



City of Denton

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

AGENDA INFORMATION SHEET

DEPARTMENT: Finance

ACM: Cassey Ogden

DATE: May 22, 2023

SUBJECT

Consider recommending adoption of an ordinance considering all matters incident and related to the issuance, sale and delivery of up to \$158,500,000 in principal amount of "City of Denton Certificates of Obligation, Series 2023"; 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.

BACKGROUND

On April 4, 2023, the City Council adopted Ordinance Nos. 23-195 and 23-196 directing the publication of Notice of Intentions to issue Certificates of Obligation (COs) for General Government, Water, Wastewater, Electric and Solid Waste projects. The notices were published in a newspaper of general circulation (Denton Record Chronicle) on April 13, 2022, and April 20, 2022, as required by state law. The notices were also posted on the City of Denton website. The COs will be issued as a single series of obligations totaling \$158,500,000. The below table summarizes the totals for each fund and the associated issuance cost.

General Government	\$ 33,629,718
Solid Waste	\$ 16,000,000
Water	\$ 21,188,000
Wastewater	\$ 16,596,000
Electric	\$ 70,000,000
Issuance Cost	\$ 1,086,282
Total	\$ 158,500,000

The adopted FY 2022-23 budget included \$166,347,641 in Water, Wastewater, Electric and Solid Waste projects increasing to \$181,771,000 for the Notice of Intent (NOI). However, the NOI project amounts were reduced by \$57.9 million after an internal analysis of funding and product availability as well as project timelines, reducing the Bond Sale project list to \$123,784,000 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 2023 bond sale includes debt issuance for Electric, of which \$70,000,000 will be 30-year debt, Wastewater \$16,596,000, Water \$21,188,000, and Solid Waste \$14,800,000 which will all be 20-year terms. Solid Waste will also issue 5-year debt in the amount of \$1,200,000. All issued debt will have a 9-year call option.

Since bond market conditions can change rapidly, staff is recommending that the Public Utilities Board (PUB) and 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 \$158,500,000
- Final stated maturity of February 15, 2053
- Maximum net effective interest rate of 5.00%
- Delegation authority ends December 6, 2023

Below is a listing of the recommended CO Utility and Solid Waste funded projects:

Certificate of Obligation Funded Projects	FY 22-23 NOI	FY 22-23 BOND SALE
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	\$ -
LLWTP Raw Water Transmission Line	\$ 500,000	\$ -
LLWTP Clarifiers Rehab (Sludge Rake Coating)	\$ 1,000,000	\$ -
Capacity Rerate and Performance Upgrades	\$ 8,000,000	\$ -
SCADA Platform Development	\$ 1,500,000	\$ 1,500,000
Water Total	\$ 33,188,000	\$ 21,188,000

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	\$ -
Dry Fork Sanitary Sewer	\$ 1,246,000	\$ 1,246,000
Milam Creek Basin Wastewater Line and Lift Station	\$ 6,752,000	\$ -
Solids Handling Improvements	\$ 2,000,000	\$ -
Cooper Creek Bar Screen	\$ 50,000	\$ -
PCWRP Headworks Reconfiguration	\$ 3,900,000	\$ 3,900,000
Hickory Creek Forcemain Replacement	\$ 2,400,000	\$ -
Grenada Lift Station Replacement	\$ 1,600,000	\$ -
Robson Ranch Decommissioning Project	\$ 550,000	\$ 550,000
SCADA Platform Development	\$ 1,500,000	\$ 1,500,000
Wastewater Total	\$ 30,398,000	\$ 16,596,000

Automated Meter Reading	\$ 1,102,000	\$ 2,930,223
Distribution Substations	\$ 7,745,000	\$ 1,024,000
Distribution Transformers	\$ 21,800,000	\$ 20,837,973
Feeder Extensions & Improvements	\$ 12,613,000	\$ 5,510,062
New Residential & Commercial	\$ 4,955,000	\$ 7,956,298
Over to Under Conversions	\$ 45,000	\$ -
Power Factor Improvements	\$ 500,000	\$ 205,000
Street Lighting	\$ 4,000,000	\$ 1,859,899
Transmission Lines	\$ 12,541,000	\$ 2,601,239
Transmission Substations	\$ 21,248,000	\$ 15,120,502
Production Plant Improvements	\$ 2,200,000	\$ 270,000
Technology - Software/Hardware	\$ 3,488,000	\$ 4,093,081
Electric Relocations	\$ 9,948,000	\$ 7,258,601
Miscellaneous Equipment	\$ -	\$ 333,122
Electric Total	\$ 102,185,000	\$ 70,000,000
TOTAL UTILITIES	\$ 165,771,000	\$ 107,784,000

Certificate of Obligation Funded Projects	FY 22-23 NOI	FY 22-23 BOND SALE
Scalehouse Update & Scale Replacement	\$ 1,300,000	\$ 1,300,000
Home Chemical Collection Storage Capacity	\$ 1,000,000	\$ 1,000,000
Landfill Roads & Infrastructure	\$ 2,000,000	\$ 2,000,000
Fleet Shop at Solid Waste	\$ 10,500,000	\$ 10,500,000
Case/Steiger Scraper	\$ 1,200,000	\$ 1,200,000
Solid Waste Total	\$ 16,000,000	\$ 16,000,000

RECOMMENDATION

Staff recommends adoption of the ordinance.

PRIOR ACTION/REVIEW (Council, Boards, Commissions)

On October 18, 2022, the City Council adopted reimbursement ordinances (Ord. 22-1924) authorizing General Obligation Bonds and Certificates of Obligation funded projects in preparation of the 2023 Bond Sale.

On April 4, 2023, the City Council adopted ordinances (Ord. 23-195, 23-196) directing the publication of Notice of Intentions to Issue Certificates of Obligation of the City of Denton.

EXHIBITS

1. Agenda Information Sheet
2. Preliminary Official Statement
3. CO Ordinance
4. Presentation

Respectfully submitted:
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Interim Director of Finance

Prepared by:
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Treasury Manager