Agenda Information Sheet

DEPARTMENT: **Finance**

DCM: **Bryan Langley**

Date: **April 18, 2017**

SUBJECT

Consider adoption of an ordinance considering all matters incident and related to the issuance, sale and delivery of up to $102,000,000 in principal amount of "City of Denton Certificates of Obligation, Series 2017" (including up to $18,940,000 for General Government activities, up to $17,600,000 for Solid Waste Fund activities, and up to $65,460,000 for Electric Fund activities); 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 March 7, 2017, the City Council adopted Ordinance No. 2017-076 and 2017-077 directing the publication of a Notice of Intention to issue Certificates of Obligation (COs) of the City of Denton for General Government, Solid Waste, Wastewater, and Electric System projects. The notices were published on March 13, 2017, and March 20, 2017, in the Denton Record Chronicle, as required by state law. The COs will be issued as a single series of obligations and may include up to $720,000 for issuance costs and to allow flexibility in marketing and pricing the bond sale. Since approval of the Notice of Intentions and as a result of preliminary reviews of budgets, staff has delayed the issuance of $6,000,000 previously planned for the Wastewater Fund until the next fiscal year. Along with the previous reduction in the Solid Waste Fund and reduced Water Fund issuance, this recommended sale of COs has been reduced by $24,375,000 from the adopted FY 2016-17 CIP.

Staff recommends the sale of $18,830,000 in COs for General Government projects plus related issuance costs. Below is a listing of recommended CO funded projects for General Government's FY 2016-17 CIP:

1.	Vehicle Replacements/Additions -	$ 3,955,000
2.	Public Safety Radio Upgrades to Digital -	$ 2,000,000
3.	Computer Aided Dispatch (CAD) System Replacement -	$ 3,000,000
4.	Facilities Maintenance Program (HVAC, Roofing & Flooring) -	$ 1,175,000
5.	Bonnie Brae Road Improvement Matching Funds -	$ 8,500,000
6.	Fleet Fuel Truck -	$ 200,000
	Total -	$18,830,000

Staff recommends the sale of $17,450,000 in COs for Solid Waste projects plus related issuance costs. This

amount is a decrease of $6,130,000 from the planned bond sale of $23,580,000 included in the FY 2016-17 CIP. Below is a listing of recommended CO funded projects for Solid Waste:

1. Roll Off Truck -		$ 222,000
2. Auto Side Load Truck -		$ 294,000
3. Auto Side Load Truck -		$ 294,000
4. Auto Side Load Truck -		$ 329,000
5. Rear Load Truck -		$ 264,000
6. Front Load Truck -		$ 290,000
7. Front Load Truck -		$ 352,000
8. Front Load Truck -		$ 290,000
9. Landfill Excavator -		$ 450,000
10. TCEQ Permitted Control Systems -		$ 1,050,000
11. Articulated Dump Truck -		$ 580,000
12. Track Loader -	$ 500,000	
13. Dump Truck -		$ 150,000
14. Mobile Light Power Plants -		$ 30,000
15. Roll Off Containers -		$ 50,000
16. Mining Material Diversion Equipment -		$ 2,150,000
17. Building Materials Recovery Material Diversion Equipment -		$ 300,000
18. Building Materials Recovery Excavator Material Handler -		$ 550,000
19. Building Materials Recovery Facility Improvements -		$ 250,000
20. Building Materials Recovery Wheeled Excavator -		$ 450,000
21. Building Materials Recovery Trommel -		$ 580,000
22. Municipal Solid Waste Facility Machinery and Equipment -		$ 150,000
23. Leachate Recirculation Infrastructure Expansion -		$ 75,000
24. Solidification Equipment -		$ 290,000
25. Cell Development -		$ 3,155,000
26. 100 Yard Trailers -		$ 180,000
27. Site Maintenance Improvements -		$ 325,000
28. Process Upgrades and Technology Improvements -		$ 400,000
29. Permit Amendment -		$ 250,000
30. Solid Waste Fund Property Acquisition -		$ 3,200,000
Total -	$17,450,000	

Staff recommends the sale of $65,000,000 in COs for Electric projects plus related issuance costs. 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
1. Locust Substation -	$ 3,020,509
2. Denton North Interchange -	$ 216,635
3. Hickory Substation -	$ 7,198,466
4. Eagle Substation -	$ 550,871
5. RD Wells Interchange -	$ 74,275
6. Mayhill Substation -	$ 4,970,222

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

Of the $102,000,000 CO issuance, approximately $98,100,000 was previously authorized through a reimbursement ordinance (Ord. No. 2016-318).

The City sells debt in accordance with the useful life of the asset that is being acquired. For example, vehicles are typically sold with debt that will be paid within five years. For the FY 2016-17 proposed CO issuance: $15,730,000 will be 5 year debt, $7,875,000 will be 10 year debt, $12,675,000 will be 20 year debt, and $65,000,000 will be 30 year debt. In addition, the 20 and 30 year debt issues will also have a 10 year call feature. The additional $720,000 is for the cost of issuance and to allow flexibility in marketing and pricing the bond sale.

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.

- Maximum amount of sale is $102,000,000
- Final stated maturity of February 15, 2047
- Maximum net effective interest rate of 4.00%
- Delegation authority ends October 18, 2017

By doing so, City staff will be authorized to execute the sale without additional Council approval. Once the exact terms of the transaction are determined, staff will provide the City Council with additional information in an informal staff report.

RECOMMENDATION

Staff recommends approval of the ordinance.

PRIOR ACTION/REVIEW (Council, Boards, Commissions)

On March 7, 2017, the City Council adopted Ordinance No. 2017-076 and 2017-077 directing the publication of Notice of Intention to Issue Certificates of Obligation of the City of Denton totaling $108,250,000.

On March 7, 2017, the Audit/Finance Committee received a presentation on the bond program and Notice of Intent Ordinance. The Audit/Finance Committee unanimously recommended approval to forward the upcoming bond issuance to the City Council for consideration.

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. Preliminary Official Statement
2. Ordinance

Respectfully submitted:
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