

AUDIT/FINANCE COMMITTEE

July 18, 2016

Draft Minutes

After determining that a quorum is present, the Audit/Finance Committee of the City of Denton, Texas, met in a regular meeting on July 18, 2016, at 8:44 a.m., in the Finance Conference Room, at City Hall, 215 E. McKinney Street, Denton, Texas at which the following items were considered:

PRESENT: Mayor, Chris Watts; Council Member, Sara Bagheri

ABSENT: Council Member, Joey Hawkins

STAFF PRESENT: Howard Martin, Interim City Manager; Bryan Langley, Assistant City Manager; Chuck Springer, Director of Finance; Tony Puente, Assistant Director of Finance; Harvey Jarvis, Controller; and Kristy Odom, Recording Secretary.

OTHERS PRESENT: David Medanich with First Southwest

The following items were considered:

OPEN MEETING:

1. Hold a discussion and appoint a Chairperson for the Audit/Finance Committee.

Mayor Chris Watts made a motion to appoint Joey Hawkins as Chairperson. Council Member Sara Bagheri seconded the motion. Motion carried unanimously.

2. Consider approval of Audit/ Finance Committee Minutes of February 23, 2016 and March 1, 2016.

Mayor Chris Watts made a motion to approve the minutes. Motion carried unanimously.

3. Receive a report, hold a discussion, and give staff direction regarding proposals for external audit services (RFP #6118).

Chuck Springer, Director of Finance, discussed responses to RFP #6118 for external audit services. The City received responses from the following six firms: Pattillo, Brown & Hill, BKD, Weaver and Tidwell, Moss Adams, Crowe Horwath, and Whitley Penn. Interviews were held with the four lowest cost firms. Staff held a second interview with the highest evaluated firm of Pattillo, Brown & Hill and is recommending award to Pattillo, Brown & Hill.

Council member, Sara Bagheri asked if the audit was a requirement, and the comparison of this year's bid to the previous years.

Springer, explained the responsibilities of the Auditors. The auditors will issue an opinion to the validity (presented fairly in all material respects) of the financial statements that are prepared by the City. For internal controls they will go out and do actual reviews with the staff that does the work to verify the internal controls are in place. The proposed cost the audit is \$93,225 for the first year, compared to a fee of \$142,500 for the most recently completed audit.

Council Member Sara Bagheri made a motion to recommend Pattillo, Brown & Hill with a three year contract with two optional one year extensions as the external auditor services to council. Mayor Watts seconded the motion. Motion carried unanimously.

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

Springer discussed that outstanding utility revenue bonds that could be refunded by General Obligation Debt. About \$46.1 million of utility revenue bonds are currently callable on December 1, 2016. If these revenue bonds are refunded, the remaining outstanding revenue bonds are approximately \$6.99 million. It is being proposed to make a cash contribution to refund the \$6.99 from existing utility funds that are restricted due to revenue bond covenants. This transaction will not only result in savings due to lower interest rates, but will also free up an additional funds of \$5.9 million for Electric, \$7.5 million for water, and \$4.4 million for Wastewater, that are currently restricted due to revenue bond covenants.

Assistant City Manager, Bryan Langley responded to a question on the use of the released utility funds by stating that an informal staff report explaining the planned use of these utility funds will be prepared and distributed to City Council.

Council Member Sara Bagheri made a motion to recommend approval to forward the issuance of General Obligation Refunding Bonds to council for consideration. Mayor Watts seconded the motion. Motion carried unanimously.

5. Under Section 551.042 of the Texas Open Meeting Act, respond to inquiries from the Audit/Finance Committee 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.

With no additional business to be addressed, the Committee adjourned at 9:14 a.m.

JOEY HAWKINS
COMMITTEE CHAIR
CITY OF DENTON, TEXAS

KRISTY ODOM
RECORDING SECRETARY
CITY OF DENTON, TEXAS

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