

# CITY OF DENTON CITY COUNCIL MINUTES

June 5, 2017

After determining that a quorum was present, the City Council convened in a Work Session on Monday, June 5, 2017 at 11:30 a.m. in the Council Work Session Room at City Hall.

PRESENT: Council Member Hudspeth, Council Member Briggs, Council Member Wazny, Council Member Ryan, Council Member Gregory, Mayor Pro Tem Bagheri, and Mayor Watts.

ABSENT: None.

## 1. Work Session Reports

- A. ID 17-622 Receive a report; hold a discussion, and give staff direction regarding the preliminary FY 2017-18 Proposed Budget, Capital Improvement Program, and Five Year Financial Forecast.

Chuck Springer, Director of Finance, stated that he would present an overview of the budget structure and budget process and a preliminary estimate for the 2017-18 Proposed Budget, with a focus on General, Water, Wastewater and Solid Waste Funds. He stated that the City was required by state law to annually adopt a budget and set a property tax rate by September 30. He stated that the budget included the major operating funds, internal service funds, capital funds, and special revenue funds.

He stated that the budget focused on cost containment and organizational efficiency. The proposed budget was set at no net rate increases and an effective property tax rate. The proposed budget continued the street maintenance expansion; expanded Public Safety response capacity; maintained utility infrastructure - replacement and expansion; maintained competitive compensation plan; and continued conservative budgetary and management practices as emphasized by the rating agencies.

The General Fund included Neighborhood Services, Public Safety, Transportation and Administrative and Community Services. General Fund Projection Assumptions included estimated Assessed Value Increases between 9% and 11%. Total effective tax rate was set at a rough estimate of \$0.660. Return on Investment – payments from Electric, Water and Wastewater Utilities to the General Fund were estimated at 3.5% of revenues with an estimate of \$8.0 million for FY 2017-18. Cost of Service (Indirect Cost) Transfer included an allocation of General Fund costs to other funds with estimated payments to General Fund of \$7.9 million for FY 2017-18.

Mayor Pro Tem Bagheri asked for a comparison of other cities and the Return on Investment they used and how we compared to them.

Compensation and Benefits Assumptions for FY 2017-18 had a 3.0 % average merit increase and increases for civil service based on the meet and confer agreement. Future fiscal years had a 3.0% average estimated increase. Health Insurance assumed a 3.0% increase in City contributions and employee contribution rates were still to be determined. Retirement – the TMRS rate decreased to 17.31% from 17.48% and the Fire Pension rate was estimated at 18.5%.

Springer stated that cost containment efforts included FTE reductions in the General Fund and replacing some of those FTEs with outside contracted services. There were also FTE reductions in other funds.

Council Member Gregory stated that he did not want to see cost containment affect the quality of services we provided.

City Manager Hileman stated that all departments were reviewing workloads and processes and making sure that employees were adequately trained.

Springer stated current budget year changes recommended by staff included funding positions in the Police Department - five patrol officers and one crime analyst - immediately from the savings due to FTE reductions in the General Fund to meet the next scheduled Police academy class. One of the three vehicles needed was proposed to be purchased from Police seizure funds.

Bagheri stated that she would like an update to better understand the need for adding these officers now.

Hileman stated that Chief Howell could prepare a report and it would be provided to Council.

Council Member Hudspeth stated that he would like to see an update regarding the recruitment process.

Gregory stated that he would like to see how this would impact the goal of emergency dispatch and responders to provide a six minute response time.

Council Member Ryan asked for a work session to look at police sub-stations and the feasibility of them.

Springer stated that the purpose of the five-year forecast was to evaluate budgetary decisions for long-term impacts under conservative scenarios, ensure financial affordability and sustainability of budgetary decisions, and assumptions were conservative with the hope that future years would perform better than projected.

Springer presented the preliminary General Fund projection and General Fund supplement requests that staff had recommended funding. He stated that there was no shortage of funding requests.

Hileman stated that staff had put together a budget that did not propose a tax increase. If the Council decided that there were things they wanted funded, staff could look at reallocating funding to accommodate it.

Springer stated no rate increase was proposed for FY 2017-18 for the Water Utility, Wastewater Utility, and Solid Waste and Recycling Funds.

Springer stated that there was a dedicated budget page on the website with a budget idea submission area. All presentations for the proposed budget and budgetary agenda items would be posted on the website.

- B. ID 17-672 Receive a report; hold a discussion, and receive departmental presentations in preparation for the FY 2017-18 Proposed Budget, Capital Improvement Program, and Five Year Financial Forecast.

Kenny Banks, General Manager of Utilities, reviewed the Water Department FTE's by functional area and the organizational structure. He reviewed the Water Department accomplishments for 2016-17 and the goals for 2017-18. Banks reviewed the Water Department performance measures. Current performance measures included new water meter installations, water meter replacements, water main replacements, and processed water volume. Proposed performance measures included main breaks per 100 miles and unbilled water volume.

Council Member Gregory stated that he had noticed some of the metrics from prior years were not included in the report and felt they should be.

Banks stated that Cost Containment Strategies included elimination of FTEs with a savings of \$47,854; budgeted salary savings of \$175,000 for turnover and vacancies; reduced FY 2017 to FY 2018 O&M budget by \$615,519; improved debt service efficiencies by balancing CIP projects and cash flow schedules; reduced revenue funded capital variability by leveling over 5 years; total reductions were approximately equal to 2.5% rate increase. Process Improvements included improved meter reading, billing and work order process with team members from Water Metering, Electric Metering, and Water Utilities Customer Service, which reduced redundancy and errors.

Banks reviewed highlights of the Water Department expenditure budget. Banks reviewed major CIP projects for the Water Department which included Lake Lewisville Water Treatment Plant Upgrade Phase II, Allred to John Paine Road Transmission Line, Lake Lewisville Raw Water Transmission Line, Lake Ray Roberts Water Treatment Plant Zebra Mussel Control, Highway 380 to I-35 Transmission Line, and McKinney Street Widening Utility Relocation.

Council Member Hudspeth asked if we used local vendors on these type of projects. He also asked if there was a process where we could take before and after pictures of these projects so citizens could understand what was involved in the projects.

Banks reviewed the Wastewater Department FTEs by functional area and the organizational structure. He reviewed the accomplishments for 2016-17 and the goals for 2017-18.

Council Member Gregory asked for the metrics be put back in the accomplishments.

Banks reviewed performance measures which included O&M cost per account and O&M cost per million gallons treated. Proposed Performance Measures included compost sales revenue plus cost avoidance (sludge and yard waste disposal) compared to Cost of Operation; sanitary sewer overflows less than 3 per 100 miles of sewer; cost comparisons between in-house and contracted service for line cleaning; closed circuit television and construction; and sewer main chokes less than 1 per 1,000 customers.

Banks stated that Cost Containment Strategies included elimination of FTEs with a savings of \$100,246; administration department reorganization (savings of \$40,853); budgeted salary savings of \$120,000 for turnover and vacancies; reduced FY2017 to FY 2018 O&M budget by \$254,739;

improved debt service efficiencies by balancing CIP projects and cash flow schedules; reduced revenue funded capital variability by leveling over 5 years; total reductions were approximately equal to 2.4% rate increase; and exceptional operation and maintenance program in rescinded EPA consent decree, saving over \$100 million in studies, design, and construction.

Banks stated Process Improvements for completed projects included continuing to refine condition assessments and life-cycle assumptions for the Wastewater Collections asset management program and the lean program, which improved information consistency among departments by streamlining construction plan information flow. Future projects included "criticality" ranking for plant and lift station equipment; equipment reliability analyses; create work flow charts of all critical plant activities; improve work order data reliability for CityWorks; and continually improve the asset management program.

Banks reviewed the department's expenditure budget highlights. He reviewed FY 2018 Major CIP projects – Cooper Creek Interceptor I, Dry Fork Hickory Creek Tributary 1 Interceptor, Cooper Creek Interceptor II, and Hickory Creek Lift Station Upgrade.

Hudspeth asked if the City had any connection to the Robson Ranch plant.

Banks stated that it was the City's plant.

Banks reviewed the Solid Waste & Recycling Department FTEs by functional area and also the organizational structure. He reviewed the Solid Waste & Recycling Department's accomplishments for 2016-17 and the goals for 2017-18.

Council Member Briggs asked for the ROI on the mining operation at the Landfill.

Banks reviewed the Solid Waste & Recycling Department's performance measures which included residential refuse and recycling tonnage, commercial refuse and recycling tonnage, and pounds disposed per capita. Proposed performance measures included increasing Commercial Recycling accounts; tracking cubic yards processed in mining operations; and achieving optimal waste compaction of 1,100-1,200 lbs. per cubic yard in the Landfill operation to achieve optimal density to break down materials for methane gas recovery.

Banks stated that Cost Containment Strategies included reduced FY16-17 Capital Improvement Program by \$9.4 million, resulting in an annual debt service savings of \$1.1 million; transitioned a construction crew to mining operations; reduced Operations and Maintenance expenses FY16-17 to FY17-18 by \$620,294; eliminated FTEs for a savings of \$202,625; and reduced communications service and equipment expense by \$175,000 over five years.

Council Member Bagheri left the meeting at 1:50 p.m.

Banks reviewed Process Improvements for Solid Waste & Recycling. Current projects included reduced landfill turnaround time through completion of the outbound scale and bypass lane construction project and improved materials forecasting, budgeting, and CIP processes. Future projects included improving information management processes by integrating paradigm and fleet management software and collaborating with Fleet Services to reduce vehicle maintenance costs.

Banks reviewed expenditure budget highlights for the department. Major CIP projects included - Moseley Road Remediation/Landfill Property Acquisition; TCEQ Authorized Facility Systems Infrastructure; TCEQ Permitted Control Systems; New Landfill Buffer Zone Development; and Process Upgrades & Research Improvements.

2. 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 Briggs requested an update on the stack of railroad ties along the side of the railroad tracks and if they were being picked up.

Council Member Briggs stated that she had not received a hard copy of the current agendas in her Friday packet and would like to continue receiving them.

Council Member Hudspeth requested an update on the bond package for the curb cuts for quiet zones for the trains.

Mayor Watts requested a work session on the policy for purchasing electric or hybrid vehicles for City departments based on job function / requirement, excluding police and fire.

Council Member Hudspeth stated that he appreciated the support he had received from the City Manager and City staff.

With no further business, the meeting was adjourned at 2:04 p.m.

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CHRIS WATTS  
MAYOR  
CITY OF DENTON, TEXAS

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JANE RICHARDSON  
ASSISTANT CITY SECRETARY  
CITY OF DENTON, TEXAS