

AGENDA
AUDIT/FINANCE COMMITTEE
April 10, 2018
Meeting Minutes

After determining that a quorum is present, the Audit/Finance Committee of the City of Denton, Texas, convened in a regular meeting on April 10, 2018, at 10:00 a.m., in the City Hall Conference Room, at City Hall, 215 E. McKinney Street, Denton, Texas at which the following items will be considered:

PRESENT: Mayor, Chris Watts; Mayor Pro Tem Sara Bagheri; Council Member, John Ryan

STAFF PRESENT: Bryan Langley, Deputy City Manager/COO; Mario Canizares, Assistant City Manager; Antonio Puente, Jr., Director of Finance; Kevin An Mullen, Treasury Manager; Harvey Jarvis, Controller; Cody Wood, Assistant Controller; Umesh Dalal, City Auditor; Cassandra Ogden, Director of Procurement and Compliance; Jamie Lindsey, Compliance Officer; Karen Smith, Purchasing Manager; Scott Gray, Airport Manager; Todd Estes, Director of Capital Projects; William R. White, Deputy Chief of Police; Chad Allen, Deputy City Engineer; Dean Hartley, Facilities Manager; Nancy Towle, Budget Manager; and Theresa Jaworski, Recording Secretary.

Council Member John Ryan brought the meeting to order at 10:02 a.m.

OPEN MEETING:

1. ITEMS FOR INDIVIDUAL CONSIDERATION

A. Consider approval of Audit/Finance Committee Minutes of March 6, 2018.

Mayor Chris Watts made a motion to approve the minutes. Motion was seconded by John Ryan. Vote was unanimous.

Council Member Sara Bagheri joined the meeting at 10:04 a.m.

B. Receive a report, hold a discussion, and give staff direction regarding the status and options for capital projects related to the 2014 bond program.

Tony Puente, Finance Director, reminded the committee of April 27 meeting when staff met with the committee on several presentations given to the bond oversight committee, including options and recommendations on how to fully fund the Capital Improvement Program. The City Council had posed several questions on three specific projects that staff will address with presentations they have prepared.

The Ruddell Extension had an original budget of \$5.78 million included in the bond election. The revised estimate taken to the Council and the Bond Oversight Committee was a little over \$7

million. The City Engineer will go through that project and advise of the plan and alternatives for the committee's consideration.

1. **Ruddell Extension (Realignment) to Mingo Road** –

Director of Capital Improvement Projects Todd Estes, explained the Ruddell Extension project. This project was initiated due to safety concerns at the intersection at Ruddell and the City Service Center to the south. Willis Street is one of the primary entrances and exits for the Service Center laydown yard and any equipment or materials taken out to various work sites must go over the railroad tracks making an unsafe scenario. Estes noted the need for Ruddell to play a larger role in the City's Mobility Plan has been recognized in the past and reviewed the layout with the committee pointing out that roads not intended to handle heavy traffic, continue to build traffic and ties into the Ruddell project.

Estes reviewed scope of the project that consists of realigning Ruddell Street on the south side of the Union and Pacific Railroad tracks to square it up with the same street on the north side of the tracks, providing a suitable rail crossing for heavy construction vehicles and other traffic associated with the Service Center redirecting the traffic flow from the surrounding neighborhood. Union Pacific Railroad was requiring the closure of existing crossings at Willis and Partain Street in conjunction with the new crossing for Ruddell Street. The new alignment would improve connectivity and railroad crossing safety for both neighborhood and City vehicles. It also integrates well with the TWU master plan, while providing a better entrance to the university.

Estes explained that Ruddell was originally funded in 2014 to make a four-lane crossing, realign Ruddell recognizing that it will have more impacts in the future for mobility in the City. It eliminated two railroad crossings and a proposed traffic management center that would have been on the corner of Lattimore and Partain. As needs changed over time and the desire to have that building has not materialized, and a lot of the need for constructing that building for future operations and the need for improvements on the roads went away. This becomes more of a focus for Service Center Traffic to safely go out onto Mingo up Ruddell and vice versa to make a safer crossing. The need for Ruddell and that improvement is imperative, but it does not necessarily need to be done immediately. As staff was reviewing the Capital projects and where the budgets were, this is one of the projects where we had thoughts that this might be a project to expand at a grander scheme for the future and a future debt program but not necessarily build the ultimate project today.

Mayor Watts asked if this information was included in the backup for the meeting and suggested that it be added so that the public has an opportunity to see the plans. When discussing the Ruddell extension and the need to handle increased traffic, we are spending \$7 million. But the road to get us to this intersection is not going to be improved to handle that traffic in the near future.

Estes explained that staff's recommendation is to design this for what it needs to be so that when it goes to construction it is what you really need for the future in a later bond program and utilize the dollars that were actually purposed for this in 2014 for other project needs. We propose to use a portion of the 2014 bond dollars to reevaluate what needs to happen to Mingo, Ruddell long-term and put the plans together so they are shovel-ready for a 2020 bond program or a future bond program or if an alternative funding program came along before that time to build the

realignment of this intersection. Interest has been expressed to look at Mingo from Bell all the way up to Old North and how we might improve on that as we look at the needs of the City. That's going to play a bigger role as well. Our thought was to look at what really needs to happen and repurpose the remaining dollars to other projects.

Watts added when this first came to the committee in the bond program, his initial objection or concern was that we are still funneling that traffic through the neighborhood. If we do this, we should look at it more comprehensively. We're trying to direct Service Center traffic out safely. Now they are going through the neighborhood anyway. How can we eliminate funneling all that traffic through neighborhoods? If Ruddell and Mingo is improved, that's where the traffic needs to be flowing. I don't want to spend \$7 million in the future to do that. There may be other ways, with TWU expanding, there may be alternatives to consider. I'm glad we're taking another look at this. I would be hesitant to spend \$1 million on this design without considering other options.

Deputy City Manager Bryan Langley mentioned that staff did not discuss this with the Bond Oversight Committee. This discussion came from Council and the City Manager started looking at different perspectives that need to be considered. Staff will take this back to the Bond Oversight Committee for a recommendation on how to proceed in directing traffic down the main thoroughfares and away from neighborhoods.

Watts agreed better alternatives would be more helpful.

2. **Police Firing Range** –

Dean Hartley, Facilities Manager gave a brief update on the Police Firing Range. Location is at Western Boulevard running north and Airport Road on the corner. Ideal location for shooting range with a natural berm. Land is in the process of being conveyed from Rayzor Ranch or 3.6 acres providing frontage on Western Boulevard. Hartley went over the challenges and advantages of the range. Current status land donation is in Legal and real estate is being confirmed as soon as the documents are complete that should happen and see no problems. Only have a partial schematic design not too deep for any modifications for reducing cost. Some improvements have been made. Remainder of funds remaining for project is \$316,000. Estimate for construction and all other improvements on option 1 is \$1.1 million.

Watts asked if remaining funds available are from what amount.

Hartley replied the amount was \$485,000.

Hartley stated the goals are to: provide training classrooms, restroom facilities, for public safety department and provide required training for staff on our schedule and keep all sworn personnel current on their skills.

Option 1. Floor plan is very high level, basic masonry building, 50-year, custom designed for the intended use. Required security fencing for parameter to keep people from walking onto the range.

Option 2. Could be savings, if given direction to reduce the cost using another product instead of brick on the exterior, not metal. We could connect to City fiber at a later date, use the existing

entrance off Airport Road and improved parking already in place. \$1.1 million included an entrance off of Western Boulevard and the development would put it in as a shared entrance at that location.

Watts asked if there was no estimate on the security fence. I need to understand this process. This is a building that ammunition storage is secured. Need a breakdown on the actual cost of the structure. The estimate of \$350,000 - \$400,000 the same schematic as this design.

A discussion followed on the fencing currently in place, additional fencing required, the type of fencing that could be used to meet code, the restroom combination that will be placed on the property. The size of the building, cost, and difference in building square footage between two options.

Watts requested more detail to compare the two options

Langley added that the concept is not fully designed and that staff could come back with more specific floor plan and dimensions.

The committee requested more information on the options, including square footage, materials, to make a better comparison.

Langley stated that staff has received the committee's direction on the options presented and will bring the requested details back to the committee

3. **Fire Station #3** –

Puente introduced the Fire Station #3 project and reviewed the information provided and the on the spreadsheet.

Watts noted that 2014 bond package budgeted \$8.6 million for this project for plan, acquisition, design, everything. There was a financing shortfall. The cost of this project went up \$400,000 or five percent or less. That can be from things that were missed. The project was short and we had a decrease in the square footage which pushed the price per square foot up.

Langley noted that staff brought forth lots of projects at one time and lots of discussion on different allocations of bond projects and just wanted to make sure all your questions are answered. We will be happy to bring back more information if needed.

Puente recapped items. On the Ruddell Project there will be some additional work on that project then we will come back. We will discuss in the next agenda item what to do with the \$4.9 million in GOs for Ruddell, go ahead and issue or wait. We will also come back to you to have a more detailed discussion with you on the Firing Range, the specific options with details and schematics for comparisons. Fire Station 3 recommendation from you on issuance of COs and will have more discussion in the next item. We have the direction that we need and will go to the next item.

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

Puente stated the total CIP Program, General Government, Utilities, for 2017-18 contemplated the issuance for a little over \$120 million for a combination of GOs and COs. The work we've been doing over the last couple of months will recommend not issuing any debt, COs for any utilities including Solid Waste and none of that is included in this recommendation. Our recommendation is the issue of the next GO funded projects. We had a discussion with the Bond Oversight Committee and the list of projects that includes the \$4.99 million for Ruddell. If the committee decides to hold back on that, we can do that. Total amount for Street Improvements is approximately \$20 million, Drainage is \$2.5 million, \$1.5 million for Playground Replacements. We did advance funding for a playground at the Evers Park. We used funds previously for Vela that had been issued to get that completed and \$350,000 of the \$450,000 will be going back to the Vela Project for using those funds. Similar on the Tennis Center Remodel \$250,000 we advanced funds for the Northwest Trail from Evers to North Lakes to get that completed we used the funds that we had from the 2005 bond election. That project is completed so there is no reason to issue \$250,000 for trails, project is completed. We will be reimbursing the Tennis Center for the funds taken for the trails. Our recommendation is to issue \$24.74 million in GOs. This will be a 20 year bond. The current interest rates are about 4.5% and climbing so, the cost of financing is getting expensive.

Langley added on the Ruddell Project discussion, we can pull back on issuing those bonds, the \$4.9 million. We are looking at bringing forward a parameters ordinance to Council which will allow us to execute a bond sale up to six months. That will allow us time to go back to have a discussion with the Bond Oversight Committee, then meet with the Audit/Finance Committee or the full Council and discuss options for those bonds. We don't have to move forward with that right away certainly on the \$4.9 million. We don't have to make that decision. We can have more discussion over the next 30 to 60 days with the Bond Oversight Committee and the full Council on how to proceed.

Mayor Pro Tem Bagheri asked if the funding for the engineering part would be something funded out of General Fund.

Estes advised the project already has about \$800,000 and that is what has been utilized to generate drawings to this point. Would need to check on that balance but we propose to work with that fund for the design.

Bagheri confirmed, that there is no need for bond money.

Watts asked about the difference in the original plan for \$100 million and the \$24 million in total.

Puente explained that includes COs so there will be the additional \$9 million in General Government.

Watts reiterated that these are projects voted on and getting the funding so that we can get started on them right away.

Langley confirmed. Some are still in design but ready to get started, along with all the other projects that were presented. Absolutely. We are ready to go forward.

Watts stated he was in favor of pulling the Ruddell Extension out. Just do it when we need it.

Langley stated that would give us some time. If the decision is that we want to hold we can go to the Bond Oversight Committee and Council, we would have the chance to discuss reallocating those funds to Bonnie Brae or some other transportation area. That would give us a chance to talk though that and we definitely concur if that is the direction you want to go.

Puente stated that in addition to the GOs, we are recommending minus the Ruddell Project we recommending \$9.9 million in Certificates of Obligation and will require a Notice of Intent to be published. We are planning to bring that to Council on April 24. We will draft that but will have to wait 31 days before we can issue these COs but after the 31 days we will come back to full Council with recommendation to issue the COs and GOs at that time.

A discussion followed on vehicle replacement funding, Facility Maintenance and Airport Runway match.

Puente stated the revised recommendation staff will back out the \$4.9 million, making \$29 million that staff will recommend to issue in total. We will bring back the \$9.9 million to you on April 24, with the Notice of Intent, wait 31 days per state law before issuing those bonds. Then we'll get back to you towards end of May we will bring back to you an ordinance and we will have six months to issue bonds.


Watts recommended a motion to move this forward to Council and that \$4.9 million be excluded for the Ruddell Project. Motion seconded by Council Member Ryan. Motion carried unanimously.

Meeting adjourned at 11:09 a.m.

The Audit/Finance Committee approved the April 10, 2018, Meeting Minutes on April 30, 2018.



JOHN RYAN
COMMITTEE CHAIR
CITY OF DENTON



THERESA JAWORSKI
RECORDING SECRETARY
CITY OF DENTON