



# City of Denton

City Hall  
215 E. McKinney Street  
Denton, Texas  
[www.cityofdenton.com](http://www.cityofdenton.com)

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## AGENDA INFORMATION SHEET

**DEPARTMENT:** Finance

**DCM:** Bryan Langley

**DATE:** May 21, 2018

### **SUBJECT**

Consider recommending 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 an adjustment to the Electric Fund of \$24,000,000 for the purpose of funding capital improvement projects, and Solid Waste Fund of \$774,682 for the purpose of funding a reimbursement to Electric; declaring a municipal purpose; providing a severability clause; providing an open meetings clause; and providing for an effective date.

### **BACKGROUND**

Over the last several months, staff has been evaluating the current five year capital improvement program (CIP) for the City's Electric Fund. The Adopted 5 Year CIP (FY 2017-18 thru FY 2021-22) totaled \$368.8 million and included the sale of debt to pay for the majority of the program (over \$320 million). For FY 2017-18, the Adopted CIP totaled \$100.8 million (\$42.7 million for Distribution projects and \$58.1 million for Transmission projects) and assumed the sale of \$54 million in debt. Exhibit 2 reflects the list of projects that were originally planned to be funded with the \$54 million in debt. As a result of staff's evaluation, the CIP for FY 2017-18 has been reduced to \$34 million. The revised list of projects is reflected in Exhibit 3.

On April 10, 2018, staff informed the Audit/Finance Committee that no debt would be issued for the City's Electric Fund. The Committee recommended adoption of a Notice of Intention ordinance to issue Certificates of Obligation (COs) for General Government only. Additionally, on April 17, 2018, the City Council adopted the Notice of Intention ordinance to issue COs for General Government only. Staff informed both the Audit/Finance Committee and the City Council that staff would be seeking approval to utilize \$24 million in reserves (rate stabilization) and \$10 million in excess revenue bonds to fund the revised FY 2017-18 Electric CIP.

Staff is proposing to amend the City's FY 2017-18 Budget as follows:

Increase the Electric FY 2017-18 budget by \$24,000,000 to fund necessary capital improvements in the current fiscal year instead of issuing new debt. In addition, staff proposes using unspent savings, estimated to be ten million dollars (\$10,000,000), from the Revenue Bond Sale for Denton Energy Center. These bonds were sold for the improvement of the electric system so there are no restrictions on spending them for other electric infrastructure.

Increase the Solid Waste FY 2017-18 budget by \$774,682 to reimburse Electric for the purchase of 14.511 acres for an Electric substation site and for transmission easements from Solid Waste Department. After re-evaluation of the substation site, Solid Waste determined they will need the site for future landfill

expansion, and is proposing to reimburse Electric for the purchase. Working with Solid Waste on this issue, Electric has researched and is recommending a “transmission only” alternative to building a substation on the site.

### **RECOMMENDATION**

Staff recommends adoption of the ordinance.

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

On December 14, 2015, the Public Utilities Board held a public hearing regarding proposed substation and transmission site.

On January 5, 2016, the City Council held a public hearing regarding proposed substation and transmission site.

On July 11, 2016, the Public Utilities Board recommended approval of DME’s purchase of Solid Waste property for a substation and transmission easement.

On July 19, 2016, the City Council approved DME’s purchase of Solid Waste property for a substation and transmission easement.

On April 9, 2018, the Public Utilities Board recommended pursuing the proposed alternative transmission project.

On April 10, 2018, the Audit/Finance Committee recommended the sale of \$9,935,000 in Certificates of Obligation (COs) for General Government only. Staff notified the Committee that no debt sale was planned in FY 2017-18 for Electric, Water, Wastewater or Solid Waste.

On April 17, 2018, the City Council adopted an ordinance approving the publication of a Notice of Intention to issue COs for General Government only. Staff notified the City Council that no debt sale was planned in FY 2017-18 for Electric, Water, Wastewater or Solid Waste.

On March 17, 2018, the City Council provided staff direction regarding the Denton Municipal Electric Mayhill substation and transmission easement.

### **FISCAL INFORMATION**

This ordinance will amend the FY 2017-18 Budget and Annual Program of Services to allow for adjustment to the Electric Fund of \$24,000,000, increasing appropriations from \$180,903,753 to \$204,903,753 and an adjustment to the Solid Waste Fund of \$774,682, increasing the appropriations from \$38,528,086 to \$39,302,768.

### **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. FY 2017-18 Electric Adopted CIP
3. FY 2017-18 Electric Revised CIP
4. Ordinance

Respectfully submitted:  
Antonio Puente, Jr.  
Director of Finance

Prepared by:  
Nancy Towle  
Budget Manager