

AUDIT/FINANCE COMMITTEE

July 28, 2015

Minutes

After determining that a quorum is present, the Audit/Finance Committee of the City of Denton, Texas, met in a regular meeting on July 28, 2015, at 10:09 a.m., in the Finance Conference Room, at City Hall, 215 E. McKinney Street, Denton, Texas at which the following items were considered:

PRESENT: Council Member, Greg Johnson; Mayor, Chris Watts;
Council Member, Joey Hawkins

STAFF PRESENT: George Campbell, City Manager; Bryan Langley, Assistant City Manager; Howard Martin, Assistant City Manager; Chuck Springer, Director of Finance; Antonio Puente, Assistant Director of Finance; Phil Williams, Denton Municipal Electric, General Manager; David Wilson, Business Analysis & Energy Risk Manager; Mary Dickenson, Business Manager; and Sarah Lollar, Recording Secretary.

OTHERS PRESENT: David Medanich with First Southwest Company

The following items were considered:

OPEN MEETING:

1. Hold a discussion and appoint a Chairperson for the Audit/Finance Committee.

Chuck Springer, Director of Finance acted as Chair until the chair was elected.

Council Member Joey Hawkins made a motion to nominate Council Member Greg Johnson. Mayor Chris Watts seconded the motion. Motion carried unanimously.

2. Consider approval of Audit/Finance Committee Minutes of March 30, 2015.

Council Member Joey Hawkins made a motion to approve the minutes. Mayor Chris Watts seconded the motion. Motion carried unanimously.

3. Management Report – Budget amendment for the FY 2014-15 Operating and Capital Improvement Budget.

Springer presented the two funds recommended for increases in the proposed budget amendment. The first proposed increase is for the Materials Management Fund and the second increase is for the Electric Fund. The amendment for the Materials Management Fund is a \$2.7 million increase needed for substantial growth related to capital activity across the City resulting in an approximate 30% increase in warehouse sales this fiscal year.

The second proposed amendment is a \$10 million increase for the Electric Fund. Discussions on lowering the ECA (Energy Cost Adjustment) rate was brought before PUB (Public Utility Board) in June recommending to take some of the over collection and applying the funds toward refunding of debt. This action will produce debt service savings. The PUB also recommended lowering the ECA rate starting in October.

Discussion continued about how this amendment would give the Electric Utility budgetary authority to contribute from the operating fund to the refunding.

Council Member Hawkins made a motion to approve. Committee Chair Greg Johnson seconded the motion. Motion carried unanimously.

4. Receive a report, hold a discussion, and give staff direction regarding the upcoming issuance of General Obligation Refunding Bonds.

Springer presented the first portion of the GO (General Obligation) Bond Refunding is to refinance a portion of the \$13,431,467 in TMPA (Texas Municipal Power Agency) Capital Appreciation Bonds due in 2016. Staff proposes to apply \$10 million in cash and refinance the remaining \$3.4 million through refunding bonds issued with a final maturity in 2024.

Springer explained that the second portion of the GO Bond Refunding is to refund 2005 and 2006 outstanding Revenue Bonds series for savings. The principal amount of the bonds is \$37.3 million with a current interest rate of 4.84%. Staff expects that refunding these bonds will lower the interest rate to 2.20 % saving approximately \$7.5 million split between the Water, Wastewater, and Electric Funds over the life of the remaining debt.

Mayor Watts requested future training to be scheduled to discuss all the different type of bonds and how the bonds are issued.

Discussion was had about maintaining a healthy debt coverage ratio in order to take advantage of competitive interest rates through 2018.

Mayor Watts made a motion to approve. Council Member Hawkins seconded the motion. Motion carried unanimously.

Mayor Watts discussed plans for the future once TMPA debt is paid.

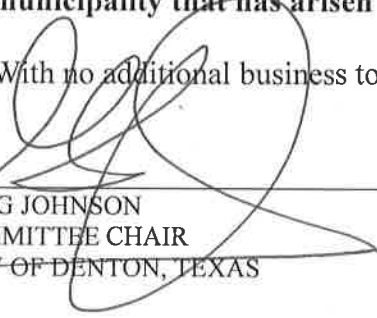
5. Under Section 551.042 of the Texas Open Meeting Act, respond to inquiries from the Audit/Finance Committee or the public with specific factual information or recitation of policy, or accept a proposal to place the matter on the agenda for an upcoming meeting

AND

Under Section 551.0415 of the Texas Open Meetings Act, provide reports about items of community interest regarding which no action will be taken, to include: expressions of thanks congratulations or condolence; information regarding holiday schedules; an honorary or salutary recognition of a public official, public employee, or other citizen; a

reminder about an upcoming event organized or sponsored by the governing body; information regarding a social, ceremonial, or community event organized or sponsored by an entity other than the governing body that was attended or is scheduled to be attended by a member of the governing body or an official or employee of the municipality; or an announcement involving an imminent threat to the public health and safety of people in the municipality that has arisen after the posting of the agenda.

With no additional business to be addressed, the Committee adjourned at 10:53 a.m.



GREG JOHNSON
COMMITTEE CHAIR
CITY OF DENTON, TEXAS



SARAH LOLLAR
RECORDING SECRETARY
CITY OF DENTON, TEXAS