



City of Denton

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

AGENDA INFORMATION SHEET

DEPARTMENT: Finance

DCM: Bryan Langley

DATE: May 8, 2018

SUBJECT

Consider adoption of an ordinance of the City of Denton, Texas amending the Fiscal Year 2017-18 Budget and Annual Program of Services of the City of Denton to allow for increases to: (A) the General Fund of \$2,190,291 for the purpose of funding the Vela Soccer Complex project, and (B) the Capital Improvement Program of \$7,643,619 for the purpose of funding drainage, streets and parks capital projects; declaring a municipal purpose; providing a severability clause; providing an open meetings clause; and providing for an effective date.

BACKGROUND

On March 27, 2018, the City Council received a report regarding the reallocation of project bond funds and other funds in conjunction with the City's Capital Improvement Program (CIP). The City Council directed staff to meet with the Audit/Finance Committee regarding specific projects prior to their future consideration for reallocating funds.

On April 10, 2018, the Audit/Finance Committee received a report regarding the Fire Station #3, Police Firing Range, and Ruddell Realignment projects. The Committee recommended approval of the additional funding of \$1,685,000 in Certificates of Obligation (COs) for Fire Station #3. The sale of COs for Fire Station #3 will be considered by the City Council on May 22, 2018, as part of their consideration of a bond ordinance to issue COs and General Obligation Bonds (GOs) for general government projects. The Committee requested additional information regarding the Police Firing Range and Ruddell Realignment projects and as such, no recommendation for the reallocation of funds is included in this agenda item. Staff anticipates reconvening with the Committee in early May to discuss these projects.

In response to direction from the City Council and Audit/Finance Committee, staff is proposing to amend the City's FY 2017-18 Budget as follows:

1. Increase the General Fund budget by \$2,190,291 to fund the Vela Soccer Complex project. This amendment increases the expenditure budget for this fund from \$122,382,991 to \$124,573,282 for FY 2017-18. As previously discussed with the City Council, the original cost for this project was \$1,333,000 and included in the 2014 Bond Program. The revised project cost for this project is \$6,000,000. The remaining \$2,784,766 has previously been allocated to this project from various sources. Parks Department staff will conduct a Work Session discussion with the Council prior to consideration of this budget amendment and award of a construction contract.

This additional drawdown of fund balance from the General Fund still maintains it within the 20-25% target range at 22.5% of budgeted expenditures for FY 2017-18. Approximately \$906,000 of this additional drawdown is attributable the \$3.6 million fund balance increase in FY 2016-17.

2. Increase the Capital Improvement Program budget by \$7,643,619 to fund drainage, streets and parks capital projects. A list of capital projects is provided in Exhibit 2. This amendment increases the expenditure budget for the Capital Improvement Program from \$522,596,845 to \$530,240,464 for FY 2017-18. Below is a detailed breakdown of this increase:

- a. \$2,729,903 – This is a reallocation of project funds from the FM 1830 (\$1,950,098) and US 377 (\$779,805) projects to the Bonnie Brae Phase 4 (\$2,479,903) and Morse Street Expansion (\$250,000) projects. Additionally, staff proposes the reallocation of \$1,020,097 from the Bonnie Brae Phase 6 project to the Bonnie Brae Phase 4 project. The Bonnie Brae Phase 4 project has a revised project cost of \$13,000,000 and these reallocations will bridge the funding gap from the \$9,500,000 original project cost.

The reallocated project funds for FM 1830 and US 377 were approved in the 2005 Bond Election program and the bonds issued in 2012 with a term of 20 years. The bonds were issued at an interest rate of 3.5% and are callable on February 15, 2022. In consideration of the current rising interest rate environment, the cost of escrowing the funds until the callable date, and the priority of the Bonnie Brae project, staff recommends retaining these funds and reallocating them as indicated.

- b. \$2,705,131 – This amount includes both the use of General Fund resources (\$2,190,291) and unallocated CIP savings (\$514,840).
- c. \$2,208,585 – This amount is attributable to unbudgeted capital project funds (drainage channel rehabilitation funds) to be allocated to the Downtown Drainage Projects and Magnolia Street Drainage Phase 2 (Hinkle Drive) Project.

The Downtown Drainage Projects are comprised of the (a) Hickory Street Drainage and Trunk Line System (\$600,000), (b) South Bell Drainage System (\$806,000), and (c) Oak Street Drainage projects. The total revised project cost for these projects is \$1,876,749. Staff is proposing a minor reallocation of \$61,594 of GO bonds within these projects to balance out the projects. Staff is proposing to bridge the funding gap of \$470,749 with unbudgeted capital project funds (drainage channel rehabilitation funds) for storm water drainage projects.

The Magnolia Street Drainage Phase 2 Project was originally planned for the construction of a separate storm drain system to capture, contain, and convey the runoff from the upper portion of the watershed to the outfall at Pecan Creek, south of Good Samaritan Village. This project would further alleviate flooding in the area and enable the reconstruction of Hinkle Drive. The original cost for this project was \$2,557,000. This project is planned to begin construction in late 2018 and completed in late 2019. However, the revised project cost is now \$4,460,836. No reallocation of GO bonds is requested to bridge the funding gap for this project. Instead, staff is proposing to primarily bridge the funding gap with \$1,737,836 in unbudgeted capital project funds (drainage channel rehabilitation funds) for storm water drainage projects.

The Public Utilities Board recommended approval of the use of the drainage channel rehabilitation funds on March 26, 2018. Additionally, staff will be prepared to discuss the future use of these funds as well as the future funding of drainage and watershed operations during the upcoming budget process.

RECOMMENDATION

Staff recommends adoption of the ordinance.

PRIOR ACTION/REVIEW (Council, Boards, Commissions)

On April 10, 2018, the Audit/Finance Committee received a report regarding the Fire Station #3, Police Firing Range, and Ruddell Realignment projects.

On March 27, 2018, the City Council received a report regarding the reallocation of project bond funds and other funds in conjunction with the City's Capital Improvement Program. The City Council directed staff to meet with the Audit/Finance Committee regarding specific projects prior to their future consideration for reallocating funds.

On March 26, 2018, the Public Utilities Board unanimously approved staff's recommendation to utilize Drainage Channel Rehabilitation funds for the purpose of funding shortfalls in various 2014 Bond Program drainage projects.

On March 8, 2018, the 2014 Bond Oversight Committee unanimously approved staff's recommendations to reallocate previously issued and to be issued GOs for the purpose of funding shortfalls in various 2014 bond program projects.

On January 30, 2018, the 2014 Bond Oversight Committee unanimously approved the reallocation of \$1.5 million in GOs from Street Reconstruction to Miscellaneous Traffic Signals and the utilization of \$1.5 million in GOs to reconstruct a city facility located at 651 Mayhill for the City's Traffic Operation.

FISCAL INFORMATION

This ordinance will amend the FY 2017-18 Budget and Annual Program of Services to allow for an increase to the General Fund by \$2,190,291 increasing appropriations from \$122,382,991 to \$124,573,282, and increase the Capital Improvements Program by \$7,643,619 from \$522,596,845 to \$530,240,464.

STRATEGIC PLAN RELATIONSHIP

The City of Denton's Strategic Plan is an action-oriented road map that will help the City achieve its vision. The foundation for the plan is the five long-term Key Focus Areas (KFA): Organizational Excellence; Public Infrastructure; Economic Development; Safe, Livable, and Family-Friendly Community; and Sustainability and Environmental Stewardship. While individual items may support multiple KFAs, this specific City Council agenda item contributes most directly to the following KFA and goal:

Related Key Focus Area: Organizational Excellence

Related Goal: 1.1 Manage financial resources in a responsible manner

EXHIBITS

1. Agenda Information Sheet
2. List of Capital Projects
3. Ordinance

Respectfully submitted:
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