller. Upon registration of the Initial Certificate said Comptroller (or a deputy designated in writing to act for said Comptroller) shall manually sign the Comptroller's Registration Certificate attached to such Certificate, and the seal of said Comptroller shall be impressed, or placed in facsimile, on such Certificate. The approving legal opinion of the Issuer's Bond Counsel and the assigned CUSIP numbers may, at the option of the Issuer, be printed on the Certificates issued and delivered under this Ordinance, but neither shall have any legal effect, and shall be solely for the convenience and information of the Registered Owners of the Certificates. In addition, if bond insurance is obtained, the Certificates may bear an appropriate legend as provided by the insurer.

(b) The obligation of the Purchaser to accept delivery of the Certificates is subject to the Purchaser being furnished with the final, approving opinion of McCall, Parkhurst & Horton L.L.P., bond counsel to the Issuer, which opinion shall be dated as of and delivered on the date of initial delivery of the Certificates to the Purchaser. The engagement of such firm as bond counsel to the Issuer in connection with the issuance, sale and delivery of the Certificates is hereby approved and confirmed. The execution and delivery of an engagement letter between the Issuer and such firm, with respect to such services as bond counsel, is hereby authorized in such form as may be approved by the Mayor, and the Mayor is hereby authorized to execute such engagement letter.

SECTION 9. COVENANTS REGARDING TAX EXEMPTION OF INTEREST ON THE CERTIFICATES.

(a) Covenants. The Issuer covenants to take any action necessary to assure, or refrain from any action that would adversely affect, the treatment of the Certificates as obligations described in section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation. In furtherance thereof, the Issuer covenants as follows:

(1) to take any action to assure that no more than 10 percent of the proceeds of the Certificates or the projects financed therewith (less amounts deposited to a reserve fund, if any) are used for any "private business use," as defined in section 141(b)(6) of the Code or, if more than 10 percent of the proceeds or the projects financed therewith are so used, such amounts, whether or not received by the Issuer, with respect to such private business use, do not, under the terms of this Ordinance or any underlying arrangement, directly or indirectly, secure or provide for the payment of more than 10 percent of the debt service on the Certificates, in contravention of section 141(b)(2) of the Code;

(2) to take any action to assure that in the event that the "private business use" described in subsection (1) hereof exceeds 5 percent of the proceeds of the Certificates or the projects financed therewith (less amounts deposited into a reserve fund, if any) then the amount in excess of 5 percent is used for a "private business use" that is "related" and not "disproportionate," within the meaning of section 141(b)(3) of the Code, to the governmental use;

(3) to take any action to assure that no amount that is greater than the lesser of \$5,000,000, or 5 percent of the proceeds of the Certificates (less amounts deposited into a reserve fund, if any) is directly or indirectly used to finance loans to persons, other than state or local governmental units, in contravention of section 141(c) of the Code;

(4) to refrain from taking any action that would otherwise result in the Certificates being treated as "private activity bonds" within the meaning of section 141(b) of the Code;

(5) to refrain from taking any action that would result in the Certificates being "federally guaranteed" within the meaning of section 149(b) of the Code;

(6) to refrain from using any portion of the proceeds of the Certificates, directly or indirectly, to acquire or to replace funds that were used, directly or indirectly, to acquire investment property (as defined in section 148(b)(2) of the Code) that produces a materially higher yield over the term of the Certificates, other than investment property acquired with -

(A) proceeds of the Certificates invested for a reasonable temporary period of 3 years or less or, in the case of a refunding bond, for a period of 90 days or less until such proceeds are needed for the purpose for which the bonds are issued,

(B) amounts invested in a bona fide debt service fund, within the meaning of section 1.148-1(b) of the rules and regulations of the United States Department of the Treasury ("Treasury Regulations"), and

(C) amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed 10 percent of the proceeds of the Certificates;

(7) to otherwise restrict the use of the proceeds of the Certificates or amounts treated as proceeds of the Certificates, as may be necessary, so that the Certificates do not otherwise contravene the requirements of section 148 of the Code (relating to arbitrage);

(8) to refrain from using the proceeds of the Certificates or proceeds of any prior bonds to pay debt service on another issue more than 90 days after the date of issue of the Certificates in contravention of the requirements of section 149(d) of the Code (relating to advance refundings); and

(9) to pay to the United States of America at least once during each five-year period (beginning on the date of delivery of the Certificates) an amount that is at least equal to 90 percent of the "Excess Earnings," within the meaning of section 148(f) of the Code and to pay to the United States of America, not later than 60 days after the Certificates have been paid in full, 100 percent of the amount then required to be paid as a result of Excess Earnings under section 148(f) of the Code.

(b) Rebate Fund. In order to facilitate compliance with the above covenant (a)(9), a "Rebate Fund" is hereby established by the Issuer for the sole benefit of the United States of America, and such Rebate Fund shall not be subject to the claim of any other person, including without limitation the Certificateholders. The Rebate Fund is established for the additional purpose of compliance with section 148 of the Code.

(c) Use of Proceeds. The Issuer understands that the term "proceeds" includes "disposition proceeds" as defined in the Treasury Regulations and, in the case of refunding bonds, transferred proceeds (if any) and proceeds of the refunded bonds expended prior to the date of issuance of the Certificates. It is the understanding of the Issuer that the covenants contained herein are intended to assure compliance with the Code and any regulations or rulings promulgated by the United States Department of the Treasury pursuant thereto. In the event that regulations or rulings are hereafter promulgated that modify or expand provisions of the Code, as applicable to the Certificates, the Issuer will not be required to comply with any covenant contained herein to the extent that such failure to comply, in the opinion of nationally recognized bond counsel, will not adversely affect the exemption from federal income taxation of interest on the Certificates under section 103 of the Code. In the event that regulations or rulings are hereafter promulgated that impose additional requirements applicable to the Certificates, the Issuer agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally recognized bond counsel, to preserve the exemption from federal income taxation of interest on the Certificates under section 103 of the Code. In furtherance of such intention, the Issuer hereby authorizes and directs the Mayor or the Pricing Officer to execute any documents, certificates or reports required by the Code and to make such elections, on behalf of the Issuer, that may be permitted by the Code as are consistent with the purpose for the issuance of the Certificates.

(d) Allocation of, and Limitation on, Expenditures for the Projects. The Issuer covenants to account for the expenditure of sale proceeds and investment earnings to be used for the construction and acquisition of the Projects on its books and records in accordance with the requirements of the Code. The Issuer recognizes that in order for the proceeds to be considered used for the reimbursement of costs, the proceeds must be allocated to expenditures within 18 months of the later of the date that (1) the expenditure is made,

or (2) the Projects are completed; but in no event later than three years after the date on which the original expenditure is paid. The foregoing notwithstanding, the Issuer recognizes that in order for proceeds to be expended under the Code, the sale proceeds or investment earnings must be expended no more than 60 days after the earlier of (1) the fifth anniversary of the delivery of the Certificates, or (2) the date the Certificates are retired. The Issuer agrees to obtain the advice of nationally-recognized bond counsel if such expenditure fails to comply with the foregoing to assure that such expenditure will not adversely affect the tax-exempt status of the Certificates. For purposes hereof, the issuer shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

(e) Disposition of Projects. The Issuer covenants that the property constituting the Projects will not be sold or otherwise disposed in a transaction resulting in the receipt by the Issuer of cash or other compensation, unless any action taken in connection with such disposition will not adversely affect the tax-exempt status of the Certificates. For purposes of the foregoing, the Issuer may rely on an opinion of nationally-recognized bond counsel that the action taken in connection with such sale or other disposition will not adversely affect the tax-exempt status of the Certificates. For purposes of the foregoing, the portion of the property comprising personal property and disposed in the ordinary course shall not be treated as a transaction resulting in the receipt of cash or other compensation. For purposes hereof, the Issuer shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

SECTION 10. SALE OF CERTIFICATES AND APPROVAL OF OFFICIAL STATEMENT; FURTHER PROCEDURES.

(a) The Certificates shall be sold and delivered subject to the provisions of Section 1 and Section 2 hereof through a negotiated sale, competitive sale or private placement and pursuant to the terms and provisions of a purchase contract or a notice of sale and official bid form (in either case, the "Purchase Agreement"), the terms and provisions of which are to be determined by the Pricing Officer in accordance with Section 2 hereof, and in which the purchaser or purchasers of the Certificates (the "Purchaser") shall be designated. The Pricing Officer is hereby authorized to execute and deliver the Purchase Agreement for an on behalf of the Issuer. The Certificates shall initially be registered in the name of the Purchaser or its designee.

(b) The Issuer hereby approves the form and content of the draft preliminary official statement relating to the Certificates and any addenda, supplement or amendment thereto, and approves the distribution of such preliminary official statement in the reoffering of the Certificates by the Purchaser in final form, with such changes therein or additions thereto as the Pricing Officer may deem advisable. The Pricing Officer is hereby authorized, in the name and on behalf of the Issuer, to approve, distribute, and deliver a final preliminary official statement and a final official statement relating to the Certificates to be used by the Purchaser in the marketing of the Certificates.

(c) The Pricing Officer is authorized, in connection with effecting the sale of the Certificates, to obtain from a municipal bond insurance company so designated in the Pricing Certificate (the "Insurer") a municipal bond insurance policy (the "Insurance Policy") in support of the Certificates. To that end, should the Pricing Officer exercise such authority and commit the Issuer to obtain a municipal bond insurance policy, for so long as the Insurance Policy is in effect, the requirements of the Insurer relating to the issuance of the Insurance Policy as set forth in the Pricing Certificate are incorporated by reference into this Ordinance and made a part hereof for all purposes, notwithstanding any other provision of this Ordinance to the contrary. The Pricing Officer shall have the authority to execute any documents to effect the issuance of the Insurance Policy by the Insurer, including commitment agreements, membership agreements in mutual insurance companies and other similar agreements.

(d) The Mayor and Mayor Pro Tem, the City Manager, the Chief Financial Officer and City Secretary and all other officers, employees and agents of the Issuer, and each of them, shall be and they are hereby expressly authorized, empowered and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge and deliver in the name and under the corporate seal and on behalf of the Issuer a Paying Agent/Registrar Agreement with the Paying Agent/Registrar and all other instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Ordinance, the Pricing Certificate, the Certificates, the sale of the Certificates, any Purchase Agreement and the Official Statement. In case any officer whose signature shall appear on any Certificate shall cease to be such officer before the delivery of such Certificate, such signature shall nevertheless be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery.

SECTION 11. INTEREST EARNINGS ON CERTIFICATE PROCEEDS. Interest earnings derived from the investment of proceeds from the sale of the Certificates issued for the Projects shall be used along with other Certificate proceeds for the Projects; provided that after completion of such purpose, if any of such interest earnings remain on hand, such interest earnings shall be deposited in the Interest and Sinking Fund. It is further provided, however, that any interest earnings on Certificate proceeds that are required to be rebated to the United States of America pursuant to Section 9 hereof in order to prevent the Certificates from being arbitrage bonds shall be so rebated and not considered as interest earnings for the purposes of this Section.

SECTION 12. CONSTRUCTION FUND OR ACCOUNT; INVESTMENTS.

(a) The proceeds of sale of the Certificates, excluding any accrued interest received from the initial purchaser of the Certificates and any other amounts to be deposited into the Interest and Sinking Fund, and amounts to pay costs of issuance of the Certificates, shall be deposited in one or more construction funds or accounts for use, along with any investment earnings thereon, by the Issuer for payment of all lawful costs associated with the acquisition and construction of the Projects as hereinbefore provided. Upon payment of all such costs, any moneys remaining on deposit in said funds or accounts, including investment earnings, shall be transferred to the Interest and Sinking fund. Amounts so deposited to the Interest and Sinking Fund shall be used in the manner described in Section 5 of this Ordinance.

(b) The Issuer may invest proceeds of the Certificates (including investment earnings thereon) issued for the Projects and amounts deposited into the Interest and Sinking Fund in investments authorized by the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended; provided, however, that the Issuer hereby covenants that the proceeds of the sale of the Certificates will be used as soon as practicable for the purposes for which the Certificates are issued.

(c) All deposits authorized or required by this Ordinance shall be secured to the fullest extent required by law for the security of public funds.

SECTION 13. COMPLIANCE WITH RULE 15c2-12.

(a) Definitions. As used in this Section, the following terms have the meanings ascribed to such terms below:

"*Financial Obligation*" means a (i) debt obligation, (ii) derivative instrument entered into in connection with or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) a guarantee of (i) or (ii); provided however, that a "financial obligation" shall not

include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

"MSRB" means the Municipal Securities Rulemaking Board.

"Rule" means SEC Rule 15c2-12, as amended from time to time.

"SEC" means the United States Securities and Exchange Commission.

(b) Annual Reports.

(i) The Issuer shall provide annually to the MSRB, in the electronic format prescribed by the MSRB, financial information and operating data (the "Annual Operating Report") with respect to the Issuer of the general type included in the final Official Statement authorized by this Ordinance, being the information described in the Pricing Certificate. The Issuer will additionally provide financial statements of the Issuer (the "Financial Statements"), that will be (i) prepared in accordance with the accounting principles described in the Pricing Certificate or such other accounting principles as the Issuer may be required to employ from time to time pursuant to State law or regulation and shall be in substantially the form included in the final Official Statement and (ii) audited, if the Issuer commissions an audit of such Financial Statements and the audit is completed within the period during which they must be provided. The Issuer will update and provide the Annual Operating Report within six months after the end of each fiscal year and the Financial Statements within 12 months of the end of each fiscal year, in each case beginning with the fiscal year ending in and after 2026. The Issuer may provide the Financial Statements earlier, including at the time it provides its Annual Operating Report, but if the audit of such Financial Statements is not complete within 12 months after any such fiscal year end, then the Issuer shall file unaudited Financial Statements within such 12-month period and audited Financial Statements for the applicable fiscal year, when and if the audit report on such Financial Statements becomes available. All documents provided to the MSRB pursuant to this Section shall be accompanied by identifying information as prescribed by the MSRB.

(ii) If the Issuer changes its fiscal year, it will notify the MSRB of the change (and of the date of the new fiscal year end) prior to the next date by which the Issuer otherwise would be required to provide financial information and operating data pursuant to this Section. The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document, if it is available from the MSRB) that theretofore has been provided to the MSRB or filed with the SEC.

(c) Event Notices.

(i) The Issuer shall notify the MSRB in an electronic format as prescribed by the MSRB, in a timely manner (but not in excess of ten business days after the occurrence of the event) of any of the following events with respect to the Certificates, if such event is material within the meaning of the federal securities laws:

1. Non-payment related defaults;
2. Modifications to rights of holders of the Certificates;
3. Certificate calls;
4. Release, substitution, or sale of property securing repayment of the Certificates;
5. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated

- person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;
6. Appointment of a successor or additional trustee or the change of name of a trustee; and
 7. Incurrence of a Financial Obligation of the Issuer or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect security holders.

(ii) The Issuer shall notify the MSRB in an electronic format as prescribed by the MSRB, in a timely manner (but not in excess of ten business days after the occurrence of the event) of any of the following events with respect to the Certificates, without regard to whether such event is considered material within the meaning of the federal securities laws:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Certificates, or other material events affecting the tax-exempt status of the Certificates;
6. Tender offers;
7. Defeasances;
8. Rating changes;
9. Bankruptcy, insolvency, receivership or similar event of an obligated person; and
10. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties.

(iii) The Issuer shall notify the MSRB, in a timely manner, of any failure by the Issuer to provide financial information or operating data in accordance with subsection (b) of this Section by the time required by such subsection.

(d) Limitations, Disclaimers, and Amendments.

(i) The Issuer shall be obligated to observe and perform the covenants specified in this Section for so long as, but only for so long as, the Issuer remains an "obligated person" with respect to the Certificates within the meaning of the Rule, except that the Issuer in any event will give notice of any deposit made in accordance with this Ordinance or applicable law that causes the Certificates no longer to be outstanding.

(ii) The provisions of this Section are for the sole benefit of the Registered Owners and beneficial owners of the Certificates, and nothing in this Section, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The Issuer undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Section and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the Issuer's financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Section or otherwise, except as expressly provided herein. The

Issuer does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Certificates at any future date.

(iii) UNDER NO CIRCUMSTANCES SHALL THE ISSUER BE LIABLE TO THE REGISTERED OWNER OR BENEFICIAL OWNER OF ANY CERTIFICATE OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE ISSUER, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS SECTION, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

(iv) No default by the Issuer in observing or performing its obligations under this Section shall comprise a breach of or default under this Ordinance for purposes of any other provision of this Ordinance. Nothing in this Section is intended or shall act to disclaim, waive, or otherwise limit the duties of the Issuer under federal and state securities laws.

(v) Notwithstanding anything to the contrary in Section 14 hereof, the provisions of this Section may be amended by the Issuer from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Issuer, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell Certificates in the primary offering of the Certificates in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the Registered Owners of a majority in aggregate principal amount (or any greater amount required by any other provision of this Ordinance that authorizes such an amendment) of the outstanding Certificates consent to such amendment or (b) a person that is unaffiliated with the Issuer (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the Registered Owners and beneficial owners of the Certificates. The Issuer may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Certificates in the primary offering of the Certificates. If the Issuer so amends the provisions of this Section, it shall include with any amended financial information or operating data next provided in accordance with subsection (b) of this Section an explanation, in narrative form, of the reason for the amendment and of the impact of any change in the type of financial information or operating data so provided.

(e) Amendment of the Rule. The provisions of this Section shall be revised by the Pricing Officer to reflect the requirements of the Rule if the Rule is amended after the adoption of this Ordinance but prior to the delivery of the Certificates so as to permit an underwriter to purchase or sell Certificates in the primary offering of the Certificates in compliance with the Rule. Any such revisions shall be set forth in the Pricing Certificate and are incorporated by reference into this Ordinance and made a part hereof for all purposes, notwithstanding any other provision of this Ordinance to the contrary.

SECTION 14. METHOD OF AMENDMENT. The Issuer hereby reserves the right to amend this Ordinance subject to the following terms and conditions, to-wit:

(a) The Issuer may from time to time, without the consent of any holder, except as otherwise required by paragraph (b) below, amend or supplement this Ordinance in order to (i) cure any ambiguity, defect or omission in this Ordinance that does not materially adversely affect the interests of the holders, (ii) grant

additional rights or security for the benefit of the holders, (iii) add events of default as shall not be inconsistent with the provisions of this Ordinance and that shall not materially adversely affect the interests of the holders, (iv) qualify this Ordinance under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect, or (v) make such other provisions in regard to matters or questions arising under this Ordinance as shall not be inconsistent with the provisions of this Ordinance and that shall not in the opinion of the Issuer's Bond Counsel materially adversely affect the interests of the holders.

(b) Except as provided in paragraph (a) above, the holders of Certificates aggregating in principal amount a majority of the aggregate principal amount of then outstanding Certificates that are the subject of a proposed amendment shall have the right from time to time to approve any amendment hereto that may be deemed necessary or desirable by the Issuer; provided, however, that without the consent of 100% of the holders in aggregate principal amount of the then outstanding Certificates that are the subject of a proposed amendment, nothing herein contained shall permit or be construed to permit amendment of the terms and conditions of this Ordinance or in any of the affected Certificates so as to:

- (1) Make any change in the maturity of any of the affected outstanding Certificates;
- (2) Reduce the rate of interest borne by any of the affected outstanding Certificates;
- (3) Reduce the amount of the principal of, or redemption premium, if any, payable on any affected outstanding Certificates;
- (4) Modify the terms of payment of principal or of interest or redemption premium on affected outstanding Certificates or impose any condition with respect to such payment; or
- (5) Change the minimum percentage of the principal amount of Certificates necessary for consent to such amendment.

(c) If at any time the Issuer shall desire to amend this Ordinance under this Section, the Issuer shall send by U.S. mail to each Registered Owner of the affected Certificates a copy of the proposed amendment and cause notice of the proposed amendment to be published at least once in a financial publication published in The City of New York, New York or in the State of Texas. Such published notice shall briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file at the office of the Issuer for inspection by all holders of such Certificates.

(d) Whenever at any time within one year from the date of publication of such notice the Issuer shall receive an instrument or instruments executed by the holders of at least a majority in aggregate principal amount of all of the Certificates then outstanding that are required for the amendment, which instrument or instruments shall refer to the proposed amendment and that shall specifically consent to and approve such amendment, the Issuer may adopt the amendment in substantially the same form.

(e) Upon the adoption of any amendatory Ordinance pursuant to the provisions of this Section, this Ordinance shall be deemed to be modified and amended in accordance with such amendatory Ordinance, and the respective rights, duties, and obligations of the Issuer and all holders of such affected Certificates shall thereafter be determined, exercised, and enforced, subject in all respects to such amendment.

(f) Any consent given by the holder of a Certificate pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of the publication of the notice provided for in this Section, and shall be conclusive and binding upon all future holders of the same Certificate during such period. Such consent may be revoked at any time after six months from the date of the publication of said

notice by the holder who gave such consent, or by a successor in title, by filing notice with the Issuer, but such revocation shall not be effective if the holders of a majority in aggregate principal amount of the affected Certificates then outstanding, have, prior to the attempted revocation, consented to and approved the amendment.

For the purposes of establishing ownership of the Certificates, the Issuer shall rely solely upon the registration of the ownership of such Certificates on the Registration Books kept by the Paying Agent/Registrar.

SECTION 15. DEFAULT AND REMEDIES.

(a) Events of Default. Each of the following occurrences or events for the purpose of this Ordinance is hereby declared to be an Event of Default:

(i) the failure to make payment of the principal of or interest on any of the Certificates when the same becomes due and payable; or

(ii) default in the performance or observance of any other covenant, agreement or obligation of the Issuer, the failure to perform which materially, adversely affects the rights of the Registered Owners of the Certificates, including, but not limited to, their prospect or ability to be repaid in accordance with this Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any Registered Owner to the Issuer.

(b) Remedies for Default.

(i) Upon the happening of any Event of Default, then and in every case, any Registered Owner or an authorized representative thereof, including, but not limited to, a trustee or trustees therefor, may proceed against the Issuer for the purpose of protecting and enforcing the rights of the Registered Owners under this Ordinance, by mandamus or other suit, action or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief permitted by law, including the specific performance of any covenant or agreement contained herein, or thereby to enjoin any act or thing that may be unlawful or in violation of any right of the Registered Owners hereunder or any combination of such remedies.

(ii) It is provided that all such proceedings shall be instituted and maintained for the equal benefit of all Registered Owners of Certificates then outstanding.

(c) Remedies Not Exclusive.

(i) No remedy herein conferred or reserved is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or under the Certificates or now or hereafter existing at law or in equity; provided, however, that notwithstanding any other provision of this Ordinance, the right to accelerate the debt evidenced by the Certificates shall not be available as a remedy under this Ordinance.

(ii) The exercise of any remedy herein conferred or reserved shall not be deemed a waiver of any other available remedy.

(iii) By accepting the delivery of a Certificate authorized under this Ordinance, such Registered Owner agrees that the certifications required to effectuate any covenants or representations contained

in this Ordinance do not and shall never constitute or give rise to a personal or pecuniary liability or charge against the officers, employees or agents of the Issuer or the members of its governing body.

SECTION 16. APPROPRIATION. To pay the debt service coming due on the Certificates, if any, prior to receipt of the taxes levied to pay such debt service, there is hereby appropriated from current funds on hand, which are hereby certified to be on hand and available for such purpose, an amount, which together with capitalized interest received from the sale of the Certificates, if any, will be sufficient to pay such debt service, and such amount shall be used for no other purpose.

SECTION 17. EFFECTIVE DATE. In accordance with the provisions of Texas Government Code Section 1201.028, this Ordinance shall be effective immediately upon its adoption by the City Council.

SECTION 18. SEVERABILITY. If any section, article, paragraph, sentence, clause, phrase or word in this Ordinance, or application thereof to any persons or circumstances is held invalid or unconstitutional by a court of competent jurisdiction, such holding shall not affect the validity of the remaining portion of this Ordinance, despite such invalidity, which remaining portions shall remain in full force and effect.

The motion to approve this ordinance was made by _____ and seconded by _____. The ordinance was passed and approved by the following vote [__- __- __]:

	Aye	Nay	Abstain	Absent
Mayor, Chris Watts:	_____	_____	_____	_____
Jordan Villareal, District 1:	_____	_____	_____	_____
Nick Stevens, District 2:	_____	_____	_____	_____
Suzi Rumohr, District 3:	_____	_____	_____	_____
Joe Holland, District 4:	_____	_____	_____	_____
George Ferrie, At Large Place 5:	_____	_____	_____	_____
Jill Jester, At Large Place 6:	_____	_____	_____	_____

PASSED AND APPROVED this the 14th day of July, 2026.

_____, MAYOR

ATTEST:
KRISTI FOGLE, INTERIM CITY SECRETARY

BY: _____

APPROVED AS TO LEGAL FORM:
MACK REINWAND, CITY ATTORNEY

BY: _____



City Council Bond Ordinances



2023 Bond Program

	Budget	Bond Ordinance
2023 Bond Election Prop A Streets	\$ 18,125,000	\$ 18,125,000
2023 Bond Election Prop B Oakland & Detention	15,595,000	15,595,000
2023 Bond Election Prop B PEC 3 & 4 Drainage	10,000,000	10,000,000
2023 Bond Election Prop D Public Safety Public Art	503,000	503,000
2023 Bond Program Total	\$ 44,223,000	\$ 44,223,000

2026 Debt Refunding

Average Interest Rate of Refunded Bonds	5.00%
Projected Interest Rate	3.65%

Refunding Bonds Opportunity	Principal Refund	Maturities Refund
Certificates of Obligation, Series 2016	\$ 22,010,000	2028-2043
Utility System Revenue Bonds, Series 2017	142,270,000	2027-2036
Outstanding Debt Eligible for Refunding	107,835,000	2027-2046
Total Refunding Opportunity	\$ 272,115,000	

Total Projected Savings*	
2016 CO and 2017 Utility System Revenue	\$ 14,281,686

Projected Savings by Debt Type					
General Fund	Solid Waste	Water	Wastewater	Electric	Total
\$ 79,385	\$ 224,614	\$ 164,646	\$ 79,313	\$ 13,733,729	\$14,281,686

*Preliminary, subject to change

GO Bond Sale

2023 Bond Program	\$ 44,223,000
Potential Refundings	272,115,000
Issuance Cost*	-
GO Bond Sale Total	\$ 316,338,000

*Covered by CO Sale

Notice of Intent to Issue COs

- Council approved May 5, 2026.
- Published in Denton Record Chronicle on May 13th & 20th.
- This Bond Ordinance to authorize the sale of COs is at least 46 day after the first publication per state law.

General Government COs

	Notice of Intent	Bond Ordinance
Fleet Management Improvements	\$ 500,000	\$ 500,000
Technology Services Improvements	5,520,957	5,520,957
General Government Internal Services Total	\$ 6,020,957	\$ 6,020,957
Facility Improvements	\$ 11,725,000	\$ 4,106,639
Linda McNatt Animal Shelter	4,500,000	4,500,000
Fire Station 5	400,000	400,000
Fire Station 6	1,100,000	1,100,000
Parks Improvements	1,375,000	1,375,000
Traffic/Transportation Improvements	6,950,000	6,950,000
Fleet Vehicle/Equipment Replacements	5,564,000	5,564,000
Drainage Improvements	4,416,805	4,416,805
Streets Roadway Improvements	21,675,473	21,675,473
General Government Total	\$ 57,706,278	\$ 50,087,917
Grand Total General Government	\$ 63,727,235	\$ 56,108,874

Solid Waste CO Projects

	Notice of Intent	Bond Ordinance
Organics Program Infrastructure	\$ 14,000,000	\$ 14,000,000
Vehicles - Replacements	2,965,000	2,965,000
Vehicles - New Additions	448,000	448,000
Solid Waste Total	\$ 17,413,000	\$ 17,413,000

Water Utility CO Projects

	Notice of Intent	Bond Ordinance
Booster Pump Stations	\$ 1,000,000	\$ 1,000,000
Field Service Replacement	1,050,000	1,050,000
Oversize Water Lines	5,000,000	5,000,000
Replace Lines	11,685,000	11,685,000
Taps, Fire Hydrants, & Meters	3,799,130	3,799,130
Plant Improvements	12,272,750	12,272,750
Transmission Lines	10,167,280	10,167,280
Water Total	\$ 44,974,160	\$ 44,974,160

Wastewater Utility CO Projects

	Notice of Intent	Bond Ordinance
Collection System Upgrade	\$ 8,949,620	\$ 8,949,620
Lift Station Improvements	5,500,000	5,500,000
Facility Improvements	25,000	25,000
Oversize Lines	4,345,200	4,345,200
Taps, Fire Hydrants, & Meters	201,510	201,510
Replace Lines	31,232,580	31,232,580
Plant Improvements	63,651,875	63,651,875
Wastewater Total	\$ 113,905,785	\$ 113,905,785

Electric Utility CO Projects

	Notice of Intent	Bond Ordinance
Automated Meter Reading	\$ 1,805,000	\$ 1,805,000
Distribution Substations	10,902,510	10,902,510
Distribution Transformers	18,816,490	18,816,490
Feeder Extensions & Improvements	8,399,338	8,399,338
New Residential & Commercial	6,795,250	6,795,250
Power Factor Improvement	291,000	291,000
Street Lighting	460,000	460,000
Transmission Lines	1,500,000	1,500,000
Transmission Substations	900,000	900,000
Technology - Software & Hardware	4,000,000	4,000,000
Electric Relocation	4,565,000	4,565,000
Electric Total	\$ 58,434,588	\$ 58,434,588

CO Bond Sale Summary

General Government	\$	56,108,874
Solid Waste		17,413,000
Water		44,974,160
Wastewater		113,905,785
Electric		58,434,588
Subtotal	\$	290,836,407
Issuance Cost*		4,163,593
CO Bond Sale Total	\$	295,000,000

*Shared with GO Sale

Next Steps

- **July 22, 2026**
 - GO/CO Sale 2026
- **August 6, 2026**
 - GO Refunding Sale 2026A (Utility System Revenue Bonds)
- **August 20, 2026**
 - Preliminary close and delivery of funds for GO/CO 2026
- **September 3, 2026**
 - Preliminary close and delivery of funds for GO Refunding 2026A

Questions





City of Denton

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

AGENDA INFORMATION SHEET

DEPARTMENT: Denton Municipal Electric

CM/DCM/ACM: Kenneth Hedges

DATE: July 14, 2026

SUBJECT

Consider approval of a resolution to appoint a member to the Board of Directors of the Texas Municipal Power Agency, a Texas Joint Powers Agency, to represent the City of Denton, a Texas Home-Rule Municipal Corporation; and declaring an effective date.

BACKGROUND

TMPA has notified the City that the term of one of its appointees to their Board of Directors will be expiring on July 18, 2026. TMPA is requesting that the City take formal action to reappoint the current appointee or select a new appointee. The City of Denton, as a member of the TMPA, holds two seats on the TMPA Board of Directors. The term of the expiring seat will end on July 18, 2026 and is currently held by Mr. Billy Cheek. The other seat is held by Mr. Jesse Davis, former City Council Member and his term will not expire until July 18, 2027.

Per its governance requirement, TMPA is requesting that the City adopt a resolution appointing a representative to fill the term from July 18, 2026 to July 18, 2028. Pursuant to concurrent Ordinance No. 75-22, TMPA requires that a resolution be passed by each member city supporting its nomination of a Director to the TMPA Board of Directors.

For City Council's consideration, staff received two nominations: (1) Mr. Billy Cheek. Mayor Watts submitted the nomination, and Mr. Cheek has expressed a desire to serve another term on the Board. Mr. Cheek has served in this capacity since 2010, has served as President of the Board along with all other officer positions, and he's also served as chair of the Board's Personnel and Audit & Business committees. Attached is Mr. Cheek's nominee application for your reference; and (2) Mr. Jason Bodor. Council Member Ferrie submitted the nomination. Applications for both nominees are attached for City Council's reference.

RECOMMENDATION

In order to maintain its full representation on the TMPA Board of Directors, staff recommends that the City appoint a representative to fill the upcoming vacancy.


EXHIBITS

1. Agenda Information Sheet
2. Nominee Applications
3. Resolution
4. Presentation

Respectfully submitted:
Antonio Puente, Jr.
940-349-8487
DME General Manager



Texas Municipal Power Agency Board

NAME: WILLIAM (BILLY) CHEEK, JR.		
HOME ADDRESS: [REDACTED]	E-MAIL ADDRESS: [REDACTED]	
HOME PHONE	CELL PHONE [REDACTED]	BUSINESS PHONE
VOTER REGISTRATION NUMBER OR DATE OF BIRTH* [REDACTED]	NUMBER OF YEARS AS A DENTON RESIDENT 58	
*Note: For specific boards, being a qualified voter of the City is required. The City can only verify this through a voter registration number or date of birth.		
EMPLOYER, IF ANY: SELF-EMPLOYED		
OCCUPATION/FORMER OCCUPATION: MERGERS & ACQUISITIONS, RECRUITING & STAFFING	REFERRED BY COUNCIL MEMBER (If Applicable): MAYOR CHRIS WATTS	
Have you ever served on a City of Denton board or commission? <input checked="" type="checkbox"/> yes <input type="checkbox"/> no		
If yes, which one? PUB, TMPA, Charter Review Committee, Bond Committee, Economic Development, Various Subcommittees		
Please list any special knowledge, education or experience that qualifies you to serve: Over 30 year in the heavy civil construction industry, real estate development, energy purchasing and hedging, M&A, recruiting & staffing, accounting, budgeting, planning.		
Professional and/or community activities I've had various non-paying jobs in Denton and statewide leading to many official and political contacts. For example: Denton Public School Foundation Board, Denton Salvation Army President, Denton Christian Preschool, DNC, Denton County Day School for the Deaf, CASA, Fred Moore School, WS Ryan PTA, etc.		
		
Applicant Signature _____		Date 06/25/2026 _____
*See Attached for Instructions		
NOTE: THIS APPLICATION IS SUBJECT TO RELEASE PURSUANT TO THE TEXAS PUBLIC INFORMATION ACT. IF APPOINTED, APPLICANT'S NAME WILL BE POSTED ON THE CITY'S WEBSITE.		
Please return completed application: Mail: City Secretary, City of Denton, 215 E. McKinney Street, Denton, Texas 76201 E-mail: city.secretary@cityofdenton.com Fax: 940/349-8596		

FOR OFFICE USE ONLY

DATE APPLICATION RECEIVED: _____ NEW APPLICANT? YES NO REAPPOINTED

IF NO, APPLICANT PREVIOUSLY SERVED ON: _____

APPLICANT APPOINTED TO: _____ TERM EXPIRES: _____

NOMINATING COUNCIL MEMBER: _____ DISTRICT: _____

FULL TERM UNEXPIRED TERM ALTERNATE MEMBER EX-OFFICIO





Texas Municipal Power Agency Board

NAME: JASON BODOR		
HOME ADDRESS: [REDACTED]	E-MAIL ADDRESS: [REDACTED]	
HOME PHONE	CELL PHONE [REDACTED]	BUSINESS PHONE
VOTER REGISTRATION NUMBER OR DATE OF BIRTH* [REDACTED]	NUMBER OF YEARS AS A DENTON RESIDENT 23	
*Note: For specific boards, being a qualified voter of the City is required. The City can only verify this through a voter registration number or date of birth.		
EMPLOYER, IF ANY: GSATI		
OCCUPATION/FORMER OCCUPATION: CEO	REFERRED BY COUNCIL MEMBER (If Applicable): GEORGE FERRIE	
Have you ever served on a City of Denton board or commission? <input checked="" type="checkbox"/> yes <input type="checkbox"/> no		
If yes, which one? Downtown Economic Development Council		
Please list any special knowledge, education or experience that qualifies you to serve:		
<p>While I do not come from a traditional utility corporate track, I bring deep, practical literacy in grid economics, distributed energy resources (DERs), and municipal rate architecture. My hands-on distributed generation experience includes successfully designing, permitting, and continuously managing a large-scale residential solar array integrated with intelligent battery storage under Denton Municipal Electric's guidelines, which has given me a granular, operational understanding of behind-the-meter assets, grid-forming capabilities, and localized distribution interactions. Furthermore, I have spent years independently developing a data-driven utility literacy by evaluating regional and state grid realities, including the mechanics of ERCOT wholesale market fluctuations, tiered utility pricing models, and municipal power pass-through formulas such as the Energy Cost Adjustment (ECA) and Transmission Recovery Factor (TRF) metrics featured on our local bills. I dedicate significant personal time to continuous technical education, studying policy frameworks, large-scale power purchase agreements (PPAs), and following deep-dive industry analyses—such as Volts, The Energy Gang, and Catalyst—to keep pace with sector transitions at a professional level. As a Denton resident, I am highly attuned to how municipal power decisions impact residential stability, economic development, and grid strain, and I offer the TMPA board a pragmatic, independent stakeholder voice focused on resource efficiency and structural resilience.</p>		
<p>Professional and/or community activities: My commitment to the governance, fiscal health, and strategic growth of our city is demonstrated by over a decade of leadership across a diverse range of Denton's primary civic and professional boards. I have dedicated six years of service to both the Denton Chamber of Commerce Board and the Denton Main Street Association Board, alongside four years on the Downtown Denton Foundation Board and the city's Downtown Economic Development Committee. Through these concurrent roles, I developed a sophisticated understanding of municipal economic policy, commercial capital improvement, and localized infrastructure alignment—all areas that intersect directly with the long-term utility strategies and economic base managed by entities like the TMPA. Additionally, my three years of service on the Denton Community Health Clinic Board provided crucial insight into institutional public health requirements, fiduciary board oversight, and community-wide operational resilience, which I have continuously reinforced through a multitude of grassroots volunteer leadership roles for local organizations and community events. This extensive history of high-level civic governance proves my ability to manage complex public sector responsibilities, evaluate major financial budgets, and work collaboratively with municipal stakeholders to advocate for Denton's public power future.</p>		
Applicant Signature <u>Jason P. Bodor</u>	Date <u>07/03/2026</u>	
*See Attached for Instructions		
NOTE: THIS APPLICATION IS SUBJECT TO RELEASE PURSUANT TO THE TEXAS PUBLIC INFORMATION ACT. IF APPOINTED, APPLICANT'S NAME WILL BE POSTED ON THE CITY'S WEBSITE.		
Please return completed application: Mail: City Secretary, City of Denton, 215 E. McKinney Street, Denton, Texas 76201 E-mail: city.secretary@cityofdenton.com Fax: 940/349-8596		

FOR OFFICE USE ONLY

DATE APPLICATION RECEIVED: _____ NEW APPLICANT? YES NO REAPPOINTED

IF NO, APPLICANT PREVIOUSLY SERVED ON: _____

APPLICANT APPOINTED TO: _____ TERM EXPIRES: _____

NOMINATING COUNCIL MEMBER: _____ DISTRICT: _____

FULL TERM UNEXPIRED TERM ALTERNATE MEMBER EX-OFFICIO



RESOLUTION NO. _____

A RESOLUTION TO APPOINT A MEMBER TO THE BOARD OF DIRECTORS OF THE TEXAS MUNICIPAL POWER AGENCY, A TEXAS JOINT POWERS AGENCY, TO REPRESENT THE CITY OF DENTON, A TEXAS HOME-RULE MUNICIPAL CORPORATION; AND DECLARING AN EFFECTIVE DATE.

WHEREAS, the City of Denton, a Texas home-rule municipal corporation, and the Cities of Bryan, Garland and Greenville, all Texas home-rule municipal corporations, are the members of the Texas Municipal Power Agency, a Texas joint powers agency, (“TMPA”); and

WHEREAS, the City of Denton appoints a Director for Place 3 in even-numbered years and for Place 4 in odd-numbered years, each to serve a two-year term in accordance with Ordinance No. 75-22; and

WHEREAS, _____, a resident of Denton, is eligible to be one of the two members of the TMPA Board of Directors which represent Denton; and

WHEREAS, the City Council of Denton, after due consideration, has selected _____ for appointment to a two-year term as a member of the TMPA Board of Directors in Place 3 to represent Denton for the term beginning on July 18, 2026, and ending on July 18, 2028; NOW, THEREFORE,

THE COUNCIL OF THE CITY OF DENTON HEREBY RESOLVES:

SECTION 1. The recitations contained in the preamble of this resolution are incorporated by reference as findings of the City Council.

SECTION 2. Pursuant to Ordinance 75-22, _____ is appointed to a two-year term as a member of the Board of Directors of the Texas Municipal Power Agency to represent the City of Denton in Place 3 for the term beginning July 18, 2026, and ending on July 18, 2028.

SECTION 3. This resolution shall become effective immediately upon its passage and approval.

The motion to approve this resolution was made by _____ and seconded by _____. The resolution was passed and approved by the following vote [__ - __]:

	Aye	Nay	Abstain	Absent
Mayor Chris Watts:	_____	_____	_____	_____
Jordan Villarreal, District 1:	_____	_____	_____	_____
Nick Stevens, District 2:	_____	_____	_____	_____
Suzi Rumohr, District 3:	_____	_____	_____	_____
Joe Holland, District 4:	_____	_____	_____	_____
George Ferrie, At Large Place 5:	_____	_____	_____	_____
Jill Jester, At Large Place 6:	_____	_____	_____	_____

PASSED AND APPROVED this the _____ day of _____, 2026.

CHRIS WATTS, MAYOR

ATTEST:
KRISTI FOGLE, INTERIM CITY SECRETARY

BY: _____

APPROVED AS TO LEGAL FORM:
MACK REINWAND, CITY ATTORNEY

BY: Marcella Lunn



TMPA Board Appointment



Chris Lutrick
DME Assistant General Manager



About TMPA

- Texas Municipal Power Agency (TMPA).
 - A “Joint Powers Agency” owned by the cities of Denton, Bryan, Garland and Greenville.
 - Created in 1975.
 - Purpose: The generation and sale or exchange of electric energy; or the provision of wholesale transmission service.
 - Generation Assets – Sold in January 2021.
 - Mine Property – All property has been sold.
 - Transmission Assets – Owns assets throughout each member city’s service territory and outside those territories. Earns a rate of return on these investments and continues to look for additional opportunities. Unbundling and agency dissolution possible.



Board Background

➤ Texas Board Representatives .

- Each TMPA member city has two dedicated seats on the Board.
- Must be a qualified voter and reside within Denton's city limits: or be an employee or officer of the City; or a member of the Denton City Council; or a retail customer of DME.
- TMPA has formally notified the City that one of its Board seats (currently held by Mr. Billy Cheek) will be expiring on July 18, 2026. The other seat is held by Mr. Jesse Davis and his term will not expire until July 18, 2027.
- Staff received the following nominations: (1) Mr. Billy Cheek. Nominated by Mayor Watts; and (2) Mr. Jason Bodor. Nominated by Council Member Ferrie. Nominee applications for each were attached to your agenda backup.



Action Required

- Per TMPA governance requirements, the City Council must formally adopt a resolution of appointment for the representative it wishes to fill the next term for the expiring seat.
- To avoid a lapse in the City's representation on the TMPA Board, staff is requesting that the City Council select a nominee and affirm by resolution.
 - Staff recommends that City Council use the following phrase for consideration of an appointee, "Move approval of the resolution with (Name of Person) in each of the appropriate blanks."
- The selected representative will serve from July 18, 2026 to July 18, 2028.





Questions?





City of Denton

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

AGENDA INFORMATION SHEET

DEPARTMENT: City Manager's Office

CM: Cassey Ogden

DATE: July 14, 2026

SUBJECT

Consider approval of a resolution of the City of Denton appointing three members to the Community Partnership Committee.

BACKGROUND

The appointment of City Council Members to internal Council Committees and to other internal and external committees and boards occurs during the summer following each municipal election cycle. Internal Council Committees consist only of Denton City Council Members. City Council Members also serve on other internal committees and boards that include resident participation, and on external boards operating at the regional or county level.

To account for changes in City Council membership resulting from elections, these assignments are reviewed annually to determine any needed adjustments to existing member assignments as well as afford members the opportunity to identify any new or additional committees they may be interested in serving on.

Through Internal Staff Report No. 2026-040, Council Members were asked to identify and submit committees of interest to the City Secretary's Office by Friday, July 10, 2026.

Community Partnership Committee (CPC)

CPC monitors allocation and use of both the hotel occupancy tax and sponsorship funds, ensuring hotel occupancy tax funds are being used to directly enhance and promote tourism and the hotel/convention industry, and ensuring the sponsorship funds are being used to further a charitable cause, economic, or community growth.

The committee consists of three Council Members who serve one-year terms. Council Members Beck, Byrd, and Holland were appointed in July 2025. Currently, only Council Member Holland is eligible for reappointment to the committee, and he has expressed interest in continuing to serve in this capacity.

At the July 14 Work Session, Council will provide direction on the three nominations to bring forward for the Community Partnership Committee. Following the Work Session, the Resolution will be updated to reflect the selected nominees for Council approval.

EXHIBITS

Exhibit 1 – Agenda Information Sheet

Exhibit 2 – Resolution 26-1036

Exhibit 3 – Presentation

Respectfully submitted:

Kristi Fogle
Chief of Staff, Interim City Secretary

RESOLUTION NO. 26-1036

A RESOLUTION OF THE CITY OF DENTON APPOINTING THREE MEMBERS TO THE COMMUNITY PARTNERSHIP COMMITTEE; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the Community Partnership Committee monitors allocation and use of both the hotel occupancy tax and sponsorship funds, ensuring hotel occupancy tax funds are being used to directly enhance and promote tourism and hotel/convention industry, ensuring the sponsorship funds are being used to further a charitable cause, economic or community growth; and

WHEREAS, the Community Partnership Committee serves a public purpose in the best interest of the City Denton, recommends to the City Council organizations to receive funding, and conducts other duties as assigned by the City Council; and

WHEREAS, the Community Partnership Committee is composed of three Council Members; and

WHEREAS, the City Council of the City of Denton, after due consideration, has selected Council Members _____, _____ and _____ to serve on the Community Partnership Committee; NOW THEREFORE,

THE COUNCIL OF THE CITY OF DENTON HEREBY RESOLVES:

SECTION 1. The recitations in the preamble of this resolution are incorporated by reference.

SECTION 2. Council Members _____, _____ and _____ are appointed to serve on the Community Partnership Committee.

SECTION 3. This resolution shall become effective immediately upon its passage and approval.

The motion to approve this resolution was made by _____ and seconded by _____; this resolution was passed and approved by the following vote [__ - __]:

	Aye	Nay	Abstain	Absent
Mayor Chris Watts:	_____	_____	_____	_____
Jordan Villarreal, District 1:	_____	_____	_____	_____
Nick Stevens, District 2:	_____	_____	_____	_____
Suzi Rumohr, District 3:	_____	_____	_____	_____

Joe Holland, District 4: _____

George Ferrie, At Large Place 5: _____

Jill Jester, At Large Place 6: _____

PASSED AND APPROVED this the _____ day of _____, 2026.

CHRIS WATTS, MAYOR

ATTEST:
KRISTI FOGLE, INTERIM CITY SECRETARY

BY: _____

APPROVED AS TO LEGAL FORM:
MACK REINWAND, CITY ATTORNEY



BY: _____

Community Partnership Committee

- The Community Partnership Committee (CPC) consists of three Council Members who serve one-year terms.
- The committee monitors allocation and use of both the hotel occupancy tax and sponsorship funds.
- Currently, only Council Member Holland is eligible for reappointment to the committee, and he has expressed interest in continuing to serve in this capacity.
- At the July 14 Work Session, Council will provide direction on the three nominations to bring forward for the Community Partnership Committee.
- The nominations are as follows:
(Names will updated following the July 14 Work Session)



City of Denton

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

AGENDA INFORMATION SHEET

DEPARTMENT: Procurement
ACM: Christine Taylor
DATE: July 14, 2026

SUBJECT

Consider adoption of an ordinance of the City of Denton, a Texas home-rule municipal corporation, authorizing the City Manager to execute a contract with SHI Government Solutions, Inc., through the Texas Department of Information Resources (DIR) Cooperative Contract No. DIR-CPO-5237, for the purchase of Microsoft Licensing, Products & Related Services for the Technology Services Department; providing for the expenditure of funds therefor; and providing an effective date (File 9068 – awarded to SHI Government Solutions, Inc., with a term ending September 30, 2031, in the not-to-exceed amount of \$7,001,117.00).

STRATEGIC ALIGNMENT

This action supports Key Focus Area: Pursue Organizational Excellence and Collaborative and Respectful Leadership.

INFORMATION/BACKGROUND

Microsoft Corporation requires that organizations that use their software maintain legal, paid licensing for computer and server operating systems, applications, and desktop software. Microsoft offers an Enterprise Agreement (EA) that is used by large organizations to bundle select products and services into a single program that gives flexibility and control to optimize software licensing needs in support of Information Technology (IT) services throughout the organization.

The City's EA grants the ability to remain current on software products across departments and maintain industry standards for Microsoft computing, which the City standardized on in 2013.

The City's Enterprise Agreement is a comprehensive licensing and technical support model that provides a variety of benefits, including:

- Regular software upgrades for all new releases of Office 365 software, Windows desktop operating systems, server operating systems, SharePoint, and other specialized software at no additional cost during the term of the agreement;
- Fixed pricing provides the ability to predict annual budgetary impacts over multiple years.
- Ability to globally manage products, licensing entitlements and services in the City's environment using system management and deployment tools;
- Streamlined license purchasing process to ensure timely delivery of IT projects; and

- Allowing the City to add or remove various products at any time as technology needs evolve through an annual "true-up" process using discounted pricing established at the start of the agreement.

Examples of licenses:

- Windows Server Operating Systems
- SQL Server Database Systems
- Microsoft Teams and other Collaboration Tools
- SharePoint and Power BI for Analytical Presentations
- Desktop Operating Systems, i.e., Windows 11
- Microsoft Office Suite
- User Security
- Secure Data Storage and Retention

Microsoft Contract Term	Estimated Annual Spend
Year 1	\$1,187,408.28
Year 2	1,211,156.44
Year 3	1,295,937.39
Year 4	1,321,856.14
Year 5	1,348,293.26
Contingency	636,465.49
Total	\$7,001,117.00

Since 2022, the City’s growing workforce has increased the demand for Microsoft O365 and other related Microsoft licenses. The cost of licensing has also increased since 2022. As a result, additional spending authority is required earlier than initially anticipated to ensure uninterrupted service before the contract’s expiration.

Pricing obtained through the Department of Information Resources (DIR) Cooperative Purchasing Network has been competitively bid and meets the statutory requirements of Texas Local Government Code 271.102.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On January 28, 2020, City Council approved the interlocal agreement with the Texas Department of Information Resources Purchasing Network (Ordinance 20-196).

RECOMMENDATION

Award a contract with SHI Government Solutions, Inc., for the purchase of Microsoft Licensing, Products & Related Services for the Technology Services Department, in a not-to-exceed amount of \$7,001,117.

ESTIMATED SCHEDULE OF PROJECT

This contract expires on September 30, 2031. This DIR contract expires on September 22, 2029.

FISCAL INFORMATION

These items and services will be funded through Technology Services’ Infrastructure operating budget 830200.7803. Funding is budgeted annually to align with the contract terms and expenditures. These products and services will be utilized on an as-needed basis. The City will only pay for items purchased and is not obligated to pay the full contract amount unless needed.

EXHIBITS

Exhibit 1: Agenda Information Sheet
Exhibit 2: Cooperative Pricing
Exhibit 3: Presentation
Exhibit 4: Ordinance

Respectfully submitted:
Lori Hewell, 940-349-7100
Purchasing Manager

For information concerning this acquisition, contact: Michael Deegan, 940-349-7823.

Legal point of contact: Leah Bush at 940-349-8333.

DIR-CPO-5237
SHI Government Solutions
APPENDIX C PRICING INDEX

Publisher Category	Publisher Discount Level	DIR Customer Discount (from Publisher Discount Level)
Adobe:		
Cumulative Licensing Program (CLP) Education Membership	Level 3 Points target: 100,000+ points	6.00%
Cumulative Licensing Program (CLP) Government Membership	Level 2 Points target: 300,000+ points	6.00%
This Contract covers the entire Adobe Catalogue of products and Related Services plus all government and education volume licensing MSRP special Discount programs.		6.00%
Microsoft:		
Enterprise Agreement (comprised of subcategories as listed below)		18.25%
Office Professional/Standard	Level D less 7.5%	
Windows Pro Desktop Operating System	Level D less 7.5%	
Core CAL/Enterprise CAL Suite (to include stand alone components)	Level D less 6%	
All other or additional EA licensing	Level D	
Enterprise Subscription Agreement	Level D less 2%	18.25%
Select Plus Government	Level D	18.00%
Select Plus Academic	Level D	18.00%
Enrollment for Education Solutions (comprised of subcategories as listed below)		
Online Services		5.00%
License/Software Assurance Pack, SA Step Up, Upgrade/Software Assurance Pack		14.00%

Azure pre-paid commitment and Calling Plan		0.00%
DIR-CPO-5237 SHI Government Solutions APPENDIX C PRICING INDEX		
Publisher Category	Publisher Discount Level	DIR Customer Discount (from Publisher Discount Level)
This Contract covers the entire Microsoft Catalogue of products and Related Services plus any and all government and education volume licensing MSRP special Discount programs.	18.25% Depending on the Type of Software License negotiated	

DIR-CPO-5237
SHI Government Solutions
APPENDIX C PRICING INDEX

Publisher Category	Publisher Discount Level	DIR Customer Discount (from Publisher Discount Level)
--------------------	--------------------------	--

Software Related Services, such as installation, Configuration, etc., will be provided upon request based on the following:

Description	DISCOUNT OF MSRP/List Price	Unit of Measure
Technical Consultant	1.00%	Hourly
Solution Architect	1.00%	Hourly
Senior Solution Architect	1.00%	Hourly
Project Management	1.00%	Hourly
Project Coordinator	1.00%	Hourly
Technician	1.00%	Hourly
Cable Technician	1.00%	Hourly
Engineer	1.00%	Hourly
SME/Data/Mobility Architect	1.00%	Hourly
Associate Consultant	1.00%	Hourly
Staff Augmentation	1.00%	Hourly
Implementation	1.00%	Hourly
Help Desk/Service Desk	1.00%	Hourly
Migration/Deployment	1.00%	Hourly
DevOps	1.00%	Hourly
Technical Review Level I	1.00%	Hourly
Technical Solutions Level I	1.00%	Hourly
Technical Solutions Level II	1.00%	Hourly

Services hourly rate will be posted to the Vendor's contract website.

PLEASE NOTE: All prices quoted to Customers shall include the administrative fee. The administrative fee = .75% x Customer Price



Microsoft Enterprise Agreement

Technology Services

Michael Deegan, CTO

Overview

- Microsoft's Enterprise Agreement (EA) is designed for businesses that implement enterprise-wide standards to enhance business productivity and provides a framework for making software license purchases and management more efficient.
- The City of Denton moved to the Microsoft EA model in 2013 and is purchased through the Texas DIR Cooperative Purchasing Network.

Background & Benefits of Microsoft EA

- Covers all Microsoft Software Licensing, Collaboration Tools, Cloud Services, and Basic Microsoft Virtual Training
- Provides access to the latest technology from Microsoft that includes upgrade licensing for new versions of software
- Able to easily and quickly add software products and licenses while keeping costs predictable

Examples of Licenses on the EA

- Windows Server Operating Systems
- SQL Server Database Systems
- Microsoft Teams and other Collaboration Tools
- SharePoint and Power BI for Analytical Presentations
- Desktop Operating Systems, i.e. Windows 11
- Microsoft Office Suite
- User Security
- Secure Data Storage and Retention

Estimated 5-Year Contract Costs

Microsoft Enterprise Agreement Year Terms	Estimated Annual Spend
Year 1	\$1,187,408.28
Year 2	\$1,211,156.44
Year 3	\$1,295,937.39
Year 4	\$1,321,856.14
Year 5	\$1,348,293.26
10% Contingency	\$636,465.49
Total	\$7,001,117.00

ORDINANCE NO. _____

AN ORDINANCE OF THE CITY OF DENTON, A TEXAS HOME-RULE MUNICIPAL CORPORATION, AUTHORIZING THE CITY MANAGER TO EXECUTE A CONTRACT WITH SHI GOVERNMENT SOLUTIONS, INC., THROUGH THE TEXAS DEPARTMENT OF INFORMATION RESOURCES (DIR) COOPERATIVE CONTRACT NO. DIR-CPO-5237, FOR THE PURCHASE OF MICROSOFT LICENSING, PRODUCTS & RELATED SERVICES FOR THE TECHNOLOGY SERVICES DEPARTMENT; PROVIDING FOR THE EXPENDITURE OF FUNDS THEREFOR; AND PROVIDING AN EFFECTIVE DATE (FILE 9068 – AWARDED TO SHI GOVERNMENT SOLUTIONS, INC., WITH A TERM ENDING SEPTEMBER 30, 2031, IN THE NOT-TO-EXCEED AMOUNT OF \$7,001,117.00).

WHEREAS, pursuant to Ordinance 20-196, the Texas Department of Information Resources (DIR) Cooperative Contracts Program has solicited, received, and tabulated competitive bids for the purchase of necessary materials, equipment, supplies, or services in accordance with the procedures of state law and city ordinances; and

WHEREAS, the City Manager, or a designated employee, has reviewed and recommended that the herein described materials, equipment, supplies or services can be purchased by the City through the Texas Department of Information Resources (DIR) Cooperative Contracts Program at less cost than the City would expend if bidding these items individually; and

WHEREAS, this procurement was undertaken as part of the City’s governmental function; and

WHEREAS, the City Council has provided in the City Budget for the appropriation of funds to be used for the purchase of the materials, equipment, supplies, or services approved and accepted herein; NOW, THEREFORE,

THE COUNCIL OF THE CITY OF DENTON HEREBY ORDAINS:

SECTION 1. The numbered items in the following numbered purchase order for materials, equipment, supplies, or services, shown in the "File Number" listed hereon, and on file in the office of the Purchasing Agent, are hereby approved:

<u>FILE NUMBER</u>	<u>VENDOR</u>	<u>AMOUNT</u>
9068	SHI Government Solutions, Inc.	\$7,001,117.00

SECTION 2. By the acceptance and approval of the above numbered items set forth in the referenced file number, the City accepts the offer of the persons submitting the bids to the Texas Department of Information Resources (DIR) Cooperative Contracts Program for such items and agrees to purchase the materials, equipment, supplies, or services in accordance with the terms, conditions, specifications, standards, quantities, and for the specified sums contained in the bid documents, and related documents filed with the Texas Department of Information Resources (DIR)

Cooperative Contracts Program, and the purchase orders issued by the City.

SECTION 3. Should the City and persons submitting approved and accepted items set forth in the referenced file number wish to enter into a formal written agreement as a result of the City’s ratification of bids awarded by Texas Department of Information Resources (DIR) Cooperative Contracts Program, the City Manager, or their designated representative, is hereby authorized to execute the written contract which shall be referenced herein; provided that the written contract is in accordance with the terms, conditions, specifications, and standards contained in the Proposal submitted to the Texas Department of Information Resources (DIR) Cooperative Contracts Program and related documents herein approved and accepted.

SECTION 4. By the acceptance and approval of the above enumerated bids, the City Council hereby authorizes the expenditure of funds therefor in the amount and in accordance with the approved bids.

SECTION 5. This ordinance shall become effective immediately upon its passage and approval.

The motion to approve this ordinance was made by _____ and seconded by _____. The ordinance was passed and approved by the following vote [___ - ___]:

	Aye	Nay	Abstain	Absent
Mayor Chris Watts:	_____	_____	_____	_____
Jordan Villarreal, District 1:	_____	_____	_____	_____
Nick Stevens, District 2:	_____	_____	_____	_____
Suzi Rumohr, District 3:	_____	_____	_____	_____
Joe Holland, District 4:	_____	_____	_____	_____
George Ferrie, At Large Place 5:	_____	_____	_____	_____
Jill Jester, At Large Place 6:	_____	_____	_____	_____

PASSED AND APPROVED this the _____ day of _____, 2026.

CHRIS WATTS, MAYOR

ATTEST:
KRISTI FOGLE, INTERIM CITY SECRETARY

BY: _____

APPROVED AS TO LEGAL FORM:
MACK REINWAND, CITY ATTORNEY

BY: Leah Bush



City of Denton

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

AGENDA INFORMATION SHEET

DEPARTMENT: Police / Public Safety Communications

CM/ DCM/ ACM: Cassey Ogden, Interim City Manager

DATE: July 14, 2026

SUBJECT

Consider approval of a resolution of the City Council of the City of Denton for the appointment of one member to the Board of Managers of the Denco Area 9-1-1 District for a two-year term beginning on October 1, 2026, and ending on September 30, 2028; and providing an effective date.

BACKGROUND

The Denco Area 9-1-1 District was created in 1987 and is governed by a board of managers appointed by the County, participating cities, and the Denton County Fire Chiefs' Association. Each year, the term of one of the two members appointed by participating municipalities expires. Board members serve in two-year staggered terms and are eligible for reappointment. This year, the term of Jim Carter expires on September 30, 2026. Mr. Carter is seeking reelection.

Nearly all of our training for new dispatchers is provided by Denco at no cost to our agency. They provide supplies for public education events. Denco pays for our Emergency Medical Dispatch (EMD) software program, manual EMD card sets, and the QA program for medical calls. They have also built an annex in Lewisville next to their main office, which is available for our use if needed during an evacuation. They have installed the 911 system, given access that allows for CAD workstations at the annex and about 4 years ago installed a full Motorola radio system allowing us to perform all tasks related to our job from this alternate site. About 3 years ago, we worked from this center for over a week when new windows were being installed in dispatch and line personnel never knew we were not in our center, as we had full functionality at Denco.

On June 1, 2026, the city received notice (Exhibit 1) from Denco requesting that the city vote for one of the nominees on the slate of nominees and advise them of its selection, if any, prior to July 31, 2026. The nominees are Jim Carter and Ann Martin. The resumes of the nominees are included in Exhibit 1. The nominee with the most votes will be the municipalities' representative to the District's Board of Managers for the two-year term beginning October 1, 2026.

OPTIONS

Candidate Jim Carter, nominated by Highland Village, Lewisville, and The Colony

Candidate Ann Martin, nominated by the City of Flower Mound

RECOMMENDATION

Staff recommends appointment of Jim Carter.

EXHIBITS

- Exhibit 1 – Agenda Information Sheet
- Exhibit 2 – Voting Packet
- Exhibit 3 – Letter to Denco Municipalities
- Exhibit 4 – Resolution
- Exhibit 5 – Presentation

Respectfully submitted:
Suzanne Kaletta
Assistant Director, Police Services

Prepared by:
Suzanne Kaletta
Assistant Director, Police Services



Denco Area 9-1-1 District

1075 Princeton Street • Lewisville, Texas 75067
Phone: 972-221-0911 • Fax 972-420-0709 • Denco911.gov

TO: Denco Area 9-1-1 District Participating Municipal Jurisdictions
FROM: Greg Ballentine, Executive Director
DATE: June 1, 2026
RE: Appointment to the Denco Area 9-1-1 District Board of Managers

On April 1, 2026, the Denco Area 9-1-1 District requested municipalities to nominate a representative to the district board of managers for the two-year term beginning October 1, 2026. Denco received the following nominations by the May 29, 2026 deadline:

<u>Nominee</u>	<u>City/Town Making Nomination</u>
Jim Carter	City of Highland Village City of Lewisville City of The Colony
Ann Martin	Town of Flower Mound

The Denco Area 9-1-1 District requests that each municipality vote for one of the candidates and advise the district of its selection by **5 p.m. on July 31, 2026**. No votes will be accepted after that time. If a nominating municipality does not formally vote, it's nomination will automatically count as a vote for its nominee. Please send a copy of the resolution recording council action. We have provided candidate resumes and a list of current Denco board members.

Please send a copy of your council's official action to the Denco Area 9-1-1 District, 1075 Princeton Street, Lewisville, TX 75067 or to Melinda Camp at melinda.camp@denco911.gov. We will acknowledge receipt of all votes.

Thank you for your assistance in this matter.

JIM CARTER

204 Fresh Meadow Drive
Trophy Club, TX 76262

(817) 239-7791
[Email Jim Carter](#)

EDUCATION

College Degree: University of Georgia, B.B.A. Finance
Postgraduate: Georgia Tech, University of Tennessee, University of Michigan, Texas Women's University, American Management Association

PROFESSIONAL EXPERIENCE

Department Head, Finance General Motors Corporation
Zone Vice-President Frito-Lay, Inc., International and Domestic Development
President, C.E.O. Mercantile Corporation
Responsible for 3 Banks, developed 2,000 prime commercial acres in Fort Worth adjacent to I-35W,
Current: Principal James P. Carter & Associates – Consultant & Mediator
To business and governmental entities
Professional Licenses Texas Real Estate License, Certified Mediator

PUBLIC SERVICE EXPERIENCE

Mayor Trophy Club, Texas – 14 years
Municipal Court Judge Trophy Club, Texas – 12 years
Emergency Manager Trophy Club, Texas – 14 years
County Commissioner Denton County, Texas – 8 years
Vice President Texas Association of Counties
Former President Denton County Emergency Services District #1 15 years
Fire and Emergency Medical over 65 square miles
Serving 5 Argyle, Bartonville, Copper Canyon,
Draper, and Northlake, Robson Ranch,
Lantana Freshwater Supply Districts #6 and #7
and unincorporated areas of Denton County
Former Texas State Board Member- State Association Fire and Emergency Service Districts –
Trains Emergency Services District Commissioners

Board Member Denco 911-
Current

Emergency telecommunications system that assists its member jurisdictions in managing police, fire and medical emergency calls.

Mission Leader – Guatemala

Constructed purified water system in remote villages, shared the “Good News” of Jesus’s love.

Team Leader

Provide housing and food to victims of Hurricane Katrina.

Team Leader

Made several trips to Sabine Pass to aid victims of Hurricane Rita.

COMMUNITY AND CHARITY SERVICES

Baylor Healthcare System

Trustee – 10 Years

University of North Texas

President’s Council

Texas Student Housing Corp

Chairman – 20 Years, providing Residential Scholarships at UNT, A&M, UT Austin

Boy Scouts of America

Longhorn Council, District Chairman

First Baptist Church, Trophy Club

Chairman, Stewardship Committee and Senior Bible Teacher

US MILITARY

US Navy

11 years – active and reserve service

Honors: Who’s Who in the South and Southwest, Who’s Who in U.S. Executives, Honorary Fire Chief Argyle Fire District

Ann G. Martin, ARM

Flower Mound TX · 972-977-2142 · agraceffomartin@hotmail.com

Flower Mound Town Council *Mayor Pro-Tem, Place 5*

Flower Mound, TX Nov '20- May '26

Serving the Town of Flower Mound (approx. 81,000 residents) in a legislative capacity to help fulfill the Town's Mission, Vision and Goals

- Participated in Council Meetings, Work sessions, and Ad Hoc meetings with Developers, Business Owners and Staff
- Met with Constituents to hear concerns and promote collaborative solutions
- Attended Community meetings and events to promote town unity and goodwill
- Testified at House and Senate hearings in Austin TX during Legislative Sessions (2025)
- 2022 Graduate, *Leadership Flower Mound*, The Flower Mound Chamber of Commerce
- 2020 Graduate, *Citizens Academy*, The Office of the Town Secretary, The Town of Flower Mound

Town of Flower Mound Boards and Commissions

- Tax Increment Reinvestment Zone #1, Chair Flower Mound, TX – July '24 to present
- Animal Service Board, Commissioner Flower Mound, TX May '21- Sept '25
- Tax Increment Reinvestment Zone #2, Board Member Flower Mound, TX Nov '20- May '26

Town of Flower Mound Executive and Steering Committees

- 2023-24: Blue Ribbon Bond Committee, Vice Chair
- 2023-24 Charter Review Committee, Member
- 2023-24 Health Sciences Feasibility Committee, Member
- 2023-24 Community Activity Center Expansion, Executive Steering Committee Member

Sr. Service Director, Risk Control Services (Retired July 2021) *Service Director I and II, Risk Control Services*

Plano, TX '12-'21
Irving, TX '99-'12

Account Management, Acquisition, Retention: Designed, developed, and managed overall delivery of service to lower total cost of risk for premier customers in the National Market. Key Industries: Retail, Hospitality, Healthcare, Transportation, Manufacturing, Aviation, Business Services, Public Entities/Schools

- Account Team Member: strategic acquisition of new business and retention of premier accounts
- Collaborated closely with customers, brokers, and internal stakeholders to define and achieve success
- Created detailed Service Instructions to guide location level service delivery
- Monitored service quality to ensure the team met or exceeded expectations and drove results
- Utilized process, progress and outcome metrics to communicate results to Sr Mgmt. and C-Suite customer contacts
- Evaluated risk (account level) for Underwriting on new and renewal business
- Coached service team members toward continuous improvement

Professional Development and Affinity Group Leadership

- Mentored entry level and aspiring Service Directors; Risk Control Department Lead: Plano Career Fairs
- Pilot Participant, inter-departmental mentors for military and families (*VALOR*)
- Leader for *WERC* (Women Employees in Risk Control) Team; NTX Region Employee Advisory Committee Member
- Regional New Underwriter Training: "Risk Control Services Engagement and Utilization"

Loss Prevention Consultant, Sr. Consultant *Loss Prevention Representative, Sr. Loss Prevention Representative* *Service Supervisor, Sales Representative (licensed)*

Irving, TX '98-'99
Albany, NY '91-'97
Albany, NY '88-'91

COMMUNITY

The Flower Mound Arts League, *President '25 to present*

Friends of the FM Public Library, '06 and *President, '12 to present*

NTX Wounded Warrior Golf, *Volunteer, '18 to '22*

Neighborhood HOA, *Architectural Comm., '15 to present*

Troop 451 BSA, *Comm. Member, Merit Badge Instructor, '07 to '12*

LISD, *Volunteer, Marcus Band Booster, '01-'06 and '10 to '12*

EDUCATION

Southern Methodist University
Candidate: Masters in Nonprofit Leadership (2025 to present)

The Institutes
Associate in Risk Management (ARM)

Hamilton College, Clinton NY
Bachelor of Arts, Sociology, Minor in Biology
Study Abroad: "Sweden, Democracy in the Workplace"

Denco Area 9-1-1 District Board of Managers FY2026

Bill Lawrence, Chairman

- Appointed by Denton County Commissioners Court
- Member since October 2006
- Term expires September 2027
- Former Mayor of Highland Village
- Businessman, Highland Village

Jim Carter, Secretary

- Appointed by member cities in Denton County
- Member since October 2014
- Term expires September 2026
- Former President of Emergency Services District #1
- Former Mayor of Trophy Club and Denton County Commissioner

Jason Cole

- Appointed by Denton County Commissioners Court
- Member since October 2020
- Term expires September 2026
- Businessman, Denton

Chief Eric Schlotter

- Appointed by Denton County Fire Chiefs Association
- Member since November 2024
- Term expires September 2027
- Chief, Aubrey Fire Department

Steve Southwell

- Appointed by member cities in Denton County
- Member since October 2025
- Term expires September 2027
- Businessman, Lewisville

All voting members serve two-year terms and are eligible for re-appointment.



Denco Area 9-1-1 District

1075 Princeton Street • Lewisville, Texas 75067
Phone: 972-221-0911 • Fax 972-420-0709 • Denco911.gov

TO: Denco Area 9-1-1 District Participating Municipal Jurisdictions
FROM: Gregory S. Ballentine, Executive Director
DATE: April 1, 2026
RE: Nomination for the Denco Area 9-1-1 District Board of Managers

Chapter 772, Texas Health and Safety Code, provides for the Denco Area 9-1-1 District Board of Managers to have “two members appointed jointly by all the participating municipalities located in whole or part of the district.” The enclosed resolution describes the appointment process of a municipal representative.

Each year on September 30th, the term of one of the two members appointed by participating municipalities expires.

Denco requests the following actions by the governing bodies of each of the 32 municipalities in the district:

1. **Immediate Action (Nominate):** If your city/town would like to nominate a candidate to represent the municipalities on the Denco Board of Managers, please send a letter of nomination, by way of council action, and résumé of the candidate to the Denco Area 9-1-1 District office. Nominees are historically current or former elected officials in the district; however, there are no official prerequisites. **For a nomination to be considered, written notification of council action must reach the Denco Area 9-1-1 District by 5:00 p.m. May 29, 2026.** No nominations shall be considered after that time.
2. **Future Action (Vote):** On June 1, 2026, Denco staff will send the slate of nominees to each city/town for consideration, requesting the city/town council vote by resolution for one of the nominees. **Written notice of the council’s selection must reach the Denco Area 9-1-1 District by 5:00 p.m. on July 31, 2026.** No votes will be accepted after that time. However, if a nominating municipality does not thereafter formally vote, its nomination will automatically count as a vote for its nominee.
3. **Process Closure (Results):** The candidate with the most votes will be the municipalities’ representative to the Denco Area 9-1-1 District Board of Managers for the two-year term beginning October 1, 2026.

Please send a copy of your council’s official action and candidate résumé to the **Denco Area 9-1-1 District, 1075 Princeton Street, Lewisville, TX 75067** or to Melinda Camp at melinda.camp@denco911.gov. Denco staff will acknowledge receipt and sufficiency of the submitted documents. **If that acknowledgement is not received within one (1) business day, or you have any other questions, please contact Ms. Camp at 972-221-0911.** As a courtesy, Denco will provide notification of your council’s action to the nominee.

Thank you for your support of the Denco Area 9-1-1 District.

Enclosure

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF DENTON FOR THE APPOINTMENT OF ONE MEMBER TO THE BOARD OF MANAGERS OF THE Denco AREA 9-1-1 DISTRICT FOR A TWO-YEAR TERM BEGINNING ON OCTOBER 1, 2026 AND ENDING ON SEPTEMBER 30, 2028, AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, Chapter 772 of the Texas Health and Safety Code provides that two voting members of the Board of Managers of an Emergency Communication District shall be appointed jointly by participating municipalities located in whole or in part of the District; and

WHEREAS, it is the intent of the City of Denton, Texas to vote for a nominee to the Board of Managers for the Denco Area 9-1-1 District for a two-year term beginning on October 1, 2026 and ending on September 30, 2028;

NOW, THEREFORE, THE COUNCIL OF THE CITY OF DENTON HEREBY RESOLVES:

SECTION 1. The City of Denton, Texas hereby votes for _____ as a member to the Board of Managers for the Denco Area 9-1-1 District to serve a two-year term beginning on October 1, 2026 and ending on September 30, 2028.

SECTION 2: If any one or more sections or clauses of this Resolution is judged to be unconstitutional or invalid, such judgement shall not affect, impair, or invalidate the remaining provisions of this Resolution and the remaining provisions of this Resolution shall be interpreted as if the offending section or clause never existed.

SECTION 3: That this Resolution shall become effective immediately upon its passage and approval.

The motion to approve this ordinance was made by _____ and seconded by _____; the ordinance was passed and approved by the following vote [___ - ___]:

	Aye	Nay	Abstain	Absent
Chris Watts, Mayor	_____	_____	_____	_____
Jordan Villarreal, District 1:	_____	_____	_____	_____
Nick Stevens, District 2:	_____	_____	_____	_____
Suzi Rumohr, District 3:	_____	_____	_____	_____
Joe Holland, District 4:	_____	_____	_____	_____
George Michael Ferrie Jr, At Large Place 5:	_____	_____	_____	_____
Jill Jester, At Large Place 6:	_____	_____	_____	_____

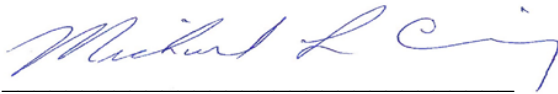
PASSED AND APPROVED this the _____ day of _____, 2026.

CHRIS WATTS, MAYOR

ATTEST:
KRISTI FOGLE, INTERIM CITY SECRETARY

BY: _____

APPROVED AS TO LEGAL FORM:
MACK REINWAND, CITY ATTORNEY

BY: 



Denco Area 9-1-1 Board Nomination

Suzanne Kaletta
Assistant Director –
Police Services

File ID 26-0945 July 14, 2026



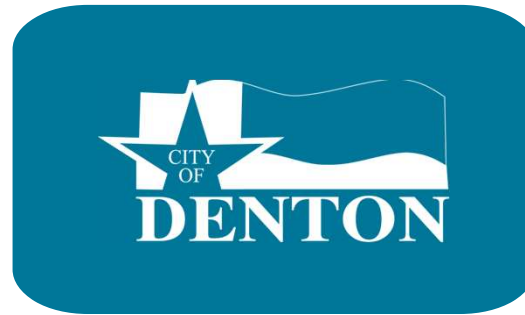
Background

- The Denco Area 9-1-1 District was created in 1987
- Governed by Board of Managers, appointed by the County, participating cities, and the Denton Fire Chiefs' Association
- Each year the term of one of the two members appointed by municipalities expires
- The term of Board Member, Jim Carter expires on September 30, 2026
- Mr. Carter is seeking reelection

Objective

- On June 1, 2026, the City received a request from Denco for a City vote on the slated nominees and then
- Notify Denco of the Council's selection by July 31, 2024
- Nominees:
 - Jim Carter
 - Ann Martin

QUESTIONS?





City of Denton

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

AGENDA INFORMATION SHEET

DEPARTMENT: Parks and Recreation

ACM: Christine Taylor

DATE: July 14, 2026

SUBJECT

Consider approval of a resolution of the City of Denton naming the park sites located at 700 block Congress St. and 500 block of Mounts Ave. to Congress Street Park; and providing an effective date. The Parks, Recreation, and Beautification Board voted to recommend approval (5-0).

BACKGROUND

City Policy and Previous Naming Effort

The current naming effort represents the most recent phase of a process that began in October 2020 with the updating of the City of Denton naming policy guidelines for city buildings, facilities, land, parks, trails, or any portion thereof. The naming policy was recently updated in March 2026 to codify Council's direction that the Park Board should continue to serve as the committee to consider future naming applications and provide recommendations regarding those applications to City Council.

The current naming policy discourages *renaming* parks, parks properties, and parks facilities that already have established, recognized names. Additionally, the naming policy includes guidelines and standards for naming, including the following:

- To name a park after an individual that person must have been a resident of Denton in good standing and must have made an exceptional contribution to society at the local, state, national or global level.
- City properties may be named after individuals who died in honorable service to the City, State, or Nation, or who were known for profound contributions to humanitarian causes.
- City properties (or portions thereof) may also be named after foundations or organizations that have either made a lasting and exceptional positive impact on life at the local, state, national, or international level.
- City properties (or portions thereof) may also be named after organizations who have provided a unique and extraordinary contribution in support of developing all or a portion of a particular City building, facility, parcel of land, or other City property.

Internal Naming Applications

Presently, staff are asking City Council to consider approving the internal naming application for the following park:

- **Congress Street Park** (700 block of Congress Street and 500 block of Mounts Ave.): The application seeks to name two separate parcels of land that are in very close proximity, but not adjacent, as a singular park. These parcels correspond to the sites of the former Calhoun Middle School running track and tennis courts and total 3.433 acres. Denton ISD and the City of Denton agreed to a land swap that was approved by the City Council November 18, 2025. Under the terms

of this swap the City of Denton exchanged 9.4 acres of land at South Lakes Park where the McMath Middle School track and field are currently located for the Calhoun parcels.

ESTIMATED SCHEDULE OF PROJECT

In accordance with the naming policy, Parks and Recreation staff will convey park board's recommendations regarding the internal and external naming applications to City Council who will make the final determination to approve or deny each application.

RECOMMENDATION

Staff recommends approving internal applications for Congress Street Park.

Parks, Recreation and Beautification board voted to approve these naming requests on May 4, 2026 with a vote of (5-0).

FISCAL INFORMATION

If a facility or park requires new signage as a consequence of naming, this will be a new unanticipated expense. Staff cannot guarantee that a sign will be constructed soon or even placed on the list of short-term park priorities, unless a funding source for these features is determined.

EXHIBITS

- Exhibit 1- Agenda Information Sheet
- Exhibit 2- Resolution
- Exhibit 3- Naming Application
- Exhibit 4- Presentation

Respectfully Submitted:
Allison Wing, Interim Parks and Recreation Director

Prepared by:
Allison Wing, Parks and Recreation

RESOLUTION NO. _____

A RESOLUTION OF THE CITY OF DENTON NAMING THE PARK SITES LOCATED AT 700 BLOCK CONGRESS ST. AND 500 BLOCK MOUNTS AVE. TO CONGRESS STREET PARK; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, Ordinance 26-0286, adopted on March 24, 2026, established the Parks, Recreation, and Beautification Board as the permanent ad hoc committee to consider all naming applications; and

WHEREAS, the Parks, Recreation, and Beautification Board recommends naming the park land located at 700 Block Congress St. and 500 Block Mount Ave. to Congress Street Park. NOW THEREFORE,

THE COUNCIL OF THE CITY OF DENTON HEREBY RESOLVES:

SECTION 1. The findings and recitation contained in the preamble of this resolution are incorporated herein by reference.

SECTION 2. The park land located at 700 Block Congress St. and 500 Block Mount Ave. is hereby named Congress Street Park.

SECTION 3. This resolution shall become effective immediately after its passage and approval.

The motion to approve this resolution was made by _____ and seconded by _____, the resolution was passed and approved by the following vote [____ - ____]:

	Aye	Nay	Abstain	Absent
Chris Watts, Mayor:	_____	_____	_____	_____
Jordan Villareal, District 1:	_____	_____	_____	_____
Nick Stephens, District 2:	_____	_____	_____	_____
Suzi Rumohr, District 3:	_____	_____	_____	_____
Joe Holland, District 4:	_____	_____	_____	_____
George Ferrie, At Large Place 5:	_____	_____	_____	_____
Jill Jester, At Large Place 6:	_____	_____	_____	_____

PASSED AND APPROVED this the _____ day of _____, 2026.

CHRIS WATTS, MAYOR

ATTEST:
KRISTI FOGLE, INTERIM CITY SECRETARY

BY: _____

APPROVED AS TO LEGAL FORM:
MACK REINWAND, CITY ATTORNEY



BY: _____

CITY OF DENTON NAMING APPLICATION
City Buildings, Facilities, Land, or Any Portion Thereof

Please type or print clearly in ink:

Date of Submittal

2/23/2026

Commemorative Naming (*Check One*):

Individual

Organization

Individual or Organization Submitting Nomination:

Denton Parks and Recreation

Recommended Name of City Building, Facility, Land, or Any Portion Thereof:

Congress Street park

Location of City Building, Facility, Land, or Any Portion Thereof:

Address

700 blk Congress Street and 500 blk Mounts Ave

Cross Street

Alice Street

Description of Location

The park includes two parcels of land: the track just north of Old Calhoun Middle School and the tennis courts just west of the same campus.

Explanation of why this name should be considered. Please include the individual's biographical information and vitae or resume. Use additional sheets, if necessary:

The proposed name is consistent with the Parks Department's policy of naming community and neighborhood parks after existing, nearby geographical locations such as creeks and streets. This proposal would name the park after the street on which it is located.

Point of Contact

First Name

Omar

Last Name

Siddiqi

Address

901 B Texas Street

City

Denton

State

TX

Zip

76209

Phone Number

940-349-8748

Email Address

omar.siddiqi@cityofdenton.com

Organization or Secondary contact

Organization / First Name

Denton Parks and Recreation

Last Name

Address

901 B Texas Street

City

Denton

State

TX

Zip

76209

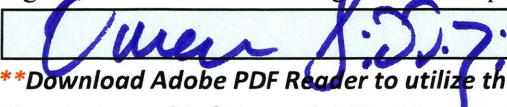
Phone Number

940-349-7275

Email Address

parks@cityofdenton.com

Signature of Nominator or Organization Representative:



Date:

4/13/26

****Download Adobe PDF Reader to utilize the digital signature****

Please return this form to the City Manager's Office. Please call for an appointment at (940) 349-8307, or E-mail this form to City.Secretary@CityofDenton.com



UNITE, GROW,
PLAY
Denton Parks and Rec

Parks and Recreation Naming Applications

Allison Wing
Interim Director,
Parks and Recreation



Background

- On October 20, 2020, City Council approved a set of updates to the Naming Policy Guidelines and Application Process.
- This process is mainly for new parks properties and trails. The naming policy discourages renaming existing properties.
- April 2021 City Council recommended Park Board serve as the ad hoc committee to review naming applications.
- In March 2026, Council passed a revised naming policy that formalized the role of the Park Board as the committee responsible for reviewing applications and making recommendations to Council.

Applications

Internal Applications for Consideration

- Congress Street Park
- Hercules Park

Resources

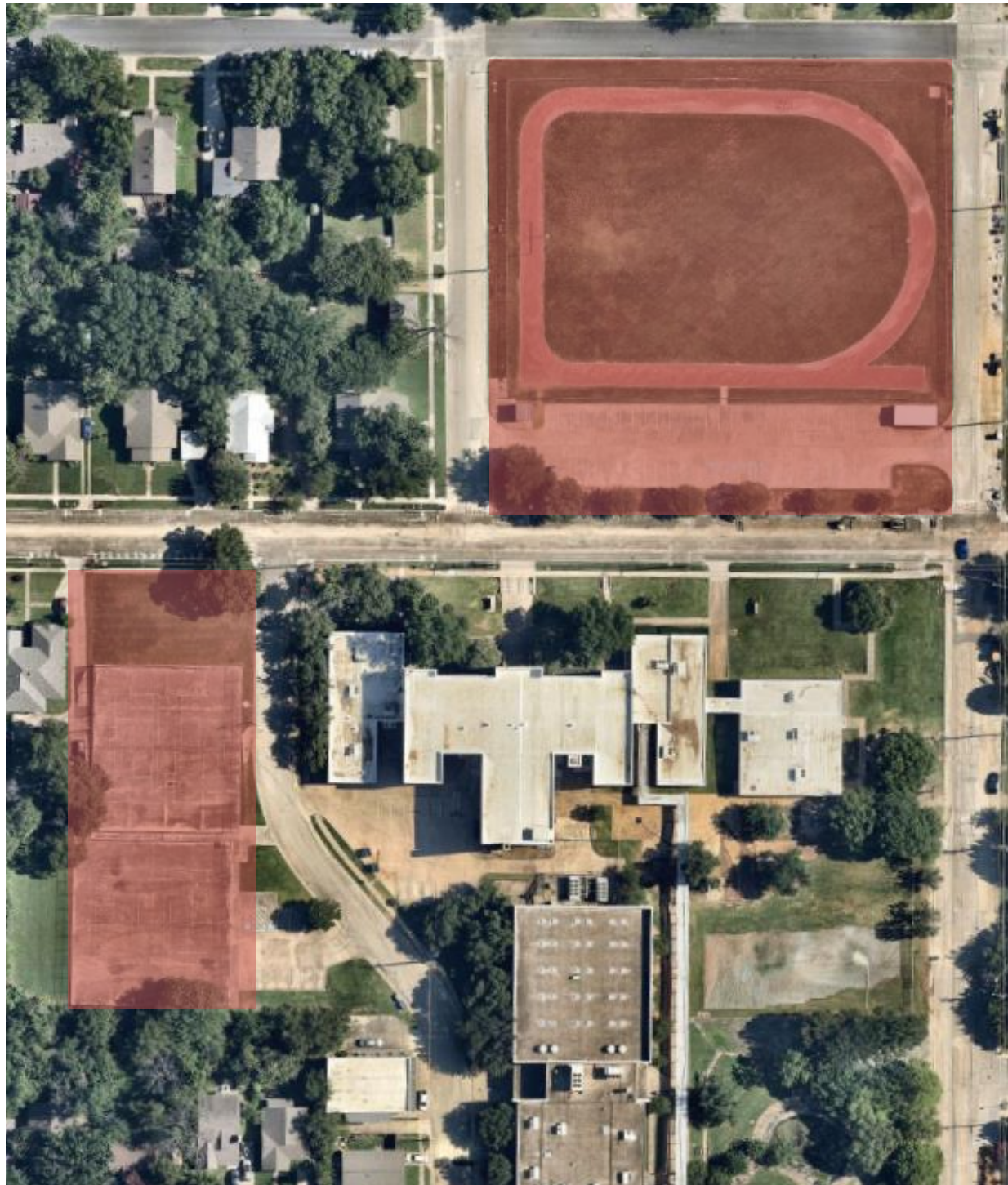
- Naming Policy-
<https://tinyurl.com/namingpol>
- Naming Application-
<https://tinyurl.com/nameappPDF>

Naming Policy Highlights

Temporary Name Procedures

- A temporary name will be designated by the City staff for identification during acquisition and/or development of the City building, facility, land or any portion thereof.
- The following criteria and factors shall be used in determining the appropriateness of the temporary name:
 - Geographic location such as street name, frontage road, major intersection, or subdivision.
 - Each temporary name will end with an identifier such as property or building.
 - For example: Main Street Property

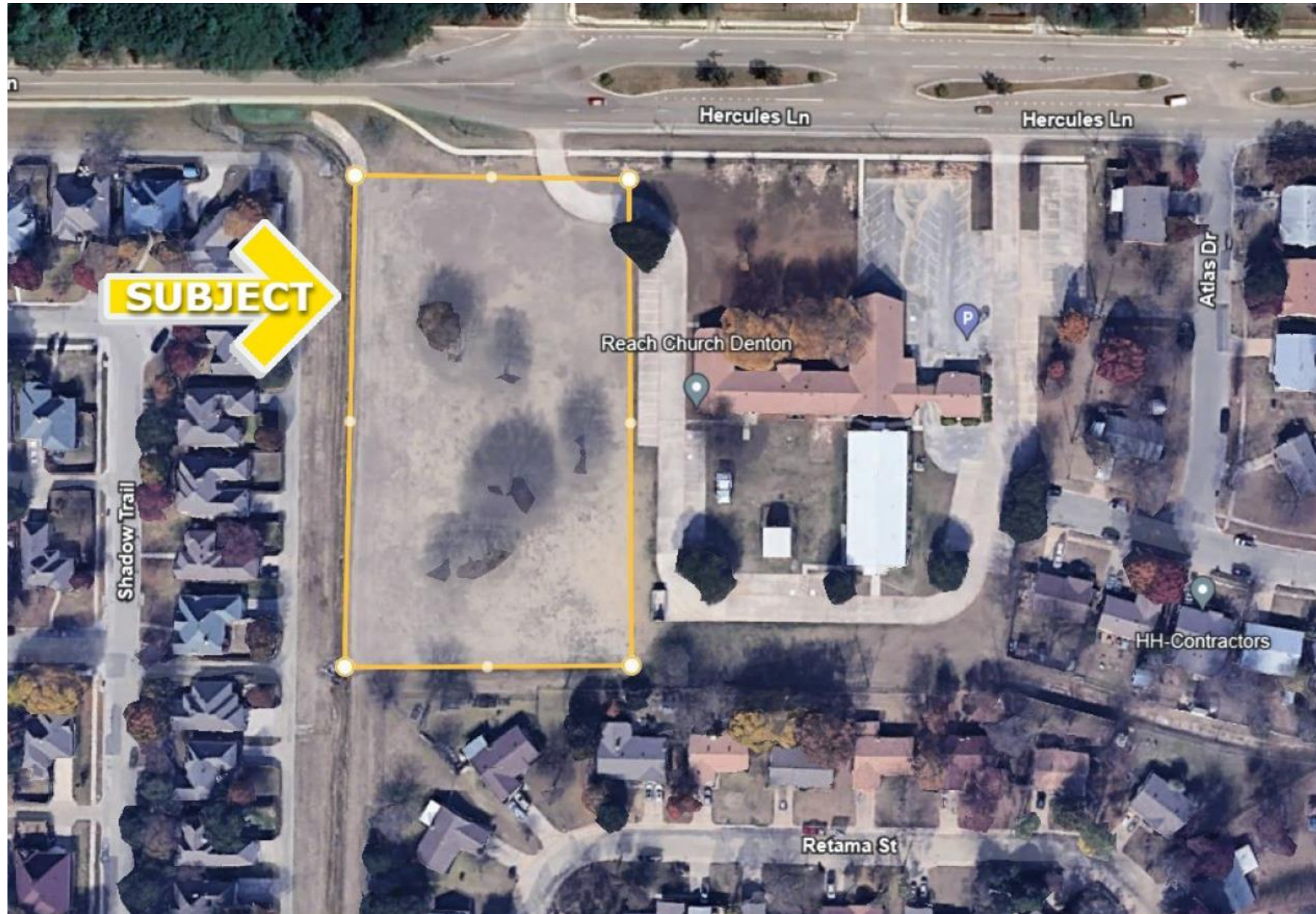
Congress Street



Park Information

- Internal application to name two parcels of land that will form one park space.
- The parcels were formerly part of Old Calhoun Middle School's track and field and tennis courts.
- The land was provided to the City as part of a property exchange that provided to Denton ISD the site of the McMath Middle School which was formerly part of South Lakes Park.
- Named after the street the park is located on, in line with naming policy guidelines.

Hercules



Park Information

- Located at 510 Hercules Lane off N. Locust Street. Consists of 2.151 acres of land.
- The purchase of this land was finalized by City Council in August 2024.
- Named after the street the park is located on, in line with naming policy guidelines.

QUESTIONS?





City of Denton

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

AGENDA INFORMATION SHEET

DEPARTMENT: Parks and Recreation

ACM: Christine Taylor

DATE: July 14, 2026

SUBJECT

Consider approval of a resolution of the City of Denton naming the park site located at 510 Hercules Lane to Hercules Park; and providing an effective date. The Parks, Recreation and Beautification board voted to recommend approval (5-0).

BACKGROUND

City Policy and Previous Naming Effort

The current naming effort represents the most recent phase of a process that began in October 2020 with the updating of the City of Denton naming policy guidelines for city buildings, facilities, land, parks, trails, or any portion thereof. The naming policy was recently updated in March 2026 to codify Council's direction that the Park Board should continue to serve as the committee to consider future naming applications and provide recommendations regarding those applications to City Council.

The current naming policy discourages *renaming* parks, parks properties, and parks facilities that already have established, recognized names. Additionally, the naming policy includes guidelines and standards for naming, including the following:

- To name a park after an individual that person must have been a resident of Denton in good standing and must have made an exceptional contribution to society at the local, state, national or global level.
- City properties may be named after individuals who died in honorable service to the City, State, or Nation, or who were known for profound contributions to humanitarian causes.
- City properties (or portions thereof) may also be named after foundations or organizations that have either made a lasting and exceptional positive impact on life at the local, state, national, or international level.
- City properties (or portions thereof) may also be named after organizations who have provided a unique and extraordinary contribution in support of developing all or a portion of a particular City building, facility, parcel of land, or other City property.

Internal Naming Applications

Presently, staff are asking City Council to consider approving the internal naming application for the following park:

- **Hercules Park** (510 Hercules Lane): This application seeks to name a parcel of land located off Hercules Lane in North Denton that totals 2.151 acres. The purchase of this land was finalized by City Council in August 2024, and future plans call for a master plan to realize a fully functional parks space that might include a loop trail, playground, and water fountain.

ESTIMATED SCHEDULE OF PROJECT

In accordance with the naming policy, Parks and Recreation staff will convey park board's recommendations regarding the internal and external naming applications to City Council who will make the final determination to approve or deny each application.

RECOMMENDATION

Staff recommends approving internal applications for Hercules Park.

Parks, Recreation and Beautification board voted to approve these naming request on May 4, 2026 with a vote of (5-0).

FISCAL INFORMATION

If a facility or park requires new signage as a consequence of naming, this will be a new unanticipated expense. Staff cannot guarantee that a sign will be constructed soon or even placed on the list of short-term park priorities, unless a funding source for these features is determined.

EXHIBITS

Exhibit 1- Agenda Information Sheet

Exhibit 2- Resolution

Exhibit 3- Naming Application

Exhibit 4- Presentation

Respectfully Submitted:

Allison Wing, Interim Parks and Recreation Director

Prepared by:

Allison Wing, Parks and Recreation

RESOLUTION NO. _____

A RESOLUTION OF THE CITY OF DENTON NAMING THE PARK SITE LOCATED AT 510 HERCULES LANE TO HERCULES PARK; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, Ordinance 26-0286, adopted on March 24, 2026, established the Parks, Recreation, and Beautification Board as the permanent ad hoc committee to consider all naming applications; and

WHEREAS, the Parks, Recreation, and Beautification Board recommends naming the park land located at 510 Hercules Lane to Hercules Park. NOW THEREFORE,

THE COUNCIL OF THE CITY OF DENTON HEREBY RESOLVES:

SECTION 1. The findings and recitation contained in the preamble of this resolution are incorporated herein by reference.

SECTION 2. The park land located at 510 Hercules Lane is hereby named Hercules Park.

SECTION 3. This resolution shall become effective immediately after its passage and approval.

The motion to approve this resolution was made by _____ and seconded by _____, the resolution was passed and approved by the following vote [____ - ____]:

	Aye	Nay	Abstain	Absent
Chris Watts, Mayor:	_____	_____	_____	_____
Jordan Villareal, District 1:	_____	_____	_____	_____
Nick Stephens, District 2:	_____	_____	_____	_____
Suzi Rumohr, District 3:	_____	_____	_____	_____
Joe Holland, District 4:	_____	_____	_____	_____
George Ferrie, At Large Place 5:	_____	_____	_____	_____
Jill Jester, At Large Place 6:	_____	_____	_____	_____

PASSED AND APPROVED this the _____ day of _____, 2026.

CHRIS WATTS, MAYOR

ATTEST:
KRISTI FOGLE, INTERIM CITY SECRETARY

BY: _____

APPROVED AS TO LEGAL FORM:
MACK REINWAND, CITY ATTORNEY

A handwritten signature in blue ink, appearing to read "Mack Reinwand", is written over a light blue rectangular background.

BY: _____

CITY OF DENTON NAMING APPLICATION
City Buildings, Facilities, Land, or Any Portion Thereof

Please type or print clearly in ink:

Date of Submittal

2/23/2026

Commemorative Naming (*Check One*):

Individual

Organization

Individual or Organization Submitting Nomination:

Denton Parks and Recreation

Recommended Name of City Building, Facility, Land, or Any Portion Thereof:

Hercules Park

Location of City Building, Facility, Land, or Any Portion Thereof:

Address

510 Hercules Lane

Cross Street

Redstone Road

Description of Location

A neighborhood park consisting of 2.52 acres located in North Denton just south of Loop 288 located next to Reach Church Denton.

Explanation of why this name should be considered. Please include the individual's biographical information and vitae or resume. Use additional sheets, if necessary:

The proposed name is consistent with the Parks Department's policy of naming community and neighborhood parks after existing, nearby geographical locations such as creeks and streets. This proposal would name the park after the street on which it is located.

Point of Contact

First Name

Omar

Last Name

Siddiqi

Address

901 B Texas Street

City

Denton

State

TX

Zip

76209

Phone Number

940-349-8748

Email Address

omar.siddiqi@cityofdenton.com

Organization or Secondary contact

Organization / First Name

Denton Parks and Recreation

Last Name

Address

901 B Texas Street

City

Denton

State

TX

Zip

76209

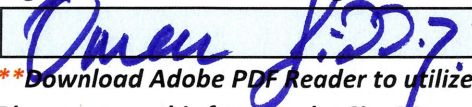
Phone Number

940-349-7275

Email Address

parks@cityofdenton.com

Signature of Nominator or Organization Representative:



Date:

4/13/26

****Download Adobe PDF Reader to utilize the digital signature****

Please return this form to the City Manager's Office. Please call for an appointment at (940) 349-8307, or E-mail this form to City.Secretary@CityofDenton.com



UNITE, GROW,
PLAY
Denton Parks and Rec

Parks and Recreation Naming Applications

Allison Wing
Interim Director,
Parks and Recreation



Background

- On October 20, 2020, City Council approved a set of updates to the Naming Policy Guidelines and Application Process.
- This process is mainly for new parks properties and trails. The naming policy discourages renaming existing properties.
- April 2021 City Council recommended Park Board serve as the ad hoc committee to review naming applications.
- In March 2026, Council passed a revised naming policy that formalized the role of the Park Board as the committee responsible for reviewing applications and making recommendations to Council.

Applications

Internal Applications for Consideration

- Congress Street Park
- Hercules Park

Resources

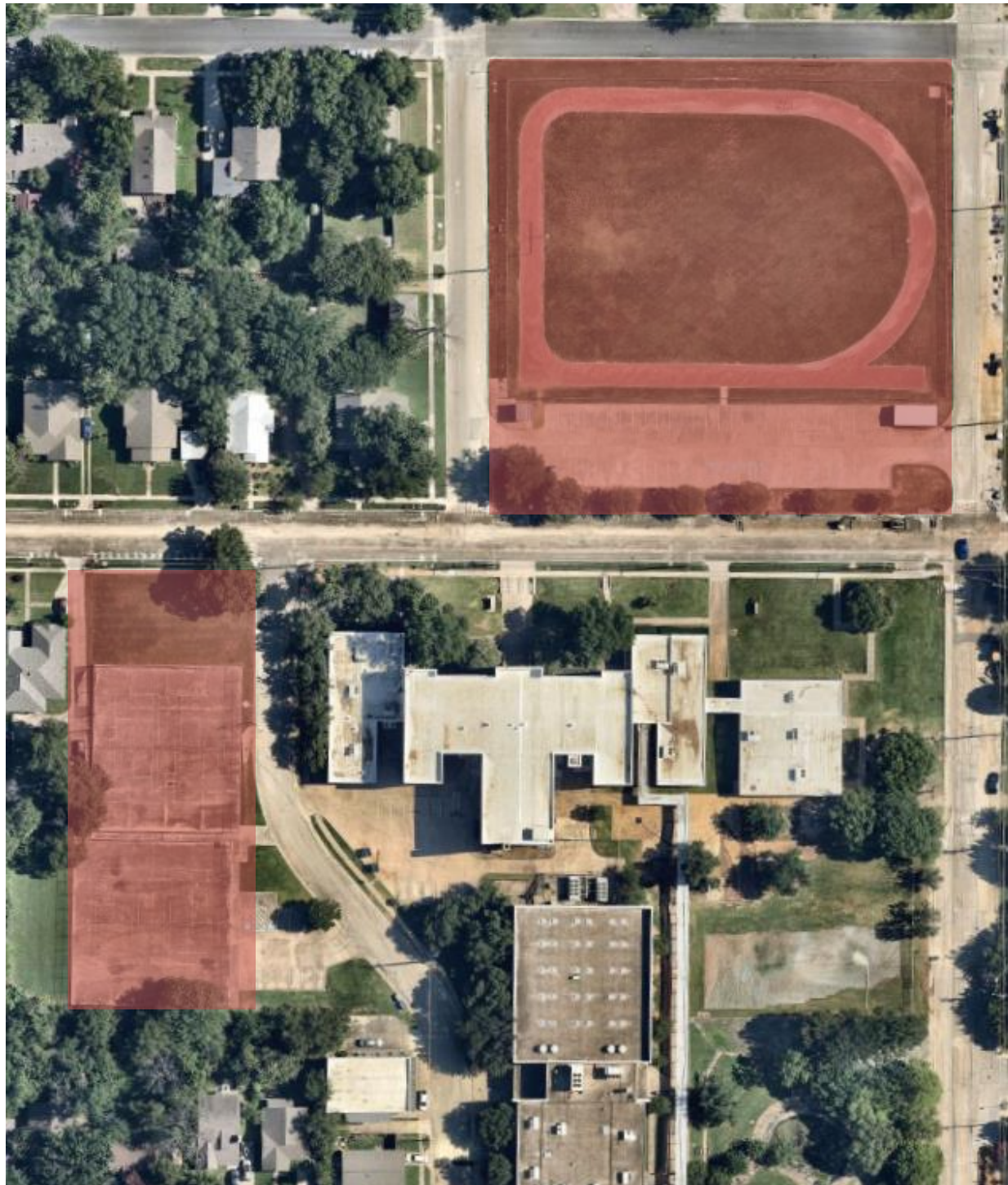
- Naming Policy-
<https://tinyurl.com/namingpol>
- Naming Application-
<https://tinyurl.com/nameappPDF>

Naming Policy Highlights

Temporary Name Procedures

- A temporary name will be designated by the City staff for identification during acquisition and/or development of the City building, facility, land or any portion thereof.
- The following criteria and factors shall be used in determining the appropriateness of the temporary name:
 - Geographic location such as street name, frontage road, major intersection, or subdivision.
 - Each temporary name will end with an identifier such as property or building.
 - For example: Main Street Property

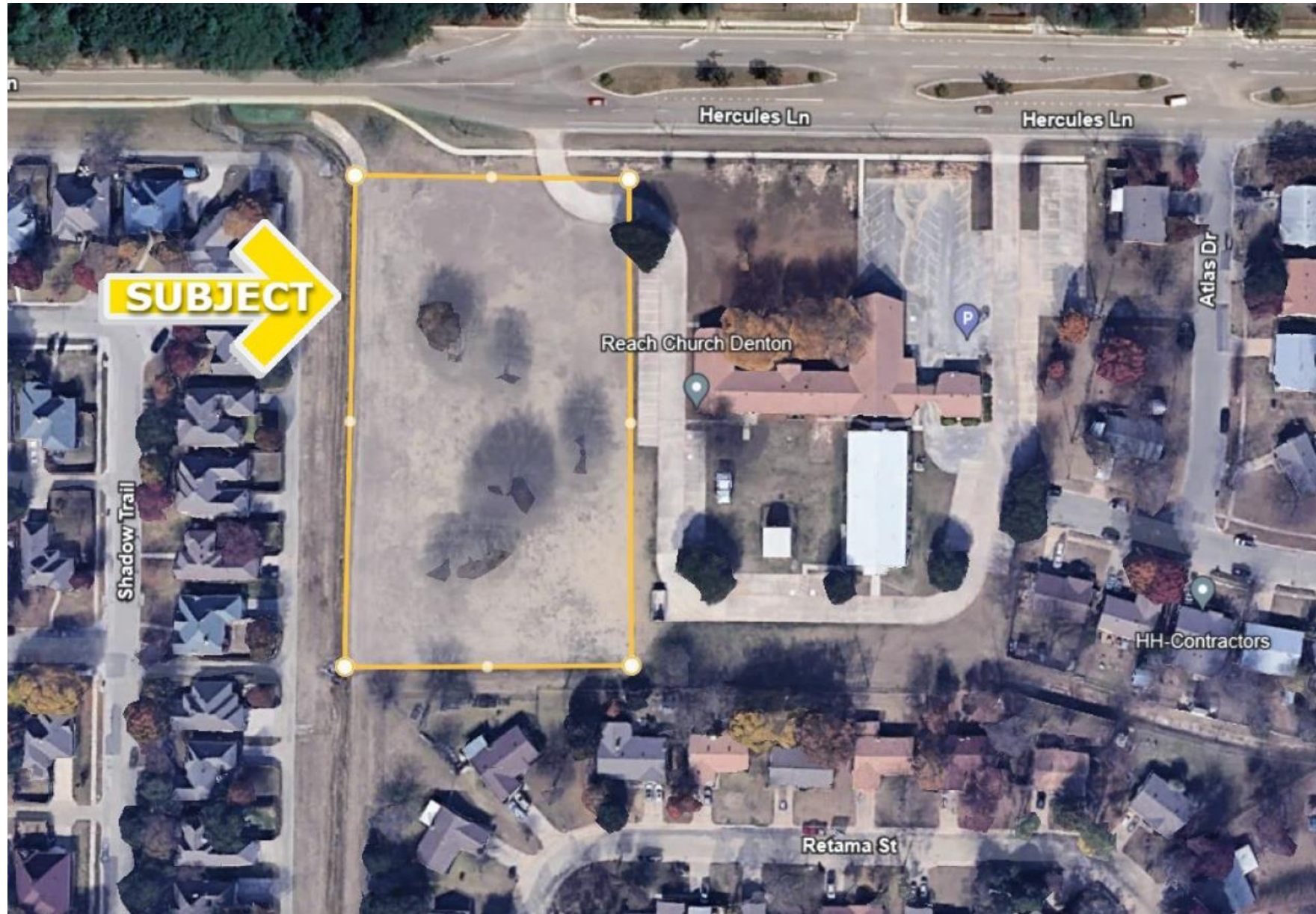
Congress Street



Park Information

- Internal application to name two parcels of land that will form one park space.
- The parcels were formerly part of Old Calhoun Middle School's track and field and tennis courts.
- The land was provided to the City as part of a property exchange that provided to Denton ISD the site of the McMath Middle School which was formerly part of South Lakes Park.
- Named after the street the park is located on, in line with naming policy guidelines.

Hercules



Park Information

- Located at 510 Hercules Lane off N. Locust Street. Consists of 2.151 acres of land.
- The purchase of this land was finalized by City Council in August 2024.
- Named after the street the park is located on, in line with naming policy guidelines.

QUESTIONS?

