



# City of Denton

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

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## AGENDA INFORMATION SHEET

**DEPARTMENT:** Finance

**ACM:** Cassey Ogden

**DATE:** May 7, 2024

### **SUBJECT**

Consider adoption of an ordinance considering all matters incident and related to the issuance, sale and delivery of up to \$31,500,000 in principal amount of "City of Denton Utility System Revenue Notes, Series 2024"; authorizing the issuance of the notes; delegating the authority to certain city officials to execute certain documents relating to the sale of the notes; approving and authorizing instruments and procedures relating to said notes; enacting other provisions relating to the subject; and providing an effective date. The Public Utilities Board recommends approval (4-0).

### **BACKGROUND**

During July, August and September 2023, Denton Municipal Electric's (DME) cost of energy exceeded expectations which resulted in a \$31.26 million net income loss for Fiscal Year 2022-23. DME has updated their current Fiscal Year 2023-24 budget and long-term financial forecast to ensure the utility remains financially sound. As permitted under State law, DME intends to sell taxable Notes in an amount equal to the loss which will fund purchased power costs in FY24. In doing so, it is anticipated that DME will realize current year expense savings which will replenish its reserves.

Both the Public Utilities Board (PUB) and the City Council recently approved DME's mid-year changes which include modifications to the Energy Cost Adjustment (ECA) rate and reinstating the Transmission Cost Recovery Factor (TCRF) rate. This financing concept was included in those rate discussions, and the PUB approved financing \$31.26 million to recover the loss.

This parameters ordinance sets the following requirements in order to complete the sale of the notes. By doing so, City staff will be authorized to execute the sale without additional approval.

- the aggregate original principal amount of the Notes shall not exceed \$31,500,000;
- the maximum stated maturity of the Notes shall not exceed five years from the date of issuance;
- the Notes shall bear interest at a fixed rate, and the net effective interest rate on the Notes shall not exceed the maximum net effective interest rate permitted by law to be paid on obligations issued or incurred by the Issuer in the exercise of its borrowing powers (prescribed by Chapter 1204, Texas Government Code, as amended);
- the delegation made hereby shall expire if not exercised by the Pricing Officer through execution of the Pricing Certificate on or prior to November 7, 2024; and

- on or prior to delivery, the Notes shall be rated by a Rating Agency for municipal securities in one of the four highest categories for long-term obligations or one of the three highest rating categories for short-term obligations.

### **RECOMMENDATION**

Staff recommends adoption of the ordinance.

### **PRIOR ACTION/REVIEW (Council, Boards, Commissions)**

On March 11, 2024, the Public Utilities Board recommended ECA mid-year rate increase, TCFR reinstatement and short-term financing of the net loss.

On March 19, 2024, the City Council approved an electric services rate ordinance (Ord. 24-463).

On April 22, 2024, the Public Utilities Board recommended approval of this ordinance.

### **EXHIBITS**

1. Agenda Information Sheet
2. Ordinance
3. Presentation

Respectfully submitted:  
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