

# CITY OF DENTON CITY COUNCIL MINUTES

August 1, 2013

After determining that a quorum was present, the City Council convened in a Work Session on Thursday, August 1, 2013 at 8:30 a.m. in the Council Work Session Room.

PRESENT: Council Member Engelbrecht, Mayor Pro Tem Kamp, Council Member Hawkins, Council Member Gregory, Council Member Roden, Mayor Burroughs

ABSENT: Council Member King

1. Receive a report, hold a discussion, and give staff direction regarding the FY 2013-14 City Manager's Proposed Budget, Capital Improvement Program, and Five-Year Financial Forecast.

City Manager Campbell stated that this was the first of at least six budget work sessions scheduled until adoption of the budget. Staff would hold as many of the work sessions as necessary and could add more if needed. A public hearing was also planned which was required by State law. The proposed budget exceeded \$487 million in spending and combined with the CIP program exceeded \$835 million. The proposed budget was a significant policy document and programmed in \$1 million in savings through the managed vacancy program.

Council Member King arrived at the meeting.

Chuck Springer, Director of Finance, presented the details of the proposed budget.

Budgetary Priorities – budget priorities included (1) continued street maintenance expansion, (2) other General Fund infrastructure maintenance, (3) public safety staffing, (4) competitive compensation plan, (5) utility infrastructure, and (6) manage TMPA debt requirements in Electric Utility. All of these priorities would be under the direction of the Strategic Plan.

Strategic Plan - Key Focus Areas – These areas included organizational excellence, public infrastructure, sustainable economic development & environmental stewardship, safe, livable and family friendly community, and partnerships and regional leadership.

Council Member Roden asked if there was a dollar figure with each focus area.

Springer stated that there was no dollar amount specifically set per focus area.

Council Member Roden suggested that as staff was thinking about priorities with supplemental requests that they see how they related with a dollar amount and key focus areas.

Mayor Burroughs stated that he could not find any language in the key focus areas dealing with customer satisfaction as opposed to customer service. He thought that was an area that Council had agreed to include in the Strategic Plan.

City Manager Campbell stated the actual words in the plan was not changed towards customer satisfaction but staff was working towards those goals of customer satisfaction.

Mayor Burroughs felt that unless the words appeared in the Plan, it would be easy to not follow that direction.

Council Member Gregory felt that the targets would be more meaningful if there was some kind of base line for comparison.

Springer stated that the quarterly updates that were provided Council had those figures included.

Council Member Gregory stated that a target he wanted to see was the goal in terms of preparing a certain number of feet/miles for sidewalks and on-site bike facilities. He felt that needed to be memorialized.

Mayor Pro Tem Kamp stated that was included in the sustainability portion of the plan.

Springer continued with Assumptions for the General Fund – (1) assessed value increases from 3.81% for 2013-14 and 4% for 2014-15 and beyond, (2) a property tax rate with a debt service tax rate based on expenditures and a one cent tax rate increase in 2014-15, (3) a sales tax for 2013-14 at 4.2% above the 2012-13 revised estimate with 2014-15 and beyond at 3%, (4) franchise fees having all growth in franchise fee revenues transferred to the Street Improvement Fund, and (5) building permit fees having an anticipated increase of \$150,000 in 2013-14 in excess of growth due to planned update of the fee schedule.

Sales Tax - The sales tax from 2007-08 through 2013-14 was reviewed. The projection for 2012-13 was \$250,000 below budget. The proposed budget for 2013-14 had a growth rate of 3% plus increases from Rayzor Ranch North and Golden Triangle Mall.

Compensation and Benefits - Civil Service pay adjustments were included to meet the goal of 5% above survey cities and STEP increases. All other employees would be eligible for a 3% average merit increase and equity adjustments for those below market. Future fiscal years had a 3% package. Health insurance had a 6% annual increase in city contributions. Employee contributions were expected to rise between 5% to 10% depending on the plan.

Mayor Burroughs stated that in terms of the 5% Civil Service increase above the average, if all the other cities had the same type of provision, it would force an automatic artificial 5% raise.

Springer stated that it could end up with all of the cities trying to catch up with each other and become a cycle of raises among all of the cities.

Council Member Roden asked if the equity adjustment would be an on-going program.

City Manager Campbell stated that it probably would be done all of the time but at least 2-3 more years until the majority of the employees reached midpoint in their pay range.

Council Member Roden felt that it appeared to be policy procedure.

Springer stated that the equity adjustment was only about \$100,000 of the budget.

Council Member Gregory stated that at the School District there were always positions not at midpoint. If the District did not always address it, the scale ended up sliding further down, hiring young people, training them and then they would leave to somewhere where they could

get more money. He felt it should always be there because there would always be positions not at midpoint.

Council Member King added that being in a metropolitan area also helped create the situation as people were able to drive to other locations for higher wages.

Mayor Pro Tem Kamp asked if the City increase in health insurance was for the cost of the insurance or was the city increasing the amount of contribution.

Springer stated that the increase was due to the cost of medical inflation. The cost of clients was going up due being to self-insured

Vacancy Management/Salary Savings – it was estimated that the vacancy management savings in 2012-13 would be \$900,000. The budgeted savings in 2013-14 was \$1 million. These were savings from normal turnover and management control over filling of vacant positions. The program added additional flexibility to deal with any revenue shortfalls.

Springer reviewed the General Fund proposed and projected budget in terms of the beginning fund balance, revenues, expenditures, operating surplus, new expenses, total anticipated expenditures, ending fund balance, change in fund balance and fund balance as a percent of expenditures for proposed 2013-14, and projected for 2014-15, 2015-16, 2016-17, and 2017-18.

Mayor Burroughs stated that Council changed the Fund Balance goal to 20% in order to demonstrate stability for bond purposes. When looking at the outer years, the projections were a Council determination and what they felt was most appropriate.

Springer reviewed charts showing General Fund revenue for the proposed budget, General Fund expenditures by category for the proposed budget and General Fund expenditures by function for the proposed budget. The General Fund supplemental packages for 2013-14 were reviewed.

Council discussed the parking enforcement supplemental package. Council Member Gregory suggested reconsidering meter parking in the Downtown area instead of 2 hour parking. He felt it would help in terms of management of parking and asked if Council would be interested in exploring that possibility.

Springer continued with a review of the supplemental packages funded in the current fiscal year, the internal service fund supplemental packages, the special revenue fund supplemental packages and the Council requests for funding.

Property Value and Tax Rate – Springer presented the proposed tax rate, the effective tax rate, the rollback tax rate and the certified taxable value. Appraised values and increases were noted. The proposed budget included a \$5,000 increase in the over 65 exemption to \$50,000 for 2013-14 to achieve the goal set in 2009. That increase would be adopted by Council on September 17<sup>th</sup>.

Tax Increment Reinvestment Zones - TIRZ #1 (Downtown) was established in 2012. The base value, estimated revenue and funding available including prior balances was reviewed. TIRZ #2 (Westpark) was established in 2012. The base value and certified value were reviewed.

Street Improvement Fund – there was an estimated \$11.6 million OCI related spending in 2017-18 including bond funding. At this level of funding, the OCI rating would stabilize in 2017-18. This would also require an additional \$20 million in bond funding after 2016-17 to maintain stabilization. Additional discussion of funding options would be held at the August 13th meeting. Supplemental packages of base failure crew and equipment and roadway impact fee study were proposed.

Engineering and Development Services - this would be a new internal service fund and would consolidate positions from the Water, Wastewater, and the General Fund. It would oversee the functions of capital engineering, development review engineering, contract engineering, public works inspections, and real estate. It did not include the engineering functions of DME. The total anticipated expenditure was \$4.7 million and included three new FTE's in Engineering and Development Review.

Water Utility Fund – the focus was on infrastructure replacement and needed expansion of the system along with continuing to increase revenue funded infrastructure replacement to cover transmission and distribution replacement at 100% and plant at 25%. A rate increase of 4% for 2013-14 was proposed.

Wastewater Utility Fund – the focus was on infrastructure in terms of replacement, expansion and the sanitary sewer overflow program. It also included a continuing program to build to planned level of revenue funded replacement. A rate increase of 9% for 2013-14 was proposed.

Solid Waste and Recycling Fund - major projects included property/permit expansion, compressed natural gas fueling facility, grease and grit trap processing and building finish out. A rate increase of 3% for standard cart with recycling and 5.3% for large cart with recycling was proposed. Commercial rates would increase an average of 3.6%.

Electric Utility Fund - included TMPA debt payoff, replacement of aging infrastructure, and construction of transmission system with increased revenue to DME. 21 new FTE's with 11 for Energy Management, 7 for Capital Program and 3 for Operations. A base rate increase of 2.5% for 2013-14 and each year thereafter for 4 years until the TMPA debt was fully absorbed was proposed. The overall monthly rate impact for the average residential customer was reviewed.

2013-14 Capital Program – the total new funding including utilities was \$159.7 million. That was broken down into Utility Cos, refunded Utility Revenue Bonds, and General Government. General Government included streets, traffic signals, fire station, Civic Center pool, vehicle replacements and facility maintenance.

Council Member Gregory requested the same analysis if a 1 cent debt service tax increase was done and also if a 1 1/2 cent increase was done.

Potential Future Bond Program – information was presented on the estimated size of future bond program at \$50.8 million over six years. It would require an estimated 1 cent debt service tax increase in 2015-16 to fund the program under current growth assumptions. It would not impact the 2013-14 capital program. Position additions for 2013-14 was discussed.

Next steps – (1) vote on the tax rate required notices on August 6th, (2) public hearings on the budget on August 20th and September 10<sup>th</sup>, (3) budget discussions set for all work sessions from August 5th through September 10<sup>th</sup> and (4) budget adoption on September 18th.

Council Member Engelbrecht felt that all of the Downtown grant money should not be put into one fund to be used just for Downtown.

Council Member Hawkins felt that the program was not well known and in a few years all of the funding would be used.

Council Member Gregory felt the Downtown was the uniqueness of the City.

Council Member Roden asked about the supplemental request to relook at the economic development study.

City Manager Campbell stated that was a good topic for discussion for a strategy on how to go forward. A possibility would be to amend the current contract with the Chamber until discussions were completed.

Mayor Burroughs stated that discussion was open regarding unfunded elements of the budget.

Council Member Gregory stated that last year or the year before there were discussions about shifting the cost for school resource officers. He did not see anything in budget about that but was curious to know about an update on where the City was with school resource officers.

Council Member Gregory stated that one of items in the unfunded supplemental packages was supplemental bike lanes. He had reread updates on linkages for bikes and pedestrians which called for two different groups of immediate range facilities and short range on streets for 4-10 year terms. The plan would be doing about 35 miles in immediate needs and another 35 miles in the short range. The anticipated cost was \$600,000 to \$1.4 million with the median at \$900,000. He requested more information on how to determine what was reasonable and what could be done in this area, what to expect and what needed to be put in the fund in order to meet the goals for that plan.

Mayor Burroughs suggested a process whereby some issues might have direct answers and could be completed easily. Council could identify policy issues to address in more detail at the next budget session.

Mayor Pro Tem Kamp asked that the Downtown shuttle service be revisited. She also would like to discuss the Park Foundation request for \$35,000 for a part-time director.

Mayor Burroughs suggested looking at an update on DCTA when appropriate to consider the Downtown shuttle service. He would also like an evaluation of a possible 311 system and a consideration of a possible administrative assistant for Mayor and Council. There was a possibility of an internship position maybe from UNT.

Council Member Roden stated that a discussion of a 311 system was on the agenda for Citizens Engagement and that presentation could also be made to Council. He suggested also working with United Way on the use of interns as they eliminated a position and substituted it with interns.

Council Member King requested looking at the North Texas State Fair long term planning and possibly helping with a relocation within the city.

Council Member Roden requested more details regarding Code Enforcement managed vacancies and the goals with management vacancies. He suggested looking back at prior funding programs and providing insight on how the process worked.

Mayor Burroughs noted that a budget goal of Code Enforcement was to continue the 12,000 notices and felt Council needed to talk about that. He did not feel that should be an institutional goal. He also suggested discussing the moving some of the FTE's to work with individuals to improve properties, such as grant abilities, using community resources to help improve the projects and reallocating staff to a more constructive mode.

City Manager Campbell noted that if that were done, there would have to be a balance between keeping a quality of life in the community and softening compliance.

Council Member Roden requested a discussion regarding Verizon and a Downtown grant for high speed fiber in the area in terms of options for the area.

Mayor Burroughs requested a discussion on infill and redevelopment issue and how it was being addressed.

Following the completion of the Work Session, the City Council convened in a Closed Meeting at 11:10 a.m. to consider the specific item listed below under the Closed Meeting section of this agenda.

1. Closed Meeting

A. Deliberations Regarding Certain Public Power Utilities: Competitive Matters - Under Texas Government Code Section 551.086.

1. Receive competitive public power information and competitive financial information from staff in the form of the draft operating budget for Denton Municipal Electric ("DME") for FY 2013-2014, including without limitation, revenues, expenses, and commodity volumes; discuss, deliberate, and provide staff with direction regarding such matters.

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Council returned to Open Session following the completion of the Closed Session and with no further business, the meeting was adjourned at 11:25 a.m.

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MARK A. BURROUGHS  
MAYOR  
CITY OF DENTON, TEXAS

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JENNIFER WALTERS  
CITY SECRETARY  
CITY OF DENTON, TEXAS