



## Legislation Text

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### Agenda Information Sheet

**DEPARTMENT:** Finance

**ACM:** Bryan Langley

**Date:** March 7, 2017

#### **SUBJECT**

Consider adoption of an ordinance directing the publication of Notice of Intention to issue \$71,640,000 in principal amount of Certificates of Obligation of the City of Denton for Waterworks and Sewer System and Electric System projects; and providing for an effective date.

#### **BACKGROUND**

This ordinance provides the Notice of Intention to issue \$71,640,000 in principal amount of Certificates of Obligation (COs) for Wastewater and Electric 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 thirty-one (31) days before the date tentatively set for the passage of the ordinance authorizing the issuance of the bonds. These bonds will provide funding of \$6,000,000 for Wastewater and \$65,000,000 for Electric project costs. The additional \$640,000 is for issuance costs and to allow flexibility in marketing and pricing the bond sale. The Audit/Finance Committee is scheduled to discuss this item, along with the entire FY 2016-17 bond program, on this day but prior to Council's consideration of this Notice of Intention.

Staff recommends the sale of \$6,000,000 in COs for Wastewater projects. Below is a listing of recommended CO funded projects for Wastewater's FY 2016-17 CIP:

1. Hickory Creek Detention Facility -	\$ 5,300,000
2. West Wet Weather Peak Flow Basin and Pump Station -	\$ 300,000
3. 10" Concrete Pavement (Beneficial Reuse Site) -	\$ 200,000
4. Oversize Lines -	\$ 200,000
Total - Wastewater	\$ 6,000,000

Staff recommends the sale of \$65,000,000 in COs for Electric projects. Below is a listing of recommended CO funded projects for Electric's FY 2016-17 CIP, which is broken down between transmission and distribution projects. Transmission projects represent approximately 69% of Electric's total bond sale and are eligible for Transmission Costs of Service (TCOS) recovery through rates charged to other utilities as mandated by the Public Utilities Commission of Texas.

1. Kings Row Substation -	\$ 585,000
2. Locust Substation -	\$ 3,020,509
3. Denton North Interchange -	\$ 216,635

4. Hickory Substation -	\$ 7,198,466
5. Eagle Substation -	\$ 550,871
6. RD Wells Interchange -	\$ 74,275
7. Mayhill Substation -	\$ 4,970,222
8. Long Road Substation -	\$ 1,145,070
9. Woodrow Substation (Switchgear & Main Control Building) -	\$ 1,411,221
10. North Lakes Substation -	\$ 711,800
11. Underwood Substation -	\$ 303,289
12. North of Loop 288 at TX 428 Substation -	\$ 519,924
13. Brinker Substation -	\$ 7,922,646
14. Denton Energy Center Substation -	\$ 1,716,002
15. TMPA Spencer Interchange -	\$ 1,640,235
16. Various Substation Remote Terminal Unit Installs -	\$ 273,579
17. SCADA Computer Replacement -	\$ 247,583
18. Other Substation Projects -	\$ 306,384
19. Bonnie Brae/North Lakes Transmission Line -	\$ 1,003,252
20. Pockrus/Mayhill Transmission Line -	\$ 1,714,650
21. Spencer Switch/Locust Transmission Line -	\$ 1,106,618
22. Denton North/North Lakes Transmission Line -	\$ 1,903,140
23. Hickory/Locust Transmission Line -	\$ 3,927,886
24. New 138 kV Transmission Line from Woodrow to Brinker -	\$ 370,899
25. New 138 kV Transmission Line to connect Brinker to Spencer -	\$ 565,470
26. New 138 kV Transmission Line to connect Mayhill to Brinker/Spencer -	\$ 188,490
27. New 138 kV Transmission Line to connect Brinker to Loop 288 -	\$ 747,879
28. Arco-Cooper Creek Reconstruction -	\$ 1,355,911
29. Transmission Line Routing Study -	\$ 304,016
Subtotal - Electric Transmission Projects	\$45,416,922
30. Automated Meter Reading -	\$ 1,070,957
31. Building Construction -	\$ 831,533
32. Communications Equipment -	\$ 238,575
33. Office Furniture and Computer Equipment -	\$ 1,939,614
34. Distribution Transformers -	\$10,864,057
35. Feeders and Extensions -	\$ 3,611,129
36. New Residential and Commercial -	\$ 561,715
37. Over/Under Conversions and Power Factor Improvements -	\$ 331,300
38. Street Lighting -	\$ 134,198
Subtotal - Electric Distribution Projects	\$19,583,078
Total COs for Electric -	\$65,000,000

CO funded Electric projects totaling \$65,000,000 were previously authorized through a reimbursement ordinance (Ord. 2016-318).

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 2016-17 proposed debt issuance for Wastewater and Electric: \$6,000,000 will be 20 year debt and \$65,000,000 will be 30 year debt. In addition, the debt issues will have a 10 year call option.

Concurrently with the sale of the COs for Wastewater and Electric projects, the City anticipates the sale of approximately \$36,610,000 of COs for General Government and Solid Waste projects and approximately \$17.16 million in General Obligation Refunding and Improvement Bonds fund the fifth and final year (\$4 million) of street reconstruction projects approved by voters in November 2012, the third year (\$13.16 million) of projects approved by voters in November 2014, and the refunding of existing general obligation debt (\$12.98 million). The refunding is contingent upon market conditions and it must meet the City's debt policy requirements.

If approved by the City Council, staff will proceed with the publication of the Notice of Intention and will schedule the Bond Ordinance for consideration and adoption on April 18, 2017. At that time, it is anticipated that staff will request that the City Council authorize a "parameters sale." Under such an arrangement, staff will be permitted to execute the bond sale within six (6) months of April 18<sup>th</sup>, provided certain interest rate parameters are met.

### **RECOMMENDATION**

Staff recommends approval of the ordinance.

### **FISCAL INFORMATION**

The ordinance is for the authorization to publish the Notice of Intention to sell \$71,640,000 of Certificates of Obligation for Wastewater and Electric projects. A notice is only required for the Certificates of Obligation. Concurrently with the sale of the COs for Wastewater and Electric, the City anticipates the sale of approximately \$36,610,000 of COs for General Government and Solid Waste projects. There is no statutory requirement to post such a notice for the General Obligation Refunding and Improvement Bonds, which will the fifth and final year (\$4 million) of street reconstruction projects approved by voters in November 2012, the third year (\$13.16 million) of projects approved by voters in November 2014, and the refunding of existing general obligation debt (\$12.98 million).

### **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. Notice of Intent Ordinance

Respectfully submitted:  
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