



City of Denton

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

AGENDA INFORMATION SHEET

DEPARTMENT: Finance

ACM: Cassey Ogden

DATE: June 6, 2023

SUBJECT

Consider 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. The Public Utilities Board recommends approval 6-0.

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, Solid Waste, Water, Wastewater and Electric projects. The notices were published in a newspaper of general circulation (Denton Record Chronicle) on April 13, 2023, and April 20, 2023, 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.

| | |
|-----------------------------------|----------------------|
| Internal Service/Enterprise Total | \$ 2,453,000 |
| General Government Total | \$ 31,176,718 |
| Solid Waste Total | \$ 16,000,000 |
| Water Total | \$ 21,188,000 |
| Wastewater Total | \$ 16,596,000 |
| Electric Total | \$ 70,000,000 |
| Issuance Cost | \$ 1,086,282 |
| Total | \$158,500,000 |

The adopted FY 2022-23 budget included \$166,347,641 in Solid Waste, Water, Wastewater and Electric 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.

The City sells bonds in accordance with the useful life of the asset that is being acquired. Below are the terms of the current funds included in this CO sale.

| Source | Projects Total | Term in Years |
|--------------------|----------------|---------------|
| General Government | \$ 5,191,718 | 5 |
| General Government | \$ 6,450,000 | 10 |
| General Government | \$ 21,988,000 | 20 |
| Solid Waste | \$ 1,200,000 | 5 |
| Solid Waste | \$ 14,800,000 | 20 |
| Water | \$ 21,188,000 | 20 |
| Wastewater | \$ 16,596,000 | 20 |
| Electric | \$ 70,000,000 | 30 |

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 \$158,000,000
- 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 funded projects:

| Certificate of Obligation Funded Projects | FY 22-23 NOI | FY 22-23 BOND SALE |
|--|-------------------------|-------------------------------|
| Pavement Reconstruction (Airport) | \$ 1,800,000 | \$ 1,000,000 |
| Vehicle Replacement (Airport) | \$ 420,000 | \$ - |
| End User Computing (Technology Services) | \$ 153,000 | \$ 153,000 |
| Fleet Management Software (Int. Svc - Fleet) | \$ 1,000,000 | \$ 1,000,000 |
| Fleet Fuel Infrastructure (Int. Svc. - Fleet) | \$ 300,000 | \$ 300,000 |
| Internal Service/Enterprise Total | \$ 3,673,000 | \$ 2,453,000 |
| Finance ERP (Finance) | \$ 2,000,000 | \$ 2,000,000 |
| Facilities Maintenance Program (Facilities) | \$ 4,000,000 | \$ 4,000,000 |
| Security System Upgrades (Facilities) | \$ 680,000 | \$ 680,000 |
| Fire Station # 9: Airport (Facilities) | \$ 13,100,000 | \$ 13,100,000 |
| Police Headquarters Renovation (Facilities) | \$ 4,220,000 | \$ 4,220,000 |
| ADA Accessibility Upgrades & Park Improvements (Parks) | \$ 770,000 | \$ 770,000 |
| Inclusive Playground (Parks) | \$ 200,000 | \$ 200,000 |
| Parkside Playground (Parks) | \$ 280,000 | \$ - |
| Signal Cabinets (Traffic) | \$ 208,000 | \$ 208,000 |
| Emergency Vehicle Signal Preemption (Traffic) | \$ 720,000 | \$ 720,000 |
| Gridsmart Vehicle Detection (Traffic) | \$ 240,000 | \$ 240,000 |
| Public Safety Radios & Modems (Technology Services) | \$ 972,000 | \$ 972,000 |
| Vehicle Replacements (Motorpool) | \$ 3,802,000 | \$ 3,323,718 |
| Vehicle Additions (Motorpool) | \$ 743,000 | \$ 743,000 |
| General Government Total | \$ 31,935,000 | \$ 31,176,718 |
| 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 |

| | FY 22-23 NOI | FY 22-23 BOND SALE |
|--|-------------------------|-------------------------------|
| Certificate of Obligation Funded Projects | | |
| 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 |
| 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 |

RECOMMENDATION

Staff recommends adoption of the ordinance.

PRIOR ACTION/REVIEW (Council, Boards, Commissions)

On October 18, 2022, the City Council adopted a reimbursement ordinance (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 approved amending the FY 2022-23 Capital Improvement Program's budget by \$29,223,360, increasing expenses related to Denton Municipal Electric's capital projects (Ord. 23-545).

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.

On May 22, 2023, the Public Utilities Board recommended this item to the City Council for consideration.

EXHIBITS

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

Prepared by:
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Treasury Manager

Respectfully submitted:
Aimee Kaslik
Interim Director of Finance