AGENDA
2014 BOND OVERSIGHT COMMITTEE
March 8, 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 March 8, 2018, at 12:00 p.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, Mark Nelson, Director of Transportation, Todd Estes, Director, of Capital Projects/City Engineer, Larry Collister, Assistant City Attorney, Laura Behrens, Assistant Director of Parks, Kevin Ann Mullen, Assistant Controller, Jessica Rogers, Deputy Director of Public Affairs and Intergovernmental Relations, Theresa Jaworski, Recording Secretary.

Randy Robinson, Committee Chair brought the meeting to order at 12:05 p.m., at which time, the following items were considered:

OPEN MEETING:

1. Consider approval of minutes of January 30, 2018, Bond Oversight Committee.

Committee Member Tim Crouch made a motion to approve the minutes of the January 30, 2018 Bond Oversight Committee Meeting. Motion was seconded by Janet Shelton. Vote was unanimous, motion carried.

2. Receive a report, hold a discussion, and give staff direction regarding the reallocation of project funds and the estimated completion costs for associated projects.

Director of Finance Tony Puente, explained the presentation, back-up information and the current status of voter approved General Obligation (GO) funded projects, identifying potential funding sources staff is recommending that includes reallocations of GO bond funds to get some of the projects completed. Puente also pointed out staff’s intent to come back to the committee with all the GO bond projects, not just those in the 2012 and 2014 but also projects remaining from 2005. Although the 2005 Bond Committee is no longer together, he invited Randy Robinson, being a part of that committee, to give insight into some of those projects. Part of premise behind the exercise we’ve gone through was to identify restricted funds that can only be used on specific projects and leverage those, if they have not already been used.
In addition, we have been working with the City Manager's team and the departments over the last several months going through every project identifying the status and looking for flexibility, contingencies built into some of those project's savings, with efforts to combine some of those savings, and closing out projects. Some of this funding is coming from those efforts as well. This is an opportune time, along with the charge that this committee gave us back in January, to see if there are other potential funding sources that could be used.

Puente presented a review of the GO funded projects with the original intent of the project, the current status, fund balance, staff's plans for completion and funding options. He explained the Vela Soccer Complex project and the funding options.

Committee Member Tim Crouch asked for clarification on the GO bonds terminology.

Puente stated that reallocation of GO bonds are bonds already included in the 2012 Bond Election.

Crouch asked if these were voter approved bonds.

Puente confirmed adding future bonds could also be GO bonds that would require voter approval.

Laura Behrens, Assistant Director of Parks and Recreation, briefly reviewed the three funding options for the Vela Soccer Project and the difference between the options.

Committee Member Janet Shelton asked about a possible cost savings if reallocating the trees and landscaping that City staff could do versus paying a contractor.

Deputy City Manager Bryan Langley pointed out the larger piece of the savings is the fencing and pavilion with the equipment and the installation. There would be some savings with City staff handling some of that but would mean pulling them away from other projects in the City.

Shelton also asked about having the fence versus not having the fence.

Behrens explained there is fencing around the perimeter and some between the fields as well. Without fencing, there would be no boundary on each field. Fencing also adds aesthetics and limits rogue play. These are groups or individuals who play on or use the field without securing their time or pay for using the field.

Langley added that the $6 million option, Tony will explain, is one way to fully fund with what we have through the different allocations but if there is a feeling to do something different less than the $6 million, we would want to get feedback from the Committee. At the last meeting, we left this with a $1.7 million delta and we were trying to solve that. There has been lots of work on our different projects that we want to share with the Committee, to fully fund this project without taking away for the land or design of
Southwest Park. We want to show the committee the options, and how it could be scaled, and the funding piece.

Crouch asked about the location of the Vela Complex, in relation to the current fields, and how it would be used differently from the fields already in place at North Lakes.

Behrens described the location, the use of the existing fields, the need for additional fields to grow programs, and the diverse uses that the Vela fields would provide.

Robinson asked about the sub-committee’s ranking of the Vela Project when considering all the Parks projects.

Shelton answered that it was close to the top.

Crouch suggested that the commitment that was made with the Vela name ranked it a little higher.

Puente explained that staff identified all the GO bond funded, voter approved projects back to 2005 and stated there were no projects before that time remaining on the City’s books.

Puente presented the status on each of the projects broken out by the year’s bond elections and the options for funding beginning with the 2005 Bond Program.

Langley pointed out staff’s efforts to balance the pieces and look at all the projects to reach the goal line. One piece that was beneficial was the Regional Toll Road (RTR) funds interest earnings that came on and were reprogramed into the Bonnie Brae project, while benefiting some of the other projects.

Robinson commented that it’s better to see fewer completed projects than more partially completed projects.

Langley added that the takeaway is everything is funded, except two phases in the Bonnie Brae project.

City Manager Todd Hileman pointed out Todd Estes’ efforts to get through a huge RFQ process to prequalify engineering firms in seven different areas. The first sponsored four were approved by the City Council, allowing staff to expedite design on all the roadway projects, drainage, traffic signals and the next package will include water and wastewater. The lesson learned was to have the designs on the shelf before going out for the bond package. Being ready is the only way to control the inflation cost.

Puente continued with the status of the Public Safety Projects,

Fire Station #3 Remodel/Rebuild. Staff met with the Committee in late 2017 on the reallocation of funds from the Fire Station #3 Remodel project to bridge the funding gap for completion of Fire Station #4 and the Fire Burn Tower Project. The Committee
approved the reallocation of bond dollars. Staff informed the Committee at that time Certificates of Obligation would be issued to complete Fire Station #3. The $1.6 million and the future issuance of COs is programmed into this year's bond program and staff will discuss this with the Audit/Finance Committee. Our recommendation is to issue this amount of funding to complete Fire Station #3 that is currently in design. The rest of the COs funding for the Burn Tower was in the reallocation.

The Police Lobby Renovation is complete. The original project cost was $115,000 but was revised to $406,947 the difference came from previously issued COs that are annually issued for various facility improvements and were used to get that project completed.

Shelton asked if there were any additions to raise the cost of the renovation.

Fire Chief Lee Howell explained that the original estimate was based on the renovation being done in-house to move walls. The climate changed for law enforcement, resulting in a request to add ballistic material to the front of the records area and duty officer’s desk for added safety. That was the majority of the increased cost.

Puente addressed the Police Firing Range and Berm addition. Project explaining the original intent for safety and security enhancements, including improvements to the entrance gate, landscaping security, drainage, parking, berm height, and construction for a permanent house, resulting in an increased cost. Staff plans to propose that City Council amend various budgets and funding for the use of $620,000 in fund balance from the General Fund to bridge the funding gap for this project. This is contingent on Council approval but staff recommends the use of the $620,000 in fund balance from the General Fund to fully fund this project.

Puente presented the drainage projects beginning with Eagle Drive. There will be no reallocation of GO bonds. This project will be fully funded by using the monthly process in place that identifies savings in capital, closed out projects and applied to this drainage project.

Puente followed with the Downtown Drainage Projects comprised of the Hickory Street and Trunk Line, South Bell, and Oak Street and broken up into two phases. They will be aggregated for design and bid out together in a single project. Staff is proposing funding by a reallocation of GO bonds within to balance out these projects and bridge the remaining funding gap with accumulated revenues from the City’s drainage fees, to be utilized on drainage channel improvements. Use of these funds will require Public Utilities Board and City Council approval.

Robinson referenced the time when the drainage fee was established and his endorsement of the good use of those fees toward capital improvement.
Puente presented the Parks Projects, giving an update on the Sprayground Project as completed. The project was more than anticipated but staff was able to use a number of different sources to fully fund, so there will be no request to the City Council for reallocation for completion.

Puente reported that the Trail System Expansion and Addition Project. There was no specific project identified by the Committee concerning these funds. A project did come forward. It was a Northwest Trail Extension off of Hwy. 77 and Nacosia which connects the Evers Trail to North Lakes Park. That project needed matching dollars. That amount was available in the 2005 Bond Program for the Tennis Center. These are all Parks related so the dollars were utilized from 2005, to get that project completed. Since that project was fully funded, our recommendation is to reallocate those funds from 2014 back into the Tennis Center to make it whole.

Puente continued with the Parks Waterworks Additions (Wave Pool/Concession Stand). This project is close to completion and opened in the summer of 2017. There are still some items listed with that, as well as the concession stand, but a number of sources were used to complete the project. It is fully funded and no GO bond reallocations will be requested from the Committee.

Puente reported that the Vela Project is now fully funded by identifying restricted dollars in exchange for unrestricted dollars throughout the City’s Capital Improvement Program to free dollars up and reallocate. This project is fully funded based on the current bids we have received. The plan is to move forward to Council with a recommendation to reallocate specific dollars for this project as well approve the contract for construction.

Puente stated that staff is asking the Committee is to take action on the reallocations on the following items:

1. Reallocate $2,729,903 in GOs from FM 1830 and US 377 projects (2005 Bond Program) to:
   a. Bonnie Brae Phase 4 project – $2,108,803
   b. Morse Street project – $250,000
   c. Ruddell Extension project – $371,100
2. Reallocate $1,391,197 in GOs from Bonnie Brae Phase 6 project to Bonnie Brae Phase 4 project.
3. Utilize remaining GOs from Bonnie Brae Phase 6 to design and acquire as much right-of-way as possible for both Phase 5 and Phase 6 of the Bonnie Brae project.
4. Reallocate $61,594 in GOs from South Bell Drainage project to Hickory Street Drainage project
5. Reallocated $250,000 in GOs from Trail System project to Tennis Center project since the same amount of GOs from the 2005 Bond Program for the Tennis Center project was advanced to the Northwest Trail project.

Puente offered to go over individually or they could be considered as one item.
Committee Member Brandon McCleskey asked for confirmation that none of the funds being reallocated to the Vela Soccer Complex, came from the 2014 Bond. All funds were from other sources.

Puente confirmed.

Shelton asked where the $1.1 million come from in internal sources.

Puente explained some funds came from savings in capital projects, some from park development, and some from the General Fund that could be reallocated for this project. General Funds were given for traffic improvements, identified some COs that could be freed up at as the result of the use of RTR unallocated interest that could be given to Bonnie Brae, removing that amount of COs and moving them around to other projects to free up some of that General Fund unrestricted dollars to apply to that project.

Langley added that the big piece was $1.7 million in interest earnings from RTR monies. This is related to the 121 Project that went through in the Metroplex, the bond sold and they reallocated the funds and the City received $92 million. Those funds were for Bonnie Brae and Mayhill and they have been earning interest and accumulated $1.7 million. With those projects, we also issued $8.5 million as the City’s match for those pieces. The $1.7 million from interest earning is restricted to Bonnie Brae and Mayhill but the $8.5 million wasn’t so they were switched to use for other projects. Essentially, it is taking restricted dollars and putting them where they are needed, opening the unrestricted dollars to fill the gaps and accomplish the projects.

Shelton asked for clarification on the previously issued COs.

Puente explained the COs issued for roadway improvements intended for Bonnie Brae and as a result of the RTR money that was restricted was given to Bonnie Brae, removing the $1.7 million equivalent in COs, giving that to the traffic projects previously mentioned, funded out of the savings from 2016-17, freeing up the General Fund unrestricted dollars that can be reallocated to this project. Just moving restricted dollars to unrestricted money.

Shelton asked if COs are issued and other funding is received for a project, does the CO then become unrestricted?

Puente answered that the CO is always restricted to the purposes set out. Any of those funds can be used for those purposes. Unfortunately, in the issuance of the $8.5 million there were no Parks improvements, so the need was to identify transportation projects in other areas that had unrestricted dollars.

Crouch asked if the issuance of COs impacts future bond elections.

Puente responded that it does count towards the City’s ability to issue more debt but staff believes what is being proposed would not have any impact, other than what has been communicated.
Hileman stated that even though this package is fully funded, the City is still operating well below what the Bond Committee had assumed and that's the important thing.

Langley added that the Committee had recommended up to a three percent tax increase that wasn't added; in fact, the overall tax rate has lowered over the last several years.

Crouch expressed his concern that this might be perceived as "smoke and mirrors" in asking the public's authorization for "X" then ask for additional $6 million or so in CO funds, when people are critical of COs that the public has not agreed on.

Langley conveyed his understanding of the sensitivity but in this case, $1.6 million is being requested for Fire Station 3. When staff was working on the Bonnie Brae Project, staff always included the other matching component that would be needed in their discussions.

Crouch added that it's more about an anticipation kind of thing or at what point does this come back to bite us?

Robinson offered the comparison of getting bit by underperformance in completing projects or for being more creative in allocating the funds.

Crouch acknowledged that avoiding the exercise of a three percent tax increase, is part of the way to address that.

Robinson noted that was the double-edged sword. There was no need to increase the ad valorem taxes because property values had risen. On the other side of that, the right of way acquisition and construction cost increased. A simple way of explaining is, this is a reallocation of funds and it all makes sense. And we know that some projects will appear in future fundings and we know that.

Langley suggested that staff could summarize some of the key points and major reallocations with a bottom line of where we are for the City Council.

McCleskey asked if Council will question the shortage in funds for Bonnie Brae Phase 6 or funding for the Vela Complex, when there are infrastructure projects that need to be completed, and should the Bond Committee be concerned about that?

Hileman advised that there was no reason for the Committee to be concerned. Staff had the conversation with the City Council when providing cost estimates for the remaining bond packages. The direction given was to go as far as possible, get a design for the Bonnie Brae Project, and make sure there are plans to include it in the next bond package but we are also reaching out to COG for additional dollars in the upcoming year. That conversation took place, we discussed not doing some of the projects in talking with the Bond Committee. They basically said go as far as you can with Bonnie Brae, and get it designed for the next package for completion and don't affect these other projects.
Langley added that Council also gave direction to move forward with Vela. The issue we need to come back from this update is the discussions we had on reallocating those dollars, concerns the Committee had, and how we were able to resolve that issue. We have the bid and we are ready to go, if they are ready to move forward. They’ve wanted to accomplish all the projects that were promised and get as far as we can on Bonnie Brae, recognizing some of the issues involved.

Hileman also shared their discussion with Council as staff was closing out fiscal years. We’ve got fund balances targets we’re hitting and my recommendation to them has been, as we end up much higher, buy as much down as we can to avoid issuing debt or COs. It’s a one shot down the road and one you can’t count on and try to expedite that where possible

McCleskey asked about the projects that haven’t been funded yet, PEC-4 for example. Is that going to come out on budget or will that have an increased cost to it?

Todd Estes, Director, of Capital Projects, advised that PET-4 Phases 1 and 2 is funded. Phases 3 and 4 is unfunded for construction but funded for design. It is going down a similar path as Bonnie Brae where we will get all the design done as we can, any railway easements and bike path to put together and then talk to anyone who might help us out with that financially but we are fully engaged in the design piece.

Robinson reminded the Committee of the five action items to consider separately or as a whole.

A motion was made by Tim Crouch to approve all five items. Motion was seconded by Brandon McCleskey. Motion passed unanimously.

3. Receive a report, hold a discussion and give staff direction regarding the issuance timeline for General Obligation Bonds for the 2014 bond election projects.

Puente stated that the schedule is the same as presented before. All of the bonds for the 2012 Bond Program have been issued. The schedule reflects the amounts that have been issued through 2016-17 for street reconstruction. We had reallocated $1.5 million of what was originally issued in 2016-17 for street reconstruction and advanced that funding for the traffic improvement projects to get them the $3 million right away then spread out the $1.5 million over the final three years of street reconstruction to get it fully funded back to $24 million. In this proposal for 2017-18, we recommend to issuing $6 million for street reconstruction, $7.5 million for the Bonnie Brae-North I-35 to Scripture that will be the final amount we had planned to issue for the Bonnie Brae Project, $350,000 completes the $2 million for sidewalk improvements. One change we had as the result of the reallocation and the plan we just discussed for Bonnie Brae, was the original plan to issue $600,000. We are now recommending the issuance of $1.4 million in 2017-18 for that project. We will come back to you next year on plans to issue the remaining $4.7 million remaining for that project in 2018-19.
We are planning to issue the $4.9 million remaining amount for the Ruddell extension, $400,000 for miscellaneous roadway improvements for a total of $20.6 million for Proposition One.

For Proposition Two, which was for Public Safety, all those bonds have been issued and those projects have been completed or on the way to completion as discussed.

Proposition Three which is for Drainage Improvements, we do plan to issue the remaining amount for PEC-4 $2.485 million. We plan to issue $100,000 for the South Bell Drainage. The remaining amount will be issued in 2018-19. For Playground Improvements we plan to issue $450,000. For that project, the City Council requested that we complete a specific playground, the Evers Playground. We had advanced $350,000 for the Evers Playground project from Vela, to get that project done, it is underway, and so when we issue that $450,000, the $350,000 will go back to Vela. Park Improvements, we plan to issue $300,000 for various Park improvements, primarily South Lake and Lake Forest and other parks as well. The final amount we plan to issue, we had originally planned to issue $515,000 for the Tennis Center but you will recall we used $250,000 for trails from an earlier bond program, we are going to issue that now for $765,000. Total amount recommended to issue in 2017-18 is $24.74 million. What we had in the CIP was $25.19 million so we will be issuing a little less in GOs than originally planned. Overall, that helps our debt plan. We are planning to issue additional COs for Fire Station 3, so that gives us that capacity and still keeps the proposed program. After this year, we will have two additional years left in the 2014 Bond Program. The amounts we plan to issue in 2018-19 and 2019-20 are shown but subject to change depending on some of the projects, how they progress, the City’s debt forecast shows for capacity. Our request is a recommendation from the Committee to the City Council on the issuance of $24.74 million in GOs for the 2014 Bond Program.

Crouch asked if the amount was $24.74 million

Puente confirmed that was the correct amount.

Shelton asked if the $1.4 million on Bonnie Brae from University to Windsor is for design costs and we won't be building that.

Puente advised that Phase 5 and 6 will be for design and right-of-way acquisition.

A motion was made by Brandon McCleskey for approval of the recommendation from the Committee to the City Council on the issuance of $24.74 million in GOs for the 2014 Bond Program. A second by Janet Shelton followed. Motion passed unanimously.

4. **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.**
Crouch asked when the Committee would meet next.

Langley suggested an early fall meeting for an update to the Committee on the status of the projects discussed, to keep everyone informed.

Crouch suggested after September first.

Robinson added a late fall meeting would be good.

Langley agreed and advised that staff would set the meeting around September or October and get it on the Committee’s calendars.

McCleskey asked as the City completes some of the projects, is there any benefit for future bond programs or the community as a whole, to invite the public out to Fire Station 3 and 4 to show the results of bond sales.

Hedges advised there were plans for an event in May for the opening of Fire Station 4.

Langley explained that some of those events have taken place in the past, highlighting a lot of the Capital Projects at the State of the City, but staff can look at having a public event for those facilities that open up.

With no further business to address, Tim Crouch motioned to adjourn, seconded by Brandon McCleskey. Motion passed unanimously.

Meeting adjourned at 1:13 p.m.

The Bond Oversight Committee approved the March 8, 2018, Committee Meeting Minutes on July 20, 2018.

RANDY ROBINSON
COMMITTEE CHAIR
CITY OF DENTON, TEXAS

THERESA JAWORSKI
RECORDING SECRETARY
CITY OF DENTON, TEXAS