

City of Denton City Council Minutes
July 31, 2014

After determining that a quorum was present, the City Council convened in a Work Session on Thursday, July 31, 2014 at 8:30 a.m. in the Service Center Training Room, City of Denton Service Center, 901-A Texas Street, Denton, Texas.

PRESENT: Mayor Watts, Council Member Gregory, Council Member Hawkins, Council Member Johnson, Council Member Roden, and Council Member Ryan

ABSENT: Mayor Pro Tem Engelbrecht

City Manager Campbell stated that the discussion today would be centering in the budget as recommended by the City Manager to the City Council.

Mayor Pro Tem Engelbrecht arrived at the meeting.

Campbell stated that the City's budget was approximately \$900 million. Over the last three years staff had started developing a more refined strategic planning process with the budget process a part of that strategic plan. Teams of employees were helping to identify best processes to provide better services to the community and part of the budget would include funding for some of those programs. The budget was based on an 8% increase in ad valorem value. Street maintenance would be addressed in the budget as the City was far behind in this area. The City had received information that the ad valorem value would be in excess of the 8% originally projected. That increase would help with the balancing of the General Fund budget and would result in a smaller draw down amount from the Fund Balance. Items in the budget were the ones staff felt were the highest issues from the Council.

Chuck Springer, Director of Finance, stated that the Strategic Plan contained five Key Focus Areas that were used for the start of the budget process. Those areas included (1) organizational excellence, (2) public infrastructure (3) economic development, (4) safe, livable, and family friendly community, and (5) sustainability and environmental stewardship.

Budget Priorities – included in the budget priorities were (1) continued street maintenance expansion, (2) public safety staffing, (3) economic develop initiatives, (4) competitive compensation plan, (5) Building Inspection staffing, (6) utility infrastructure for replacement of aging infrastructure and expansion of infrastructure to meet growth needs, and (7) manage TMPA debt requirements in Electric Utility. All of these were under the direction of the Strategic Plan.

Assumptions for the General Fund– the assessed value increases, property tax rate, sales tax rate and franchise fees assumptions were reviewed. The property tax rate was proposed to be \$.68975/\$100 valuation.

Mayor Watts asked if the additional funding for the franchise fee would be a one-time funding.

Springer stated that this would be a re-occurring revenue for street maintenance. He presented the effective tax rate and the rollback tax rate and noted that these figures were preliminary. The appraised values from 2009-2014 were reviewed along with the funding for the street improvement fund.

Council Member Roden recommended that Council and Management have a discussion on new goals for street maintenance when the project was getting closer to stabilization.

Mayor Watts felt that the conversation should include realistic goals for street maintenance and his hope was that this pace of street maintenance would eliminate the need for a street maintenance fee.

Council Member Johnson questioned if there was a ranking of other cities to compare Denton to in terms of benchmarks that would help set those goals.

Springer continued with the sales tax projections, compensation and benefits. Civil Service would receive a 5% increase above survey cities and STEP increases; all others would be a 3% merit increase. Future fiscal year compensation was estimated at 3%.

Council Member Gregory asked if a survey was done of major job categories for the bulk of employees to see how they were doing in pay category.

Springer stated that an outside comparison was done this year and staff would be reviewing the preliminary results. It appeared that Denton was close to the market.

Council Member Johnson stated that there were a lot of new businesses opening in the City and a lot of new growth. He would like to see a study from the time a business received an application for a building permit or Certificate of Occupancy until it was received. He questioned what the number of days was for a permit on a national average and Denton's average. He felt if a strategy could be developed to get businesses opened faster and selling faster, it would have a positive impact on Denton's sales tax. He felt more needed to be spent in one department to have quicker results for the City.

Council discussed the sales tax increases in prior years and how that compared to the current sales tax.

Mayor Watts stated that he had suggested different reporting mechanisms to Planning in order to gather that type of data. He felt that would be part of the process Council Member Johnson was suggesting.

Springer continued with the health insurance funding for the City and for employee contributions.

Mayor Watts stated that the health insurance budget document had several different figures presented.

Springer stated that one of the funds was for budgeted reserves and would not actually be expended. Page 84 in the budget book showed the detail of that fund. The reserve was needed for unforeseen difficult years. He continued with General Fund Proposed and Projected Funding including per capita expenses.

One program for expenditure controls was the vacancy management/salary savings program. This program was annual savings from the program from normal turnover and management

control over filling of vacant positions. It added additional flexibility to deal with any revenue shortfalls. Reductions and reallocations for the General Fund were reviewed.

Mayor Watts commented that he would like to see what had been saved in efficiency as opposed to reallocations - how much was a true reduction as opposed to reallocations.

Springer went through the list noting the reductions as opposed to the reallocations.

Mayor Pro Tem Engelbrecht asked about the tree fund in terms of specific ideas to purchase property fully treed to save those tree stands. He did not know about the use of funds for trees in parks and questioned if that had been changed.

John Cabrales, Assistant City Manager, stated that there had been no change in policy. There had been a discussion regarding policy in one area of the fund for allowance to purchase treed property and how to identify those properties. One of the original intents of the tree fund was to allow for the purchase of trees to use for public land. However, in the past that fund had not been used for those purchases. An additional intent of the tree fund was for the use of funds for public education. This was not a change in policy but merely a request to use the fund as was allowed.

Mayor Pro Tem Engelbrecht stated that he was not in favor of using the tree fund in this manner and felt that the funds needed to be used to purchase property to preserve tree stands.

Council Member Johnson felt that this was a good use of the funds in order to increase the tree canopy. The fund currently had more than enough money to spend \$15,000 for additional trees. His proposal would be to plant the trees in medians which would send a message to the community that the City was using those funds in accordance with the purpose of the funds.

Council Member Roden felt that there needed be additional discussion on the usage of the tree fund.

Council Member Gregory felt that it did not have to be an either/or situation. Buying a stand of trees helped maintain the canopy but did not increase the canopy. Purchasing new trees helped increase the canopy and he felt doing both was the right way to go.

Council Member Hawkins felt that \$15,000 was not a ton of money to spend on new trees.

Council Member Ryan suggested that the Committee on the Environment might be a good place to start with recommendations on how to use the funds.

Mayor Watts felt that Council needed to jump start the tree ordinance as it had stalled.

Council Member Ryan stated that a charge to the Committee on the Environment could be to look at potential purchases in the future.

Springer reviewed revenue enhancements and the General Fund Supplemental packages.

Mayor Watts questioned the additional Building Inspector positions requested. He asked if there had been a reduction in staff during the recession and if these positions were just getting back to where City was or was there an increase in the number of inspections needed.

Kurt Hansen, Building Official, reviewed the inspection history in terms of number of inspections, number of inspections/day/inspector. Currently there were six inspectors doing about seventeen inspections per day. After adding one inspector who currently was in training and the potential of adding one additional person, the inspectors would have about thirteen inspections per day. The Industry standard was 10 inspections per day. The Inspector Supervisor currently had a full load of inspections which did not allow him to supervise the inspectors or provide training. The goal was to get to 10 inspections per day which might not be possible.

Council Member Gregory stated that this proposal would go along with Council Member Johnson's proposal to get work done faster.

Council Member Johnson felt that this was a needed position to increase the efficiency of the department.

Mayor Watts stated that the inspections were regular permit inspection plus commercial permit inspections.

Hansen replied yes that it included all inspections done. He currently was also doing inspections to try and help with the work load.

Springer noted that the proposed budget included three additional police officers to deal with peak time call volumes.

Mayor Watts asked for an explanation for the need for the additional officers.

Lee Howell, Police Chief, stated that staff had looked at data over several years and found that the overall response time had increased. Part of the reason was a heavier concentration of calls in a shorter time frame. There were periods of time for free calls but also times when the patrol units were tied and that time increased over the years as well. The practice had been that manpower was reassigned mainly through attrition back to patrol without having to cut services. But services would need to be cut due to the power shift for peak concentration of calls.

Mayor Watts questioned what the bike coordinator would do that no current employee could do.

Mark Nelson, Director of Transportation, stated that position would coordinate efforts between Engineering, Planning, Transportation and Parks to consolidate the planning for the bike/pedestrian plan. Currently different employees were working on that coordination among all of the different departments.

Mayor Watts stated that even the new position would free up time for current employees to do what they did before the bike policy was in place.

Council Member Roden suggested also looking at grant funding that might be available. He felt there was a need for a coordinator who would champion the coordination of all of the aspects of the grant opportunities, etc.

Mayor Pro Tem Engelbrecht suggested including grant writing experience in the qualifications for the position. When a person was in place, he would need to maintain the engineering aspect for proper road conditions.

Jon Fortune, Assistant City Manager, stated that a bike coordinator would be an enhancement to the progress on the bike master plan but would not take the place of Engineering or Parks role in the program. This position would coordinate the efforts from the various departments and would not be a replacement but an enhancement among the departments.

Council Member Gregory stated that the bike plan had five goals and this position would allow the addressing of other parts of the plan with one champion whose responsibility was to coordinate the program.

Council Member Roden suggested that the Tech Denton Economic Development Initiative not be limited to the Downtown; to not make it exclusive to the Downtown area but to include all of Denton. Not limit the scope of the project.

Aimee Bissett, Director of Economic Development, stated that the program would not be focused on just economic development of the Downtown but would focus on an element of economic development currently not being done.

Council Member Roden asked about the potential of the program and how it would go to the next level.

Bissett stated that she saw economic development as a spectrum of activity and not just recruitment of industries. The emphasis was moving into the technology area as well so there needed to be a program to help recruit those types of businesses.

Council Member Johnson felt that the technology area needed to be thought of in a different way. Technology services did not need a lot of money through incentives but think about a pooled mentality such as space and support to collaborate their business. He would like to discuss at some point what was spent to recruit ten companies in abatements and spend that money in a pooled mentality for a space with a pool for companies to use.

Bissett stated that funding this program would help get the City to that level.

Council Member Roden stated that the Open + Counter Small Business Support was listed under Economic Development but felt that some of it interfaced with Planning and questioned how that interfaced.

Bissett stated that the software helped facilitate small businesses on the development program. It was an on-line program to assist with working through the development process; a support system for small businesses.

Springer continued with supplemental packages that were recommended to be funded in the current fiscal year for Fire and Traffic Control.

Council Member Johnson stated that the current process for obtaining a Certificate of Occupancy was to have a day scheduled for Building Inspections to come out, then a time for Community Improvement Services and then a day for Fire but there was no coordination on time. He felt there was a need to coordinate those functions. He questioned if there was a need for all those different people to inspect and if they were needed, could those people do it at the same time. That would minimize an inconvenience to a new customer as the current process for getting a Certificate of Occupancy was inconvenient and labored. He suggested looking for an opportunity for efficiency through technology or efficiency. Figure out how to use technology better for better efficiency.

Council Member Gregory stated that some of this rests with the contractor who needed to follow the regulations in the first place.

Springer continued with supplemental packages for Internal Services and remaining funds supplemental packages.

Council Member Roden stated that the City had a bike and pedestrian plan but did not see any funding for pedestrian accommodations such as sidewalks. In the past it was indicated that there was a list of sidewalk needs but no funding available. He requested information on what it would take to get the sidewalk aspect funded so as to start planning for that. He also requested a renewed policy discussion regarding red light cameras to make sure the City wanted to continue in that direction.

Springer presented information on the Tax Increment Reinvestment Zones in terms of base value estimated revenue for funding.

Mayor Watts requested an informal staff report on where TIRZ 1 was projected to be and where it currently was.

Springer reviewed the Water Utility Fund. Focus was on infrastructure replacement and needed expansion of the system with zebra mussels impacting costs. Other goals were working towards double coverage at Water Plants. There was a proposed policy a change for credit card fees. He reviewed the staff recommendation to have no fee for residential charges, a 2.7% of payment amount for commercial which would result in an estimated savings of \$350,000 in credit card processing fees.

Council Member Hawkins requested an informal staff report regarding kiosk payments.

Springer continued with the five year forecast for Water Utility.

Mayor Watts questioned if it was known how much water was bought for the fracking process.

Howard Martin, Assistant City Manager, stated that staff could provide that information.

Mayor Pro Tem Engelbrecht questioned if the City was the primary water source for fracking or was it private wells.

Martin stated that the use outside the City was between ground water and stock ponds but inside the City, the usage was hydrant sales.

Springer continued with the Wastewater Utility Fund. The focus was on infrastructure replacement, expansion and sanitary sewer overflow program. Two new positions were recommended in Reclamation and Drainage with a proposed revenue increase of 6%. He reviewed the five year forecast.

Solid Waste and Recycling – major projects included property/permit expansion, a compressed natural gas fueling facility, grease and grit trap processing, and building finish out. Two field service workers and one recycling intern were proposed. A rate increase of 2.9% for a standard cart with recycling and 3.6% for large cart with recycling was proposed. Commercial rates would increase an average of 2.8%. The solid waste five year forecast was reviewed.

Electric Utility Fund – issues included TMPA debt payments, replacement of aging infrastructure, construction of transmission system with increase revenue to DME, 10 new FTEs with 5 for the capital program, four for operations, and one for energy management. The budget also proposed the addition of a transmission cost recovery factor and a base rate increase for a 5.5% overall revenue increase. The five year forecast for Electric Utility Capital budget was provided.

Springer presented the overall monthly rate impact for the average residential customers which were estimated to be \$11.59 per month. He also presented information on the 2014-15 Capital Program. Total new funding including Utilities was \$153.3 million with General Government at \$32 million.

Council Member Ryan asked about vehicle replacement and using a motor pool fund for purchase as opposed to extending debt.

Springer stated that there used to be a combined motor pool for Utilities and General Government. General Fund monies were pulled into the General Fund balance instead of having a motor pool.

Council Member Gregory stated that he would like a similar analysis of food health inspectors as was done for building inspectors especially in light of the growth of increased restaurants and food trucks.

Springer stated that the HOT Fund Committee had presented a proposed budget for this year. The Committee recommended that all of the organizations currently receiving funding that had requested an increase receive a 5% increase. If the organization requested less than 5%, the recommendation was to provide the full increase requested.

Council discussed the HOT fund allocations in terms of public criticism that the proposed convention center would take HOT funds away from current recipients which was not the case.

The discussion included the amount of reserve fund, what that fund would be used for, the rent structure for the debt of the convention center and the use of HOT funds for the debt service.

Springer reviewed the next steps in the budget process which included a vote on the maximum tax rate, public hearings on the budget, additional budget discussions and adoption of the budget on September 16th.

Council Member Roden stated that one item not addressed in the budget was the potential legal consequences regarding the fracking ban and questioned how that would be budgeted.

City Attorney Burgess stated that a factor for budgeting would be the manner on how the litigation proceeded. It was anticipated that the Risk Fund could be used for those expenses.

Council Member Roden felt that this was an interesting policy discussion if the election passed. As the City was coming into this fiscal year, he questioned what happened if the Risk Fund were depleted and if there was a need to budget for that in this cycle.

City Attorney Burgess stated that she had put a bit more money in her consulting fee fund. For litigation, the amount in the Risk Fund was substantial and hinged on policy decisions made by the Council.

Council Member Gregory stated that at the July 15th public hearing, Council had heard from those in favor of the ban that there were pro bono efforts available to the City if needed. He would like to hear the pros and cons of taking up that offer if necessary from Legal in a Closed Meeting.

City Attorney Burgess stated that as staff examined the issues, they did not know about the pro bono offer and had not been approached by someone who would represent the City in that capacity. She felt it would be likely that the proponents for the ban would have interested parties that might want to intervene in the lawsuit.

Council Member Roden stated that there had been a public request from the Community Market regarding the budget cycle. He was not sure what was decided on regarding an opportunity to fund their request.

Brian Langley, Assistant City Manager, stated that the request was looked at as a supplemental package and was not recommended for funding.

Mayor Pro Tem Engelbrecht felt that a topic for the upcoming Council retreat would be the Community Market.

Mayor Watts stated that he wanted to issue several challenges. One was to find enough money to take care of the one-time supplemental packages proposed in the budget. The second dealt with the Economic Development budget of \$220,000; \$95,000 which was for personnel and the remaining balance was for the location. That was also combined with a \$100,000 grant from the mixed beverage tax. He did not feel comfortable with it being an ongoing expense for that department and that an economic development fund should be started unless the department was going to manage the fund and combine the microgrant into that. He suggested opening the

funding up to the rest of the community for such areas such as neighborhood grants and using the additional \$100,000 as an incentive. He also suggested Council look at not having council contingency funds. While it was a small amount of money, tax payers were looking at a tax increase and he struggled with spending every amount of money without an economic development fund established. He liked the budget but would like to cover one-time expenses.

Mayor Pro Tem Engelbrecht stated that he did not have a problem with that as long as each Council Member submitted a list of items to reduce and not put that on staff.

Council Member Roden restated that Mayor Watts wanted to fund one-time expenses and was suggesting finding that money somewhere else to cut to fund the supplemental requests.

Mayor Watts stated that the funding might not be a cut but reallocated. Council had a list from departments for a 5% reduction or reallocation for the next five years.

Council Member Roden stated that everything funded from Council contingency funds went back into the community. If Council was going to have a discussion on eliminating those funds, he would like to have a spreadsheet to show what had been funded.

Mayor Watts stated that he had no problem with Council Members suggesting cuts but he did not have all of the information to make those suggestions. He felt staff was more qualified to make that decision if needed.

Council Member Johnson left the meeting.

City Manager Campbell suggested that anyone with suggestions on the budget could send them to him. He would take all those suggestions and visit with staff on where to look for those cuts.

With no further business, the meeting was adjourned at 1:30 p.m.

CHRIS WATTS
MAYOR
CITY OF DENTON, TEXAS

JENNIFER WALTERS
CITY SECRETARY
CITY OF DENTON, TEXAS