

# City of Denton

## Debt Summary Report

Fiscal Year Ending September 30, 2017

*Contact:*

City of Denton Finance Department  
Attn: Antonio Puente, Jr. – Director of Finance  
215 E. McKinney St.  
Denton, Texas 76201

Email: [Antonio.Puente@cityofdenton.com](mailto:Antonio.Puente@cityofdenton.com)

Phone: 940-349-8566

Fax: 940-349-7206

Website: [www.cityofdenton.com](http://www.cityofdenton.com)

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***Disclaimer: Data provided in this report is as of the date of publication, constitutes existing long-term debt obligations only, and has been prepared pursuant to Texas Local Government Code 140.008 (House Bill 1378). This report does not include forward looking statements nor does it include debt that may be incurred in the future. Interested parties should refer to the City's audited financial statements and other disclosure documents when investing.***

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## INTRODUCTION

This report is divided into two sections. The first section (City Debt) presents the City's outstanding debt by the manner in which the City intends to pay for such debt (tax-supported versus revenue-supported). Additionally, this section provides a breakdown of the City's outstanding debt by purpose (i.e., General Government, Electric, Water, Wastewater, Solid Waste and Airport). The second section (House Bill 1378) is intended to comply with reporting requirements pursuant to Texas Local Government Code 140.008.

The City of Denton utilizes long-term debt to finance non-operating expenses, which may include equipment, facilities, and the acquisition of land. Unlike the Federal Government, the City only generally issues debt for the purchase or construction of capital assets and infrastructure improvements, and cannot issue debt to fund operating expenses or deficit spending. All debt issued by the City must be approved by the Texas Attorney General's Office prior to the final sale of the debt. Additional information on the City's outstanding debt including statistical comparisons and ratios can be found in the City's Comprehensive Annual Financial Report, which is located on the City's website under the Finance Department. ([www.cityofdenton.com](http://www.cityofdenton.com))

The City issues two types of long-term debt: General Obligation Debt and Revenue Bond Debt. The City also differentiates between tax-supported and revenue-supported debt to provide the public with a clear understanding of which debt will be paid by property taxes versus rate revenues. The following table shows the latest bond ratings for each type of debt for which ratings are given:

	<b>Moody's<sup>1</sup></b>	<b>Standard &amp; Poor's</b>	<b>Fitch</b>
<b>General Obligation Debt</b>	Aa2	AA+	AA+
<b>Revenue Bond Debt<sup>2</sup></b>	Not Rated	AA-	A+

<sup>1</sup>Moody's has not rated a new general obligation debt issue since 2011 or a revenue bond debt issue since 2008, although surveillance ratings remain unchanged. All previously rated revenue bond debt have been refunded or paid off.

<sup>2</sup>Ratings for the Utility System Revenue Bonds, Series 2017 which were rated on January 3, 2017.

### ***GENERAL OBLIGATION DEBT:***

The largest category of debt is General Obligation Debt. It consists of two categories of bonds: **General Obligation Bonds (GOs) and Certificates of Obligation (COs).**

GOs are generally voter approved and backed by the full faith and credit of the City (property tax pledge) and must be approved at an election. Voter approval may be granted during one of two general election dates each year. GOs which are issued to refund outstanding debt do not require voter approval. Under the City's debt policy, GOs strive to have a final maturity of twenty (20) years or less.

COs do not require voter approval and generally have a dual pledge of a specific City revenue source as well and the full faith and credit of the City. Some examples of pledged City revenues are electric, water, wastewater, and drainage revenues. Under the City's debt policy, COs will strive to have a final maturity of thirty (30) years or less. Historically, COs have mostly been issued with twenty (20) year final maturities for general government purposes. In 2010, the City began issuing COs not only for general government purposes which are repaid by property taxes, but also for utility related projects of the City. The CO's issued for utility purposes are repaid from the specific utility fund for which the debt was issued. CO's have a lower interest rate than revenue bonds, due to the pledge of full faith and credit of the City. A portion of the interest savings to the City's utilities through issuing CO's (instead of revenue bonds) is being paid to the general government and placed in the Street Improvement Fund.

***REVENUE BOND DEBT:***

The second category of debt is Revenue Bond Debt. This debt is secured by only a pledge of the operating revenues of the City's Electric, Water and Wastewater Funds (collectively known as the "Utility System") and not the full faith and credit of the City. Under the City's debt policy, revenue bonds will strive to have a final maturity of thirty (30) years or less. Historically, most revenue bonds have been issued with a twenty (20) year final maturity. As of September 30, 2017, the City only has the Utility System Revenue Bonds, Series 2017 outstanding.

***OUTSTANDING DEBT:***

The City's total outstanding principal and interest as of September 30, 2017 is shown in Table 1 on page 6 of this report.

**CITY DEBT SECTION**