AGENDA
2014 BOND OVERSIGHT COMMITTEE
July 20, 2018
Meeting Minutes

After determining that a quorum was present, the 2014 Bond Oversight Committee of the City of
Denton, Texas, convened in a regular meeting on July 20, 2018, at 11:30 a.m., in the City Hall
Conference Room, at City Hall, 215 E. McKinney Street, Denton, Texas.

PRESENT: Committee Chair, Randy Robinson
Committee Members: Tim Crouch, Janet Shelton, and Brandon McCleskey.

STAFF PRESENT: Todd Hileman, City Manager, Bryan Langley, Deputy City Manager/COO,
Mario Canizares, Assistant City Manager, Antonio Puente, Jr., Director of
Finance, David Gaines, Assistant Director of Finance, Mark Nelson, Director
of Transportation, Todd Estes, Director, of Capital Projects/City Engineer,
Pritam Deshmukh, Deputy City Engineer, Gary Packan, Director of Parks
and Recreation, Kevin Ann Mullen, Treasury Manager, Umesh Dalal, City
Auditor, Chad Allen, Deputy City Engineer, and Michael Smith, Senior
Engineer.

ABSENT: Sarah Hoffman

OPEN MEETING:

Randy Robinson, Committee Chair, brought the meeting to order at 11:38 a.m.

1. Consider approval of minutes of March 8, 2018, Bond Oversight Committee.
Tim Crouch made a motion to approve the minutes, followed by a second from Brandon
McCleskey. Motion carried unanimously.

2. Receive a report, hold a discussion, and give staff direction regarding General Obligation
(GO) funded capital projects.

Tony Puente, Director of Finance, expressed staff’s intent to meet more often and keep them
updated on the projects and reallocations. Puente reminded the Committee of previous
discussions and reviewed the current status of voter approved GO funded projects, compared to
the March projects that needed funding. With the Committee’s approval, staff met with PUB and
the City Council with the recommendations. There were two meetings with the Council and staff
also met with the Audit/Finance Committee twice.

Puente explained that for the most part, all recommendations that the Committee previously
made were taken forward and accepted by the City Council. The GO Bonds were reallocated and
additional funding was provided for the Drainage Projects from the channel rehab account that
was previously discussed. All those projects are fully funded and many underway.

Puente added that the focus of this meeting will be on two projects. The first was the Ruddell
Extension to Mingo. The original intent of this project was for design, right-of-way acquisition,
and construction to re-align this roadway across the UPRR tracks and provide an improved
railroad crossing at Mingo.
The Audit/Finance Committee and City Council has approved pushing this project out and issue funding next year. Engineering staff would like to discuss the plans and proceeds for that project.

Puente named the second project as the Police Firing Range. Staff discussed additional funding required with the Council and the Audit/Finance Committee and requested direction. The original discussion with the Committee was to potentially fund that project with some RTR interest but Council recently approved the issuance of Certificates of Obligation (COs) to get that project completed.

On Tuesday, July 17, staff discussed funding some of the capital projects with the City Council. That discussion included a preliminary budget. We recommended a number of capital projects to be funded this year and will move forward to issue a Notice of Intent to Issue Certificates of Obligation. Some of those projects include the Police Firing Range and the plan to issue $620,000 in COs to fully fund that project. We also made a recommendation to issue $11.5 million, not only to complete all of the streets segments discussed with the Bond Committee for 2012, but also the 2014 Bond Programs. There will be an additional $4.5 million that is part of that $11.5 million that will go to complete connectors between some of the segments.

Puente also included another project that would be of interest to the Committee, the Mayhill Bridge Project at the DCTA crossing. That’s part of the Mayhill Project and the plan is to issue $5 million in COs for funding. Early projections to fund these COs and others, will increase the calculated effective tax rate by about 1.8 cents, a preliminary number. We will have better assessed value numbers from the Appraisal District next week that will help us refine our calculation. We hope that our assessed value projections will be a little low, compared to where they are when finalized. We sense our debt projections on the interest rate environment will be more conservative than what they actually yield. Council directed staff to look at potentially lowering that 1.8 cents increase closer to a 1 cent. Staff will be looking at that and the ability to accomplish all the COs that we communicated to get this project completed.

Backup was provided with updates on each of the projects. The previous spreadsheet was changed to reflect plans to issue as far as 2019 and 2020 and additional funding sources that will be shared with you today. The $2.7 million that’s associated with the 2012 Street Construction Project and the $4.2 million will be COs that will be issued in August, fully funding these projects and the additional $4.5 million to complete the connector segments between those projects.

Puente added that two additional projects will be addressed in the meeting. One is the Hickory Creek Road reallocation staff is proposing that will come out of the Ruddell Extension project, the $4.9 million. There are plans to postpone that project, based on discussions with Council and also in light of some additional improvements to Mingo Road. There are three items that we will review and discuss for the Committee’s consideration.

Tim Crouch asked about the total shortfall covered through other sources.

Robinson asked if the shortfall was for 2012, or 2014 Bond Programs or all the bonds.

Crouch answered the total shortfall for all of it.
Robinson reiterated that the question is directed at the funding gap situation; when it presented itself and where, instead of GOs bonds, there needed to be general fund payment for COs.

Todd Estes, Director of Capital Projects, explained that a variety of things are tied to that situation. Some of the increased pricing previously discussed with the Committee was based on numbers and time. The progression through the course in time, followed by an inflation hit, increased those numbers consistently over the last seven or eight years at about one percent per month, compounded. There is a net shortfall and, through the course of time, the projects cost more than originally anticipated. In a new bond program, we would build in an expected delivery schedule that would include unexpected costs and inflated construction costs.

Crouch asked how much.

Puente answered that the estimated figures are about $13 million of additional COs to be issued for completion of some of the projects. That includes over $6 million to complete the 2012 and 2014 street segments, $1.6 million in COs to complete the Fire stations, the plan to issue for funds for reimbursing money taken from the Vela Project and $2.5 million of channel rehab money that was utilized to complete some of the drainage projects. This is an estimated $15 million of additional money outside of GO bonds used to get both of these bond programs completed.

Crouch asked, it that’s going to cost 1.8 cents or 1 cent.

Puente replied that the 1.8 cents includes the $11 million for street reconstruction, $620,000 for the Police Department Firing Range, but there are additional projects that weren’t associated with this for a total of $33 million that will be issued in COs. About half of that will go to fund the identified projects.

Puente reminded the Committee of staff’s communication to the Council. In 2014, the tax rate was at 68 cents. The citizens were told that at that time the 2014 Bond Program could cost up to an additional 3 cents. Since then, the work on projecting the effective tax rate, even with the $1.8 cents, would be about 62 cents. From the 2014 Bond Program, there was a decrease in the City tax rate and we will still be able to accomplish all these projects.

McCleskey asked how that translates to the taxpayers.

Puente explained that the average home value in 2014 was around $170,000, at the time the 2014 Bond Program was being considered. The current average home is valued well above $200,000. There has been an appreciation of property values, not just on the residential but on the commercial side as well. When referencing the effective tax rate, that’s the aggregate calculation of all property. What the individual taxpayer experiences will vary, based on their individual situation.

Puente opened the floor for any questions on these or other projects.

Bryan Langley, Deputy City Manager, wanted to make the Committee aware of a discussion he had with Gary Packan, Parks Director, concerning additional funds that became available from the completed Lake Forest Project. Staff would like the Committee to consider moving these additional funds to the North Lakes Dog Park Project.
There will be a recommendation with an action item to move those funds to the Dog Park Project included on the next Bond Committee’s meeting agenda. Gary has been working with the Parks Board on presenting ideas to the City Council and wanted the Committee to be aware of this upcoming item.

Packan added that originally, the funds from the Lake Forest Park Project were going to the Industrial Park. Park Development funds were available to apply to that area but not for the North Lakes Dog Park. Moving the funds from the Lake Forest Park Project would help move the Dog Park Project forward.

Robinson asked about the phases for the Bonnie Brae Project and asked if there is a reallocating funds from Phase 4 to Phase 6 and then reallocating from Phase 6 to Phase 4.

Estes explained staff’s efforts to infuse enough cash earlier this year into Phase 4 to keep it moving forward. As staff considered possible contingencies for improving Bonnie Brae to where the original bond program was, there were conversations with the school district and the Council of Governments (COG) about extending Bonnie Brae to Loop 288. Council of Governments came back after that conversation, agreeing to the idea and pulling in a large group of stakeholders to figure out funding. The current path going forward, is what is called “a third, and a third, and a third” financing program under COG. The City one third, the COG, one third, and the remaining stakeholders (TxDOT, potentially North Texas, School District and the County) with one third of the cost. All the players met and discussed the program, with everyone on board. Currently, COG is determining the total role of all parties involved.

Estes clarified that the original discussion was just on Phase 6 from University Drive to 77, the direction we were headed, when discussing this with the school district but COG took it further, adding the segment south of University and rolled that in. Under the current financing scheme, the City is looking at $13.5 - $15 million for our share. Of that, we had earmarked $11 million to construct Phase 5, leaving us to finance the rest which would be the design of Phase 6 -7, complete Phase 5’s design, and acquire right-of-way up to that one-third amount of total project cost. This all happened since meeting with the Committee in January.

Estes added that two things occurred that should be considered. There is interest money in Bonnie Brae. Everything south of 35 was funded by COG’s RTR funds. We cannot apply the interest money to Bonnie Brae Project south but we can apply to the attached subsidiary streets. It is attached to or close enough to, that COG will allow us to apply it without penalty to where we are currently, in the financing and match. We will use that interest money to make up what we are taking out of Phase 4 and make up the gap, then money from Phase 4 will be returned to Phase 6 to finance the design and right-of-way acquisitions of Phase 5, 6, and 7. We would come back at a later date to discuss construction of Phase 5 just as originally planned.

Robinson confirmed that the two things that happened; Denton ISD’s decision to put a high school location out there, resulted in lots of changes, and an opportunity to leverage dollars with COG, County, or school district. Moving those to leverage the dollars the City will spend and applying it to the projects that will qualify for third party participation makes sense.

Puente mentioned that the Phase 2 Project was also discussed with Council. The match on Phase 6 was part of that. Due to the nature of this project, Council felt they would like to wait until they form a new bond committee that would consider the Project.
Phase 4 Project would have had an impact on the effective tax rate, an additional 4 cents on the tax rate, and the Council decided to hold off on those Phase 2 projects. That was one of those projects.

Estes gave a general overview of plans for Bonnie Brae. Originally, the 2014 Bond only provided for design of the Bonnie Brae to Windsor. With the high school coming on board, staff wanted to move that project all the way to 77. COG got involved in the discussion and we realized it made sense to close the gap, allowing Bonnie Brae to continue up to the north. The other part is TxDOT’s current let date for I35. Construction on I35 will start at University and go all the way up to Valley View. They are currently slating that construction to begin at the end of 2024. We are trying to understand the construction nightmare and provide a bypass route. Bonnie Brae has the potential to meet that need but it needs to be in its best form to do that.

Robinson asked if Bonnie Brae would be the alternate north/south to get you to the Loop to the north side of town.

Estes confirmed adding TxDOT is also accelerating plans for the western loop and building the northbound frontage roads. Two lanes would be there to travel both ways but will ultimately be the northbound frontage road that will go from 35W all the way around to Loop 288 on the north side. All this comes into play at one time so we are looking at how we can provide those relief routes to best handle the traffic demands.

McCleskey asked what Bonnie Brae would look like, a six lane or eight lane road?

Estes responded that it would be wide enough to ultimately be a six lane road but will be four lane. The intent would be to acquire the right-of-way for the six lanes build a wider road and wider medians so that when the wider road is needed, it can put it in quickly and unobtrusively.

Crouch asked if this is extending to 288 but you’re not trying to tie into 288.

Estes confirmed that was the plan to tie into 288. That is why TxDOT was brought into the discussion.

McCleskey expressed concern that four lanes would put us behind the curve.

Estes agreed but consideration should be given whether or not to maintain six lanes, long-term and that is the reason for going with the four lanes.

Robinson stated in consideration of all that is involved, the Phase 4 and Phase 6 reallocations become clear.

Puente suggested discussing the Ruddell Project as well.

Estes explained that the original thought process for the Ruddell Extension Project of establishing a four-lane crossing. Based on the future growth and the plans of Texas Woman’s University, staff is recommending something different. After closing the University’s golf course, that area would be the future resident or student life side of campus.
There will be student housing, additional student parking, trails and green space connected with a main drive that comes across campus, all classes or academics would be in the current main part of campus. With this growth, they are looking at entrances more east/west and less north/south. We are looking at Ruddell taking on a different feel in the future as it becomes a four lane, divided thoroughfare from University Drive down to Mingo. Going south in the neighborhood area, we still want to consolidate the crossing of the railroad tracks crossroad and projecting, but just two lanes to the south. We would maintain that two lane roadway going through the neighborhood, eliminate the two railroad crossings on both sides, and isolate these neighborhoods.

We would also be looking at Mingo from Bell Avenue over to Old North Road, as part of that same project, making an expansion of Ruddell and Mingo in the ultimate configuration.

The engineering staff would like to take time to examine the 2014 Bond Program for that Ruddell crossing, utilize about $900,000 of those funds to reanalyze the Mingo and Ruddell future project design study and construction on hold. The remainder of the $4 million would go into making other projects whole, such as the Hickory Creek project.

Estes gave a presentation on the Hickory Creek Road West Project plans and discussed the options with the Committee.

Puente shared the details of the recommendation of reallocating funds from Ruddell Extension Project to the Hickory Creek Road West Project. The $1.6 million of the $4.9 million additional amount Todd referenced would be utilized for the 2012 or 2014 Street Reconstruction Projects and reduce the amount of COs that we had planned to issue in the $11.5 million. This is one option to consider, in reaching the lower 1 cent versus the 1.8 cents calculated effective tax rate, as Council directed.

Robinson asked if this still has the Hickory Creek going east.

Estes confirmed and added that project is funded based on estimates with current construction beginning next summer.

3. **Receive a report, hold a discussion, and give staff direction regarding the reallocation of project funds from the Bonnie Brae Phase 4 project.**

Puente stated that the recommendation on this item is to reallocate $1.786 million from the Bonnie Brae Phase 4 Project to the Bonnie Brae Phase 6 Project. The intent is to continue to work with TxDOT and COG on the RTR interest. These funds will be returned to the Bonnie Brae Phase 4 Project with the Bonnie Brae South Regional Toll Revenue interest in late 2018. Staff is asking for the Committee to consider approval to reallocate GO bonds currently to Bonnie Brae Phase 6.

Upon a motion to approve by Tim Crouch and a second by Janet Shelton, the motion passed unanimously.

4. **Receive a report, hold a discussion, and give staff direction regarding the reallocation of project funds from the Ruddell Extension project.**
As previously mentioned, there are a number of items associated with the Ruddell Project, staff wants to complete the design of that project. A little over $900,000 will stay in that project of the $4.9 million that we plan to issue next year. We are recommending to reallocate a little over $2.47 million from that project to the Hickory Creek West Project.

Our hope is to take that all the way to River Pass. As bids come in, we can better evaluate that and make a recommendation. There will be some remaining funds, about $1.68 million of those $4.9 million GOs, that we are requesting for your consideration. Those funds would be utilized to offset the CO issuance we are planning in August for the 2014 Street Reconstruction projects. We are not sure where the bids for the Hickory Creek will come in, we could set some of that aside. There are a number of other projects that funding could go towards, one was the Wheeler Ridge Project. Staff’s recommendation today is to consider reallocating that $1.68 million to offset that CO issuance in August.

Shelton asked if that was to reduce the rate to 1 cent.

Puente answered, that is still being evaluated. A combination of that and the assessed values, the interest rates, we are looking at other possibilities as well.

Robinson, addressing Brandon’s concerns, taking it all the way to River Pass West, if the $2.47 million doesn’t cover it, there is still $1.68 million left in GO bonds, if we need to go back to that. All we’re doing is taking it from Certificates of Obligation to GO. It’s all covered with the reallocation of the Ruddell GO 2014 Bonds.

McCleskey stated his understanding was that we are reallocating those bond monies from Ruddell Project to other projects.

Robinson clarified, there is $2.47 million but there’s another $1.68 million available GO funds, should the bids come back and we’re able to go all the way to River Pass.

Puente added that the trade-off is, we would not be able to use that $1.68 million to offset the CO issuance. If we utilize that money for the street reconstruction projects, bids come in higher we would have to look at another funding source to offset the CO issuance. We could go back to Council and ask for permission to issue COs but that would wait.

Shelton asked when staff anticipates the bids for that will come in.

Estes answered that they advertise bids in October. We would not have open bids until after the COs have gone.

Robinson stated the item for the Committee is two parts: to reallocate $2.47 million of the Ruddell Extension to Mingo Road funds to the Hickory Creek Road West and the remaining $1.68 million to be used to reduce the recently approved sell of COs.

McCleskey moved to approve the item with a second from Tim Crouch. Motion passed unanimously.

5. Receive a report, hold a discussion, and give staff direction regarding the reallocation of project funds from the Wheeler Ridge project.
Estes explained the project of the Wheeler Ridge Connection to FM 2818 at Jordan Lane. The Wheeler Ridge subdivision is between 2499 and 2181, north of Hickory Creek. The intent of this project was to provide an alternative point of access into this subdivision for residents and emergency vehicles. The original estimate for this project was $620,000 but we are looking a total of $1.7 million. Staff would have requested the additional funds to make that project whole or repurpose those funds altogether. Staff needed additional information on the intent of the project to weigh the options.

McCleskey commented that the project was portrayed as “much needed”.

Robinson added that the project was presented as a small dollar item and appeared as a great solution to make the area safer.

Estes shared some of the preliminary costs and no right-of-ways or easements to continue the project.

McCleskey submitted that the cost has at least doubled for this project. If staff advises that the project is not a priority, given the current dollar situation, he agrees with scratching it.

Crouch added his only question would be the feedback from the community expressing concern about this. If that project was promised to the community and the Committee should be cognizant about what was promised.

Robinson and McCleskey could not recall discussions with the community.

Estes advised that potential alternatives for access could provide a more direct route and staff would prefer to explore before committing to additional funding.

Robinson noted with the improvements of Hickory Creek Road to 2499 has improved access to the south side of that neighborhood.

Shelton and McCleskey agreed.

Puente stated that staff is requesting the Committee’s approval to postpone this project and not reallocate the $620,000, allowing discussions with Engineering, Fire Department and the neighborhood. Staff would then bring the item back at the next quarterly meeting with alternatives. If some of the changes are altered with 2499 and Hickory Creek East beneath that project, we can discuss reallocating to some other project or another funding source for Hickory Creek West Project. Our recommendation would be to postpone that project to a later date.

Motion was made by Janet Shelton to place the Wheeler Ridge Project on hold, followed by a second from Brandon McCleskey. Motion passed unanimously.

6. **Under Section 551.042 of the Texas Open Meeting Act, respond to inquiries from the 2014 Bond Oversight Committee or the public with specific factual information or recitation of policy, or accept a proposal to place the matter on the agenda for an upcoming meeting.**
McCleskey requested continuation of the updates on the Bonnie Brae Project be included in a future meeting.
Shelton asked that updates on all the projects be included in the next meeting agenda.

Robinson expressed appreciation for the breakout narratives.

Tim Crouch made a motion to adjourn the meeting, seconded by Brandon McCleskey.

Meeting adjourned at 12:26 p.m.

The Bond Oversight Committee approved the July 20, 2018 Committee Meeting Minutes on November 12, 2018.

Randy Robinson
Committee Chair
City of Denton, Texas

Teresa Jaworski
Recording Secretary
City of Denton, Texas