

CITY OF DENTON CITY COUNCIL MINUTES

June 7, 2011

After determining that a quorum was present, the City Council convened in a Work Session on Tuesday, June 7, 2011 at 2:30 p.m. in the Council Work Session Room at City Hall.

PRESENT: Council Member King, Council Member Watts, Council Member Gregory, Council Member Engelbrecht, Council Member Roden, Mayor Pro Tem Kamp, and Mayor Burroughs.

ABSENT: None

1. Citizen Comments on Consent Agenda Items

Cathy McMullen spoke on Consent Agenda Item 4N, the gas well fees. She knew that the fee structure had been sent to a consulting company for suggestions. She reviewed the fees from Fort Worth, Arlington, and Hurst and noted that Denton's fees were lower than area cities. Currently there was no fee scheduled for watershed protection and if there was not going to be a fee for that then drilling should not be allowed in the watershed or floodplain.

2. Requests for clarification of agenda items listed on the agenda for June 7, 2011.

Council Member Watts indicated that he would be pulling Consent Agenda Item 4N for separate consideration.

Council Member Gregory asked about Consent Agenda Item 4H, noting that there was a lengthy debate at the Public Utilities Board meeting regarding the purchase of a hybrid SUV as opposed to a non-hybrid. He asked if there was an analysis done on the extra cost versus what was anticipated savings.

City Manager Campbell stated that there were a number of different issues involved in evaluating the hybrid, one of them being how the vehicle was going to be used. Because the use would be a city-type use on the low end of mileage, it was determined that payback would be much better in a four-five year period as opposed to a ten-fifteen year period for non-hybrid vehicle. Because the payback would be quicker based on the use of the vehicle and the operating costs would be less, it was determined that the hybrid would be a good purchase.

Mayor Burroughs asked about Consent Agenda Item 4G and whether buying local with a local discount was considered.

Elton Brock, Purchasing Manager, stated that staff took very seriously the policy to buy local and were working on a policy to ensure those procedures would be in place.

Council Member Watts asked about Consent Agenda Item 4I relative to future renewal of the contracts. Some contracts were renewed by the City Manager and some by Council. He asked if there was a policy on which ones fell into which categories.

Bryan Langley, Chief Financial Officer, stated that some contracts were being administratively renewed if they were ministerial in function. This contract was one of those but could be approved by Council if Council desired.

Council Member Watts asked about the contract price for 2012. If there was no price indicated, he would prefer that it came back to Council.

Langley stated that the price was based on the consumer price index as noted in Section 7A.

3. Receive a report and hold a discussion concerning the status of the Denton County Transportation Authority's A-train project and the proposed ribbon cutting events for the A-train stations and Downtown Denton Transit Center.

Dee Leggett, DCTA, presented the information on the progress of the A-train. The project components consisted of (1) light rail new technology vehicles, (2) a 21-mile corridor, (3) expanded hike and bike trails, (4) a Loop 288 overpass, (5) a rail operations and maintenance facility and (6) five stations. She reviewed the A-train construction progress and indicated that first responder training would be completed this week. Over 500 responders had been trained for the corridor. The A-Train vehicle procurement was discussed. The service would open with an interim vehicle. The new generation vehicle was currently in production. A base waiver to operate with temporal separation of freight service had been approved by the FRA.

Mark Nelson, Director of Transportation, presented information concerning the Hickory Street Sidewalk Enhancements. He demonstrated the median barriers, tree wells, and sidewalk enhancements.

Council Member Roden asked for a time line when the sidewalks would be constructed.

Nelson stated that it was 30% designed at this point. Staff was looking to bid the project in late summer and construction in October. The project should be completed by the end of the year.

Mayor Burroughs noted that the median designs were part of what was suggested for the quiet zones and asked about the construction schedule on the impact of the quiet zones.

Nelson stated that the design was being done now to have in place with the quiet zones.

Council Member Gregory noted that the buses would be crossing the tracks at Sycamore which was a very hard crossing. He asked where in the discussions were they on making it a better crossing.

Nelson stated that DCTA was working with staff on how to correct the intersection.

Leggett continued that the Robertson Street realignment had been completed. The community seemed pleased with the design. DCTA had added additional fencing to address safety concerns. Staff was assisting the residents with the address change. She continued with a review of the Positive Train Control.

Council Member Roden asked about the placement of the fencing.

Leggett stated that it was along Robertson between the Fred Moore School and the corridor. Additional fencing was added between Robertson and the culvert by the bridge. She continued

with the A-Train service launch and opening events, the operational schedule, and the A-Train fare schedule.

Mayor Burroughs asked what was the current financial outlook for DCTA and if there was a deviation from the budget.

Jim Witt, DCTA, stated that they were in better shape than anticipated. Ridership was very important to meet goals.

Council Member Engelbrecht asked when the trains would go silent.

Leggett stated that they were near final completion and after June 16th DCTA would stop routinely blowing horns. The Shady Shores crossing and Corinth applications were not completed yet so the horns would continue to blow at those intersections until the process was completed.

4. Receive a report, hold a discussion and give staff direction on the FY 2011-12 Proposed Budget, Capital Improvement Program, and Five Year Financial Forecast.

Bryan Langley, chief Financial Officer, presented the preliminary look at the FY 2011-12 proposed budget and five year financial forecast.

The Overview and Purpose of the presentation was to (1) examine municipal budgeting concepts, (2) review adopted 2010-11 long-term financial plan and key assumptions, (3) discuss key aspects of the General Fund budget, (4) review the preliminary 2011-12 Five Year Financial forecast for the General Fund, (5) discuss strategic considerations in the development of the upcoming budget (6) review preliminary GO debt service, utility fund budgets, and other key information and (7) outline next steps.

Municipal Budgeting Concepts - Fund accounting concept was a key to understanding municipal budgets. Each fund had unique cost drivers and revenue stream. Policies and strategic priorities should drive the formulation of budgets. Multi-year financial plans should be developed so that decision makers understood long-term impact of choices.

Summary of Adopted Assumptions for 2010-11 – the 2010-11 budget assumptions in terms of appraised value growth, sales tax growth, compensation, tax rate and future bond sales was reviewed. The adopted 2010-11 General Fund long term plan assumed a 2% decline in ad valorem tax in 2012; a 3% growth in 2013; and a 4% in each year after. This included a 1 cent tax increase in 2014-15.

The General Fund would be discussed in terms of (1) fund balance, (2) revenue characteristics, (3) sales tax, (4) appraised value, and (5) other key revenues.

Fund Balance Reserves – the beginning fund balance level was approximately \$2.6 million more than previously forecasted in the 2010-11 budget. It was expected to remain above the target level over the planning horizon.

General Fund Revenue Components included (1) ad valorem taxes, (2) sales taxes, (3) franchise fees, (4) transfers, (5) service fees, (6) fines and fees and (7) other. Approximately 85% of the revenue was in the top four categories. The changes in sales tax collections were reviewed. The current estimate for 2010-11 was \$22.478 million. That equated to \$0.9 million or 3.96% above the budgeted amount of \$21.6 million and \$1.5 million or 6.96% above 2009-10 of \$21 million.

Sales tax projections - to provide a clearer picture of the cost and benefits of sales tax rebate agreements, incentives were now included in the expenditure budget. Economic Development Incentive Agreements previously netted from revenue was shown. A 2% increase in "base" sales tax revenue was forecasted for 2011-12.

Appraised values - using the average experience as a guide, the 2011 appraised values would fall 8.63% to \$6.424 billion. A 2% decline was forecasted for financial planning purposes.

Mayor Burroughs suggested at some point to look at the trend of protests and see how those were being resolved. The updated appraised value growth estimates assumed a moderate economic recovery.

Langley continued with a discussion of appraised values. The preliminary Appraisal District information indicated most properties would not increase in value in Denton County. The future appraised value growth estimates assumed a moderate economic recovery. He reviewed the appraised value distribution and appraised value history.

Property tax rate – the property tax rate was comprised of two components - operations and maintenance and GO debt service. Operations and maintenance funds were deposited into the General Fund. The GO Debt Service funds were deposited into the GO debt service fund. The 2011 total tax rate per \$100 of valuation was \$0.68975. There was no proposed increase tax rate for 2011-12 but staff would seek the effective tax rate which was the tax rate that yielded the same amount of revenue as last year.

Other Key Revenues - Franchise fees were expected to increase by approximately \$587K compared to 2011. Pending bills in the Legislature that may affect revenue included mixed beverage taxes which could be reduced by 20%; ambulance fees that may be reduced due to Medicaid changes; and Library support at \$45K per year. Interest income was expected to remain extremely low due to unusually low interest rates.

General Fund expenditures were discussed in terms of (1) expenditure characteristics, (2) cost containment characteristics; (3) cost containment strategy/reductions, (4) compensation plan and (5) preliminary FY 2011-12 General Fund Five Year Forecast. General Fund expenditure components were presented along with General Fund budget by department.

Prior reductions - in 2009-10 approximately \$1.2 million in reductions were included in the adopted budget. The FY 2010-11 General Fund budget included approximately \$5.2 million in reductions compared to initial forecasts.

Vacancy Management Plan - no layoffs were included in the Vacancy Management Plan but the equivalent of 22 positions was not filled in FY 2010-11. The Vacancy Management Program

sought to achieve at least \$1.45 million in savings. Savings were achieved by not filling approximately 22 positions. While a specific group of vacant positions was initially targeted, the purpose of the Plan was to manage to a total savings amount rather than a set of positions.

City Manager Campbell stated that staff was looking in the future to keep those positions.

Council Member Gregory asked to see an update list of where the vacancies were.

Cost Containment Strategy – Langley stated that for FY 2011-12 the intent was to maintain previous reductions made in FY 2010-11 and FY 2009-10. Additional efficiencies and cost reductions would also be explored and were not expected to be as significant as prior years.

Efficiency Team – In FY 2009-10, the Team was created to identify savings accounts across multiple departments and functional areas. Approximately 45 potential topics were considered by the Team. As a result, a second phase of this project was warranted with the intent to create a permanent emphasis on efficiency and business process review. Staff did not anticipate achieving a cost savings similar to Phase I. Examples of Phase II projects may include the use of equipment pools/reductions in the number of vehicles, full cost recovery fee analysis, reduction in work week/closure of facilities, continued review of departmental budgets, and analysis of delinquent accounts.

Compensation – FY 2009-10 included a one-time lump sum payment equivalent to 2% of pay. The FY 2010-11 did not include any merit increases but 2% was forecasted for each subsequent year. For FY 2011-12, a 2% merit increase was planned but was still being evaluated.

Mayor Burroughs asked for a separate demonstration that showed retirements and how that charted out.

Langley stated that there were no costs in the General Fund for retirees except for the pension rate.

General Fund Supplemental Packages - Over \$4 million were submitted to the City Manager for consideration in the General Fund. This amount excluded additional street maintenance funding. Over the coming weeks, the City Management Team would review these requests and make funding recommendations. Only \$0.5 million was expected to be allocated each year for supplemental packages in the five- year financial forecast.

The preliminary FY 2011-12 General Fund Long Term Plan was presented. Version A proposed no reductions restored, maintained vacancies, and had no increase in street funding.

Strategic considerations discussed included (1) a review of the Strategic Plan, (2) a discussion of key focus areas, (3) and the alignment of budget development with strategic plan objectives.

Strategic Plan Review - Council approved the Strategic Plan on April 5th. It defined who we are, where we wanted to go, and how we planned to get there. It was intended to focus and enhance the budget process; ensure policy and administrative decision-making based on a proactive approach; create stability for community and organization; incorporate citizen

feedback; and link organizational direction to the City's established vision, mission and values. Key focus areas included (1) organizational excellence, (2) public infrastructure, (3) sustainable economic development and environmental stewardship, (4) safe, livable and family friendly community, and (5) partnerships and regional leadership. The Key focus areas and goals were reviewed.

Street Maintenance would be discussed in terms of street maintenance funding challenges, a proposed funding solution and revised General Fund long term plans.

Street Maintenance Funding – during the Council Planning Session the issues of the OCI (quality) rating, current level of street maintenance funding and long-term strategy was discussed.

Street Maintenance proposal – it was proposed to create a standalone street maintenance fund that would be separate and distinct from the General Fund. Additional street maintenance activities would be funded through the transfer of future increases in the Franchise Fee revenue compared to 2010-11 and the transfer of interest cost savings from Utility funds as a result of the issuance of Certificates of Obligation instead of Utility System Revenue bonds.

Council Member Engelbrecht asked about the possibility of backing into current franchise fees slowly to take up the slack.

Langley stated that they had looked into that but it was extremely difficult.

Funding Justification - franchise fees may appropriately be used for right-of-way acquisition, right-of-way maintenance and the use of streets in a public right-of-way. As a result of the issuance of Certificates of Obligation in lieu of Revenue Bonds, the interest cost savings would be generated in the Utility Funds. Interest cost savings were proposed to be transferred from the Utility funds to the newly created Street Maintenance Fund.

Possible Increases in Funding - Street Maintenance - Version B - the bond sale savings over the years from 2010-2016 were reviewed. It was noted that 25%, 50% and 75% of the franchise fee growth over FY 2010-11 would be allocated for FY 2012, 2013 and 2014 respectively. Each subsequent fiscal year assumed 100% of growth. This was a phased-in approach.

Preliminary 2011-12 General Fund long Term Plan Version B included no reductions restored, maintained vacancies, and increase in street funding. This version would add an additional street maintenance line in the budget.

Possible Increases in Funding Version C would include 100% of the franchise fee growth over FY 2010-11 allocated to each year. With that version, the preliminary 2011-12 General Fund Long Term Plan Version C included no reductions restored, maintained vacancies, and increase in street funding.

Mayor Burroughs announced that the Council would be going into Closed Session and would complete the Work Session items after the completion of the Regular Meeting.

Council convened into Closed Session to discuss the following:

1. Closed Meeting:
 - A. Certain Public Power Utilities: Competitive Matters - Under Texas Government Code Section 551.086.
 1. Receive a presentation, a status report thereon, and discuss, deliberate, consider and take action regarding public power competitive and financial issues and matters regarding the following:
 - a. the recent TMPA implementation of scrubber operations, and
 - b. the February 2, 2011 electrical power outage and the TMPA staff response thereto, and
 - c. the Texas Municipal Power Association (TMPA) financial forecast and the impact thereof on Denton Municipal Electric reserve funds, and
 - d. the effect of increasing transportation costs of Wyoming coal on TMPA fuel costs and alternatives.
 - B. Consultation with Attorneys - Under Texas Government Code Section 551.071.
 1. Consult with, and provide direction to, City's attorneys on legal issues associated with existing and potential regulation of gas well drilling and exploration within the Denton city limits and extraterritorial jurisdiction, including legal issues and strategies associated with the imposition, calculation and assessment of various local permitting and inspection fees as they relate to gas well drilling and production in the Denton city limits and extraterritorial jurisdiction.

Council convened into a Regular Session at 6:30 p.m. in the Council Chambers.

1. PLEDGE OF ALLEGIANCE

The Council and members of the audience recited the Pledge of Allegiance to the U. S. and Texas flags.

2. OATH OF OFFICE

- A. Oath of Office - District 3

Mayor Burroughs presented Jim Engelbrecht with a Certificate of Election.

City Secretary Walters administered the Oath of Office to Jim Engelbrecht, District Three.

3. PROCLAMATIONS/PRESENTATIONS

A. Proclamations/Awards

1. Presentation of the "Patriotic Employer" award to Lisa Manning by Leon Tribble representing the Employer Support of the Guard and Reserve.

Mr. Tribble presented the Patriotic Employer Award to Lisa Manning and the City of Denton.

4. CONSENT AGENDA

Mayor Burroughs noted that Item P had been pulled by staff from consideration and that Item N would be pulled for separate consideration.

Council Member Gregory motioned, Council Member King seconded to approve the Consent agenda and accompanying ordinances and resolutions with the exception Items N and P. On roll call vote, Council Member King "aye", Council Member Watts "aye", Council Member Roden "aye", Council Member Gregory "aye", Council Member Engelbrecht "aye", Mayor Pro Tem Kamp "aye", and Mayor Burroughs "aye". Motion carried unanimously.

Ordinance No. 2011-091

- A. Consider adoption of an ordinance of the City of Denton, Texas approving a Settlement Agreement between the Alliance of Oncor Cities ("AOC") and Oncor Electric Delivery Company LLC ("Oncor" or "Company") regarding the company's statement of intent to change electric rates in all cities exercising original jurisdiction; declaring existing rates to be unreasonable; adopting tariffs that reflect rate adjustments consistent with the settlement agreement and finding the rates to be set by the attached tariffs to be just and reasonable; finding the city's rate case expenses reasonable; directing Oncor to reimburse the City its reasonable rate case expenses; determining that this ordinance was passed in accordance with the requirements of the Texas Open Meeting Act; repealing any prior ordinances inconsistent with this ordinance and requiring delivery of this ordinance to the company and legal counsel and providing an effective date.

Ordinance No. 2011-092

- B. Consider adoption of an ordinance of the City of Denton, Texas, approving the 2012 Budget of the Denton Central Appraisal District, and providing an effective date.

Approved the Noise Exception listed below.

- C. Consider a request for an exception to the Noise Ordinance for the purpose of performing live music during Kodifest 2011, a fundraiser held at the North Texas State Fairground on Saturday, June 18, 2011. The concerts will begin at 2:00 p.m. and conclude at 11:00 p.m. This request is for an exception to the sound ordinance for amplified sound past 10:00 p.m. Staff recommends approving the noise exception request.

Approved the Noise Exception listed below.

- D. Consider a request for an exception to the Noise Ordinance for the purpose of playing music and operating a public address system during the Juneteenth Celebration. The event will be located in the Fred Moore Park on Friday, June 17, 2011, from 5:00 p.m. to 11:00 p.m., and on Saturday, June 18, 2011, from 10:00 a.m. to midnight. This request is for an exception to the hours of operation and for an increase in sound decibels from 70 to 75 decibels for the amplified sound. Staff recommends approving the requests.

Ordinance No. 2011-093

- E. Consider adoption of an ordinance on second reading to voluntarily annex approximately 1.148 acres of land located within the city's Extraterritorial Jurisdiction (ETJ) in accordance with Chapter 43 of the Texas Local Government Code. The site is located on the west side of Country Club Road; just north of the Education Center at Denton; between Ryan Road to the north and Brush Creek Road to the south. The Planning and Zoning Commission recommends approval (5-0). (A11-0001, Burch Property Annexation)

Resolution No. R2011-015

- F. Consider approval of a resolution by the City of Denton, Texas, authorizing the City Manager to sign and submit to the Department of Housing and Urban Development a 2011 Action Plan for Housing and Community Development with appropriate certifications, as authorized and required by the Housing and Community Development Act of 1974, as amended, and the National Affordable Housing Act of 1990, as amended; and providing for an effective date.

Ordinance No. 2011-094

- G. Consider adoption of an ordinance authorizing the City Manager to execute an Interlocal Cooperative Purchasing Program Agreement with the National Intergovernmental Purchasing Alliance Company (National IPA) under Section 271.102 of the Local Government Code, to authorize participation in various National IPA contracts for the purchase of various goods and services; authorizing the expenditure of funds therefor; and declaring an effective date (File 4730-Interlocal Agreement with the National Intergovernmental Purchasing Alliance Company).

Ordinance No. 2011-095

- H. Consider adoption of an ordinance of the City of Denton authorizing the City Manager or his designee to execute a purchase order through the Houston Galveston Area Council of Governments and Buy Board Cooperative Purchasing Network for the acquisition of five vehicles and/or equipment items for various City of Denton Departments by way of Interlocal Agreements with the City of Denton; and providing an effective date (File 4725-Purchase of Vehicles and Equipment for City of Denton awarded to multiple vendors in the amount of \$272,019). The Public Utilities Board recommends approval (5-0).

Ordinance No. 2011-096

- I. Consider adoption of an ordinance of the City Council of the City of Denton, Texas, authorizing the City Manager or his designee to execute a First Amendment to a

Professional Services Agreement for Audit Services with Weaver and Tidwell, LLP; authorizing the expenditure of funds therefor; and providing an effective date.

Ordinance No. 2011-097

- J. Consider adoption of an ordinance authorizing the City Manager to approve a Third Amendment to an Airport Lease dated September 15, 1987 as amended by Ordinance 2010-297 dated September 7, 2010 and by Ordinance 2011-035 dated March 1, 2011 between the City of Denton, Texas and First Financial Resources, Inc. at the Denton Municipal Airport; and providing an effective date. The City Council Airport Committee recommends approval (3-0).

Ordinance No. 2011-098

- K. Consider adoption of an ordinance of the City of Denton, Texas, providing for (I) a change in the name of Wye Street to "Robertson Street", from the intersection of Wye Street and Robertson Street to the intersection of Wye Street and Mill Street; and (II) providing for a change in the name of Robertson Street to "Jackson Street", from the intersection of Robertson Street and Jackson Street to the intersection of Robertson Street and Morse Street, all as more specifically provided in Exhibit "A", attached thereto; providing for severability and an effective date.

Ordinance No. 2011-099

- L. Consider adoption of an ordinance of the City of Denton, Texas, authorizing the execution of a First Amendment to Right of Entry and Possession ("Amendment"), by and between the City of Denton, Texas and the Denton County Transportation Authority ("DCTA"), amending that certain Right of Entry and Possession (the "Original Right of Entry"), by and between the City of Denton and DCTA, dated May 3, 2011, said Amendment providing the right to DCTA to allow retail sales at the Downtown Denton Transit Center ("DDTC"), the DDTC located in the Hiram Sisco Survey, Abstract Number 1184; and providing an effective date.

Approved the minutes listed below.

- M. Consider approval of the minutes of:
April 12, 2011
April 19, 2011
May 3, 2011
May 10, 2011

Resolution No. 2011-016

- O. Consider approval of a resolution by the City of Denton requesting the Texas Commission on Environmental Quality to consider implementing control measures for emissions of volatile organic compounds ("VOCs") from development of the Barnett Shale resources as a part of the rate of further progress goals for the 2012 State Implementation Plan for ozone.

This item was not considered.

- P. Consider adoption of an ordinance authorizing the City Manager of the City of Denton, Texas or his designee, to execute for and on behalf of the City a pipeline crossing

agreement, by and between the City of Denton, Texas, and the Union Pacific Railroad Company, relating to the construction, maintenance and operation of a sanitary sewer pipeline within the railroad right-of-way, located immediately north of said railroad right-of-way's intersection with McKinney Street at Mile Post: 718.95, Choctaw Subdivision within the Buffalo Bayou, Brazos and Colorado Railroad Company Survey, Abstract Number 185, City and County of Denton, Texas; authorizing the expenditure of funds therefor; and providing an effective date.

Resolution No. R2011-017

Q. Consider approval of a resolution of the City Council of the City of Denton, Texas, appointing a Member and a First Alternate to the Board of Directors of the Denton County Transportation Authority; providing a repealer; and providing an effective date.

Approved the Noise Exception listed below.

R. Consider a request for an exception to the Noise Ordinance for the purpose of performing live jazz music at the Sweet Y Café, located at 511 Robertson Street, on Friday and Saturday, June 17 and 18, 2011, beginning at 7:30 p.m. and concluding at 11:30 p.m. This request is for an extension of hours from 10:00 p.m. to 11:30 p.m. for amplified sound. The amplified sound will remain at the allowable 65 decibels. Staff recommends approval of the request for extending the hours of operation for amplified sound to 11:30 p.m.

Item N was considered.

Ordinance No. 2011-100

N. Consider adoption of an ordinance of the City of Denton, Texas setting Planning and Development Fees relating to Gas Well Drilling and Production in the City of Denton and its Extraterritorial Jurisdiction; repealing Section 2 of Ordinance 2010-183; and providing for an effective date.

Council Member Watts asked for a legal explanation for the relation of costs of services and fees.

City Attorney Burgess stated that municipalities were required to look at a fee issue and ensure that there was a rational relationship between the fees assessed and the actual work done. An assessment of the fees was done and recommendations were done by the consultant to assess the fees as noted in the backup. There was a differentiation between a fee assessment as appropriate and an improper tax which would not be appropriate

Mayor Burroughs noted that when a city imposed fees, they must provide the actual cost of service and not have a profit or be over the cost of service.

Council Member Watts motioned to adopt the ordinance as presented except for the second fee, the gas well development site plan fee. That fee would stay the current fee while the other fees would be as proposed in the ordinance.

Mayor Pro Tem Kamp seconded the motion.

Council Member Watts stated that as the process was moved forward towards Phase II, he would like some clarification on different costs. He did not want to be subsidizing fees from other departments.

City Manager Campbell stated that staff could provide a detailed comparison. There could be other changes in the scope depending on what happened with Phase II.

Council Member Watts asked if the fees could be revised if for some reason the activities associated with the fees were changed.

City Manager Campbell stated that the fees could be revised anytime the fees or services changed.

On roll call vote, Council Member King "aye", Council Member Watts "aye", Council Member Roden "aye", Council Member Gregory "aye", Council Member Engelbrecht "aye", Mayor Pro Tem Kamp "aye", and Mayor Burroughs "aye". Motion carried unanimously.

5. CONCLUDING ITEMS

- A. Under Section 551.042 of the Texas Open Meetings Act, respond to inquiries from the City Council 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.

Council Member Gregory requested a work session on citizen representatives for the Phase II of the gas well ordinance.

Council Member Watts asked for an update on the bid with the County for property including potential legal ramifications.

Council Member Roden asked about putting information on line regarding the process for Phase II of the gas well ordinance.

Council Member Engelbrecht mentioned the weekend activities associated with the anniversary of Ruth's Room.

- B. Possible Continuation of Closed Meeting under Sections 551.071-551.086 of the Texas Open Meetings Act.

Mayor Burroughs announced that Council would be returning to Closed Session to complete the items not considered during the earlier session.

- C. Official Action on Closed Meeting Item(s) under Sections 551.071-551.086 of the Texas Open Meetings Act.

There was no official action on either session of Closed Sessions.

1. Closed Meeting:

- C. Deliberations regarding Real Property - Under Texas Government Code Section 551.072; Consultation with Attorneys - Under Texas Government Code Section 551.071.

- 1. Discuss, deliberate, and receive information from staff and provide staff with direction pertaining to the acquisition or the condemnation of a fee simple tract, a temporary construction easement tract, and a public utility easement tract for the Mayhill Road Widening and Improvements project, affecting real property tract in the M. Forrest Survey, Abstract No. 417, in the City and County of Denton, Texas. Consultation with the City's attorneys regarding legal issues associated with the acquisition or condemnation of the tracts referenced above where a public discussion of these legal matters would conflict with the duty of the City's attorneys to the Denton City Council under the Texas Rules of Disciplinary Conduct of the State Bar of Texas, or would jeopardize the City's legal position in any administrative proceedings or potential litigation.

- D. Consultation with Attorneys - Under Texas Government Code Section 551.071.

- 1. Consult with City's attorneys regarding status of litigation styled Sutton, et al. v. Walters, Cause No. 2011-60760-393, currently pending in the 393rd District Court of Denton County, Texas.

Following the completion of the Closed Meeting, the Council returned to Open Session at 7:55 to complete the discussion of Work Session Item #4.

- 4. Receive a report, hold a discussion and give staff direction on the FY 2011-12 Proposed Budget, Capital Improvement Program, and Five Year Financial Forecast.

Bryan Langley, Chief Financial Officer, continued with the General Obligation Debt Service Fund. It would be discussed in terms of updated long term forecast and assumptions and planned future bond sales and potential issues.

GO Debt Service Fund FY 2011-12 – no tax rate increase for the GO Debt Service Fund was planned. The appraisal growth assumptions mirrored those in the General Fund. Staff recommended issuing \$4 million in GO bonds which the funds were remaining from the 2005 bond election, for 2011-12. An additional \$4 million in COs were also proposed for vehicle

replacements and facility improvements. \$3 million in COs were also planned to be issued for the Animal Adoption Center consistent with Council direction.

GO Debt Service Fund - 2012 and beyond – a \$20 million street only bond program for 2012-13 was proposed. This was required for reconstruction of streets in conjunction with an increase in maintenance and required that the Public Safety Training Facility be delayed until funding could be obtained. The analysis assumed no tax rate increase in the GO Debt Service Fund. \$9 million in COs were also planned to be issued for the City's required match on Bonnie Brae and Mayhill projects in 2013-14. The future size and timing of additional GO bond elections would be dependent on economic factors.

Other major funds to be discussed included the electric fund, water fund, wastewater fund, solid waste fund, health insurance fund and other miscellaneous funds.

Overview of Utility Funds – The Public Utilities Board was still in the process of reviewing the financial plans for all utility funds. All funds assumed an average 2% increase in compensation for employees the same as in the General Fund. Expenditure reductions in prior years had been retained to minimize rate increases. There was an emphasis to maintain service delivery level.

Mayor Burroughs requested staff identify what other metroplex cities were doing as it would be helpful to know what other cities were doing in terms of compensation.

Langley stated that many other cities doing the same thing as proposed for Denton with a 2-3% increase. He reviewed the major impacts on the 2011-12 operating budget, CIP and Five Year Financial Forecasts and risks that may affect financial performance.

The following strategies and objectives had been developed to strengthen the financial integrity of each utility: (1) Phase in the replacement of aging infrastructure with current revenue funding and reduce reliance on debt financing, (2) reach and maintain sufficient reserve fund balances based on average daily expenses and unique operational aspects of each utility, (3) maintain water and wastewater impact fee reserve balances at \$1 million for each utility, (4) maintain water and wastewater development line reserve balances at \$1 million per Resolution R91-008 and (5) maintain debt coverage ratio of 1.25 or better for each utility.

Electric Fund - no base rate increase for electric utility customers was proposed. The revenue forecast had been reduced from the prior year estimate. Two new full-time employees were proposed. The major FY 2011-12 CIP projects were reviewed.

Council Member Watts asked about impact fees to fund additional infrastructure requirements on new development.

Howard Martin, Assistant City Manager, stated that impact revenue was used for debt service. New development did not pay for the whole cost of the infrastructure.

Water Fund – the proposed budget would have a net decrease of .5 full-time employees. A 9.5% rate increase was proposed to recover the reduced rate and impact fee revenue. Major CIP projects were reviewed.

Wastewater Fund – the Sanitary Sewer Overflow Program would require 3.5 additional full-time employees, new equipment and capital expenditures. Four new full-time employees would also be added to the fund. An 11% rate increase was proposed for FY 2011-12. Major CIP projects were reviewed.

Mayor Burroughs suggested a ten-year analysis to see where the city was in the process.

Solid Waste Fund - Curbside recycling services were proposed to be brought in-house in November 2012 which would result in a net lower cost than private services. Seven full-time employees would be need. New technologies and expanded service initiatives over the next 5 years were reviewed along with major CIP projects. The residential and commercial rate increases proposed for 2011-12 represented a \$.60 monthly increase on the medium cart refuse container and \$.10 monthly increase on recycling.

Council Member Watts noted that if people were paying for the multi-family recycling fee, the locations for recycling needed to be convenient. People were paying the fee and the number of locations was less.

Langley reviewed the overall monthly rate impact for the average residential customer. These rates were based on preliminary estimates. The Public Utilities Board would provide rate recommendations on June 27th.

Health Insurance Fund - employee insurance premiums were not expected to increase in 2011-12. The City contribution may increase 6% but this amount was still under review. Increases in co-pay for amounts for urgent care and ER visits, as well as a change in the prescription formulary were implemented in prior years. No changes were contemplated in 2011-12. The health services clinic was planned to be open in 2012.

Other Funds –the Hotel Occupancy Tax Committee had discussed the preliminary budget process for tourism and convention funds. The intent was to minimize an increase in funding for various organizations supported by HOT funds. The goal would be to increase the fund balance and create future capacity for convention related costs and services. The Fleet Services Fund may increase substantially due to pending negotiations with DCTA in terms of a joint fleet maintenance agreement with DCTA. .

Next Steps – Langley reviewed the upcoming budget schedule for June through September.

With no further business, the meeting was adjourned at 8:35 p.m.

MARK A. BURROUGHS
MAYOR
CITY OF DENTON, TEXAS

JENNIFER WALTERS
CITY SECRETARY
CITY OF DENTON, TEXAS