



City of Denton

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

AGENDA INFORMATION SHEET

DEPARTMENT: Finance

ACM: Cassey Ogden

DATE: March 27, 2023

SUBJECT

Consider recommending adoption of an ordinance directing the publication of Notice of Intention to issue \$167,000,000 in principal amount of Certificates of Obligation of the City of Denton for Waterworks and Wastewater System and Electric System projects; and providing an effective date.

BACKGROUND

This ordinance provides the Notice of Intention (NOI) to issue \$167,000,000 of Certificates of Obligation (CO) of the City of Denton for Water, Wastewater and Electric System projects, as required by state law. The notice will be published once a week for two consecutive weeks in the Denton Record Chronicle, with the date of the first publication to be at least forty-six (46) days before the date tentatively set for the passage of the ordinance authorizing the issuance of the bonds. The notice will also be posted on the City’s website. The additional \$1,229,000 is for issuance costs and to allow flexibility in marketing and pricing the bond sale.

Staff recommends the sale of \$167,000,000 in COs for Water, Wastewater and Electric System. Changes to material pricing and project requirements for large projects were compared to the initial 2022 scopes and pricing in developing the NOI project list. The reduction in Water and Wastewater is associated with the timing of projects and utilization of the City’s Commercial Paper Program. The Public Utilities Board (PUB) approved a Capital Improvement budget amendment for the Electric Fund of \$29,223,360 in response to increased costs and analysis of several projects. Increased costs include distribution transformers increasing more than 300% and emergency purchases of transformers have been required to meet inventory minimums and serve new developments. In addition, to increased transformer pricing, Electric’s increase reflects previously unavailable material purchases for the Hickory GIS and the LED conversion was expedited to complete the multi-year project in 2023 as well as costs associated with TXDOT’s widening of IH35 through Denton.

Below is a listing of recommended Water, Wastewater and Electric System CO funded projects for FY 2022-23.

Water Projects:		<u>Budget</u>		<u>NOI</u>
Supplement to Bond Election 2019 Projects	\$	11,000,000	\$	11,000,000
Westgate Road and Drainage	\$	208,000	\$	208,000
Morse Street Reconstruction	\$	480,000	\$	480,000
Transmission Line Condition Repairs	\$	1,000,000	\$	1,000,000
Northwest Transmission Lines & BPS	\$	7,000,000	\$	7,000,000
RRWTP Disinfection Conversion and Chemical Improvements	\$	2,500,000	\$	2,500,000
LLWTP Raw Water Transmission Line	\$	3,500,000	\$	500,000
LLWTP Clarifiers Rehab (Sludge Rake Coating)	\$	1,000,000	\$	1,000,000

Capacity Rerate and Performance Upgrades	\$ 8,000,000	\$ 8,000,000
SCADA Platform Development	\$ 1,500,000	\$ 1,500,000
Water Total	\$ 36,188,000	\$ 33,188,000

Wastewater Projects:	Budget	NOI
Supplement to Bond Election 2019 Projects	\$ 8,000,000	\$ 8,000,000
Annual Field Service Replacements	\$ 1,400,000	\$ 1,400,000
Hickory Creek Interceptor IV	\$ 1,000,000	\$ 1,000,000
Dry Fork Sanitary Sewer	\$ 1,246,000	\$ 1,246,000
Milam Creek Basin Wastewater Line and Lift Station	\$ 6,752,000	\$ 6,752,000
Replace Hobson Force Main	\$ 150,000	\$ -
Solids Handling Improvements	\$ 12,150,000	\$ 2,000,000
Cooper Creek Bar Screen	\$ 50,000	\$ 50,000
PCWRP Headworks Reconfiguration	\$ 3,900,000	\$ 3,900,000
Hickory Creek Forcemain Replacement	\$ 2,400,000	\$ 2,400,000
Grenada Lift Station Replacement	\$ 1,600,000	\$ 1,600,000
Robson Ranch Decommissioning Project	\$ 550,000	\$ 550,000
SCADA Platform Development	\$ 1,500,000	\$ 1,500,000
Hickory Creek Interceptor III	\$ 500,000	\$ -
Wastewater Total	\$ 41,198,000	\$ 30,398,000

Electric Projects:	Budget*	NOI
Automated Meter Reading	\$ 1,101,641	\$ 1,102,000
Distribution Substations	\$ 10,530,000	\$ 7,745,000
Distribution Transformers	\$ 2,400,000	\$ 21,800,000
Feeder Extensions & Improvements	\$ 12,640,000	\$ 12,613,000
New Residential & Commercial	\$ 5,000,000	\$ 4,955,000
Over to Under Conversions	\$ 500,000	\$ 45,000
Power Factor Improvements	\$ 500,000	\$ 500,000
Street Lighting	\$ 2,500,000	\$ 4,000,000
Transmission Lines	\$ 8,200,000	\$ 12,541,000
Transmission Substations	\$ 15,615,000	\$ 21,248,000
Production Plant Improvements	\$ 2,200,000	\$ 2,200,000
Technology - Software/Hardware	\$ 5,275,000	\$ 3,488,000
Electric Relocations	\$ 6,500,000	\$ 9,948,000
Electric Total	\$ 72,961,641	\$ 102,185,000

Subtotal \$ 165,771,000

Issuance Cost and Pricing Flexibility \$ 1,229,000

Total Water, Wastewater, and Electric \$ 167,000,000

*3/13/2023 PUB approved CIP budget amendment for expenses related to transformers, LED conversions, Hickory GIS and TxDOT relocations.

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. For the FY 2022-23 proposed debt issuance for Water, Wastewater and Electric System COs: \$63,586,000 will be 20-year debt, and \$102,185,000 will be 30-year debt.

If approved by the City Council, staff will proceed with the publication of the Notice of Intention and will schedule the Bond Ordinance consideration and adoption for June 6, 2023. The bond ordinance will dictate the parameters of the bond sale. Under such an arrangement, staff will be permitted to execute the bond sale within six (6) months of June 6, 2023, provided certain interest rate parameters are met.

RECOMMENDATION

Staff recommends adoption of the ordinance.

PRIOR ACTION/REVIEW (Council, Boards, Commissions)

On October 18, 2022, the City Council adopted reimbursement ordinance (Ord. 22-1924) authorizing the reimbursement of capital program expenditures of \$34,355,000 and \$204,297,641 in CO funded projects for General Government, Solid Waste, Electric, Water and Wastewater.

On March 13, 2013, the Public Utilities Board approved a Capital Improvement Program budget amendment of \$29,223,360 for expenses related to transformers, LED conversion, Hickory GIS and TxDOT relocations.

FISCAL INFORMATION

The ordinance is for the authorization to publish the Notice of Intention to sell \$167,000,000 of Certificates of Obligation for Water, Wastewater and Electric System projects. A notice is only required for Certificates of Obligation.

EXHIBITS

1. Agenda Information Sheet
2. Ordinance
3. Presentation

Respectfully submitted:
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Interim Director of Finance

Prepared by:
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Treasury Manager