

**STATE OF TEXAS
COUNTY OF DENTON
CITY OF CORINTH**

On this the 4th day of August 2016 the City Council of the City of Corinth, Texas met in a Workshop Session at 5:30 pm at the Corinth City Hall, located at 3300 Corinth Parkway, Corinth, Texas. The meeting date, time place and purpose as required by Title 5, Subtitle A, Chapter 551, Subchapter C, Section 551.041, Government Code, with the following members to wit:

Members Present:

Bill Heidemann, Mayor
Joe Harrison, Mayor Pro-Tem
Scott Garber
Sam Burke
Don Glockel

Members Absent:

Lowell Johnson

Staff Members Present:

Lee Ann Bunselmeyer, Acting City Manager
Catherine Stallcup, Administrative Assistant
Fred Gibbs, Planning & Development Director
Curtis Birt, Fire Chief LCFD
Jason Alexander, Economic Development Director
Debra Walthall, Chief Corinth Police Department
Cody Collier, Director of Public Works
Guadalupe Ruiz, Human Resources Director
Shea Rodgers, Technology Services Manager
Lt. Jimmie Gregg, Corinth Police Department
Lt. Kevin Tyson, Corinth Police Department
Chris Rodriguez, Financial Services Manager
Caryn Riggs, Assistant Director of Finance
Mike Brownlee, City Engineer
Elaine Herzog, Business Manager
Mack Reinwand, City Attorney

Others Present:

Jim Carter, Denco 9-1-1
Mark Payne, Executive Director, Denco 9-1-1

CALL TO ORDER FOR WORKSHOP:

Mayor Heidemann called the meeting to order at 5:30 pm.

- 1. Discuss Regular Meeting Items on Regular Session Agenda, including the consideration of closed session items as set forth in the Closed Session agenda items below.**

No discussion was held on these items.

2. Receive a presentation, hold a discussion regarding the “DRAFT” Denco Area 9-1-1 District Fiscal Year 2017 Financial Plan.

Lee Ann Bunselmeyer, Acting City Manager – Denco 9-1-1 requires that the City Council pass a resolution accepting their financial plan. We placed this on the agenda about a month ago and the City Council requested that our representative, Mr. Jim Carter, come and give the Council an overview of their financial plan prior to the approval of that resolution.

Jim Carter, Denco Area 9-1-1 – We are delighted that you asked the questions, we do not normally get this kind of response from our member cities. Thank you for the interest in budget. I have with me tonight Mr. Mark Payne, Executive Director of Denco 9-1-1, he has been in 9-1-1 since about 1995 and Denco for about 14 years.

Denco 9-1-1 was set up in 1987 by the cities. At that time the Texas legislature had allowed 9-1-1 districts to use a rate of 6% of the phone bill as their rate. People involved, at that time, thought 6% was too much so they set it at 3%. It has remained at 3% since 1987, with no increase. Phone bills have gone up since then and the 3% would allow us, if we wanted to, to double our rate charges without anybody’s approval because it was approved in 1987. We are not going to do that. We have been able to accumulate reserves and we are in the process of building a new facility adjacent to our facility now. We are paying cash, no debt will be acquired.

Mark Payne, Executive Director of Denco 9-1-1 – The Council has a full copy of the actual “DRAFT” financial plan. I have provided 6 slides that are focusing on the organizational emphasis, our mission, and how the things that are being requested will be performed in 2017 play into that.

Our organization was accredited on 1987, we cut over 9-1-1 service in 1991. Right now we have 16 staff members, with the 16 staff members all our experience totals 224 years of public safety, communications and 9-1-1 administration experience. The key things we are focusing on, as an organization, is what we were established through statute, Health and Safety Code 772, to administer 9-1-1. We were created so each and every city in the county itself would not have to set up a 9-1-1 system and operate it independently. As the district is a regional system our region is the county, when we put in equipment we put it in for everyone. The service fee that the citizens pay, on their phone bills, is all that is contributed to us. There is nothing that is coming from the cities or the county.

Jim Carter, Denco Area 9-1-1 - There are only two 9-1-1 districts in the state that have a lower rate than we have. Tarrant County and San Antonio, they are much larger than Denton area. It shows a lot of efficiency in operations.

Mark Payne, Executive Director of Denco 9-1-1- We are blessed to be in a high growth area, since there is a direct correlation between the number of subscribers and revenue that has allowed us to be able to develop and deploy the best technology early on. We have districts like Lubbock who has a fairly stagnant population and we have districts that are a pure agency, they do not have the same kind of growth that we do so they tend to be able to do things on a slower time line than we can. We are very fortunate to be able to bring services to the public more quickly.

Tele communicator training is provided to the tele communicators, the 9-1-1 takers and dispatchers. They are the folks that answer the calls, there about 175-185 people. This number varies because turnover is high in this high stress job. We train those folks on the use of our equipment and we have a lot of other continuing education opportunities ranging from supervisory management, critical incident stress, active shooter, and emergency medical dispatch. All of these things we provide, at no cost, to the district participants.

The 9-1-1 centers that these tele-communicators work in, they come to our office and train for free, it is all subsidized by the 9-1-1 service fee. We do have outside agencies that come to us because we provide high quality training. Last year we offered 93 classes, those folks pay a little something, we are not completely covering their costs, if there are open seats we will add them in. Our folks always get preferential treatment.

The focus and the benefit is call delivery reliability that is our goal. It needs to work and it needs to work every time. Proficiency, this is clearly a tenured long seasoned dispatcher tele communicator who is going to take a call and handle it more efficiently, we want to keep them in there. While they do not work for us we have a vested interest to make sure the best people possible are answering those calls because when any one of us needs to make that worst call of your life, you want someone who knows the job that can do it well and do it efficiently. That is what the tele communicator training is all about.

Jim Carter, Denco Area 9-1-1 – You can imagine how stressful that job is, they never get any good news, every call that comes to them is an emergency, so it is really important of what we try to do.

Mark Payne, Executive Director of Denco 9-1-1 – Public Outreach is kind of a holistic thing, you have to have a system that works and people that know how to handle the system and process calls efficiently. It also helps to have a user base the call in public that knows how to use it, what you need to do, what you need to expect and answer all their questions. They are sending somebody, just because they do not tell you they are doing it.

The use of 9-1-1, we start with the kids, we deliver materials either to present ourselves or work with the schools to 70,000 kids in the district. Our elementary kids are getting the message early on, we as adults know it. Our Board decided eighteen months ago that there are interim solutions to put in to allow texting to 9-1-1. They are not totally built in to the call workflow so that when the caller makes the call, it is part of that processing that has all the records stored with it, they decided to wait for an integrated solution. Our vendor has taken plenty of time, they got it, and we hope in the next month that we will be able to go live and you will start seeing press releases, we will start doing public education bits. If anyone is interested in that later we can talk about that. An educated user base helps make the call go more smoothly.

Where we bring value is that all the agencies do not have to have people that know about the master street address guide or selective routing databases or any alley controllers, any of these industry specific things that usually taken by someone out of our district. We bring that expertise and subject matter knowledge to both the local deployment of this technology but also in the state legislative matters and federal. The EMD is Emergency Medical Dispatch, this is a huge thing the board has been doing they decided to get into this almost 20 years ago.

EMD is providing a protocol to better outcomes, it is pre-arrival instructions, the baby delivery scenario. There is a set of protocols that we provide training on and they have to remain certified and we provide and pay for the certification. When they take a medical call, they go through a protocol of questions, a decision tree, to help the outcome and this is all while the ambulance is in route. An applicant testing or recruiting, turnover is huge in these agencies, we develop and put money towards a testing. Since 2001 we have been providing aptitude and skill based testing, we just added a pilot program this year to do further skills based testing by IPMA to further the candidates and then we do a psychological. We provide the resources and utilities but the actual agencies that do the hiring bring the people in. We are not into that role of feting the people, we just provide all the tools. Now we are working with all of the agencies together to pool this list of candidates so if one agency's scores are a little too high and this candidate can't make it here, they are still open for a job in one of the other agencies that have a different set of score values.

Rule addressing, we provide all the addressing in the unincorporated areas of the county, we coordinate with the cities especially those with ETJ's that are growing into the county. We want to make sure the

addressing's match up so as they grow they will be able to not have a street that changes name and buffering halfway down the block. That goes towards the uniform addressing, reliable and easy dispatch response, ambulance and fire trucks going down the road and the numbers are all going in the same direction and they don't jump and skip.

For 2017 we have restructured our support group. We are on an on-call role, we have done that for 16 years. We are transitioning to doing a help desk model where we, for the same money, can hire more people to move into a 24/7 help desk. We are finding out that people were not making that call, the tele communicators, they did not want to wake up the Denco people they would just save it. Those problems would show up later. If we have a help desk they can call and get help at any point. This also gives us the ability from a network monitoring standpoint to actively watch for alerts. We get those today.

NG 9-1-1, Next Generation 9-1-1, is an internet protocol based infrastructure which we started to put in April of 2014 and finished in October of 2014. It is part of what got us national recognition by the NG 9-1-1 Institute in Washington, D.C. They are the clearing house for the NG 9-1-1 caucus for congress. Our deployment brought that good attention. We have put in a platform that is considered the next generation of 9-1-1, it is a platform. All these envision services that are not on the market yet because there aren't enough customers like us that are ready to buy those services. In a "for profit" area where people are developing NG services you have to have enough people wanting to spend a little on development. We are here and we are waiting. Texting is a small piece of that, cyber security is huge, it is very hard to defeat a 9-1-1 system in the legacy telephone days. 9-1-1, while it is a secure and private network, there are a lot of people around the world very dedicated to breaking into things that they shouldn't be in. That is a big part where we are going to spend more money. We are working with other agencies, like us in the state to build what is called an Emergency Communication Center Cyber Security Center. It is set up as a regional or could be state wide security operations center, 24/7. Those people are even more expensive than network technicians and it is hard to keep them in this market.

GIS coordination and harmonization, we are taking all the GIS data from around the county and making sure it all fits together. Part of Next Generation 9-1-1 is grabbing the call based on where the caller is, calls are routed today when it comes to wireless based on predetermined cell sectors. We have to make all these decisions in advance, if the call comes from a cell sector and that cell sector has radio coverage in two jurisdictions, we have to make the decision which one we believe to be the more appropriate or more likely jurisdiction to receive that call first. Calls in the future will be routed based on the caller's location. There are a lot of technical hurdles to be cleared and we are doing the things that need to be done to make sure our data is ready to support that.

The tornado shelter is a big spend in the budget, it is \$2.9 million. We do not want to put onto our website and widely distribute something that talks about what we are going to put in a hardened facility. I hope in the context of our discussion that some of it is obvious. (At this time Mr. Payne spoke on what was going to be in the shelter and its capabilities)

Microwave network upgrade, we worked with the county 10 years ago, 2005, to put in a microwave network and it is time for a refresh. Planning is what is going to take place, spends will be in 2018-2019.

Recruiting program which goes back to the hiring and candidate testing.

This is what you have in the budget package provided to you. Our planned expenditures total \$7.8 million, \$3.1 million is going to go towards the facility. Direct services is everything we do, 9-1-1 systems, network database, geographic information systems, addressing training, public education, all of that is encompassed in there, personnel, administration costs, and depreciation expense.

We do a market analysis every two years for compensation. With 16 people, that is an increase, we were at 13 until we changed our service model, reclassified 2 positions to a lower payed position and added more people. Everyone is wearing a couple of hats. The board has made a practice of meeting or falling

just below market median and using benefits as the piece to bring the whole compensation package up. This budget only provides a 1% increase in salaries because we are absorbing a 4% increase in healthcare and 9% increase in dental. We did an analysis in late 2014 early 2015 and looked at all the major providers and for as small as we are TML is still the best deal in town for us.

Going back to 1998, this is how we have never incurred debt. We have service fee revenues coming in and they build up over time until we have the planned project that shows up like 9-1-1 equipment upgrade and expansion. We have peaks where we have quite a bit of money and then the project that we are planning for shows up and the peak goes down. Our revenues are flattened, wire line is declining, by 2020 we will have no wire line service, if you have a home phone it will be wireless. That is if they get it done by 2020. It is going to take us longer to save in the future. If our population growth continues to slow in our district, it will take us longer to fund projects.

Councilmember Garber – Do you guys have a target fund balance? Knowing this stuff is coming, do you save specifically for these projects?

Mark Payne, Executive Director of Denco 9-1-1 – What we were typically was about 20% of our annual budget that was the target. Through 2018-2019 there will be an equipment refresher, so we started this project here and finished the project. In 2018-2019 we are looking at a 5-6 year old PCs so there will be a few hundred thousand dollars spent. The next major spend is probably 10 years out. When we put in this NG 9-1-1 network, we put in a foundation everything we do after this is labor.

Mayor Heidemann – We appreciate you coming in and giving us this presentation. People do not know what is all behind this and what the costs that are associated with it.

3. Receive a report, hold a discussion, and provide staff direction on the Fiscal Year 2016-2017 Annual Program of Services and Capital Improvement Program.

Lee Ann Bunselmeyer, Acting City Manager – On Friday, July 29th, as required by charter, we submitted a proposed budget to the City Council for the fiscal year 2016-2017 budget year. Tonight we are going to be going through the proposed budget and go over some highlights. I really want to focus on a couple of elements tonight. First is how the Council wants to proceed with the tax rate. Tonight you have an agenda item where you will need to decide what tax rate you are going to publish, we will discuss that in detail. The second thing is, since the fire contracts future is still unclear, this budget was prepared with the assumption that those contracts would terminate on September 30, 2017. That was the direction I received from Council. We are going to focus on how that effected this budget and also look at some analysis and some forecast as to what we can anticipate should those contracts actually terminate as we proposed in this budget.

I want to do an overview of our employee benefits and compensation that is in the budget. We do have a 3% step pay for eligible public safety employees and that is for a cost of \$85,000, the step plans will be approved by Council annually. When we approve the budget on September 15th you will also be approving the step plans for those and also be approving the step plan pay to next budget if you so choose. We do not have any merit or COLA increases for general employees, that decision was made primarily because of we do anticipate those fire services contracts to terminate and we did not have the excess funds to be able to do any type of employee compensation.

The budget does have the elimination of short term disability as we discussed when we adopted the personnel manual, I know Council is going to make some decisions on that whether you do want to leave it, eliminate it, or put it back into the budget. With that, we do ask if a consensus can be given by Council at the next budget workshop on August 18th, as staff is going to be preparing booklets to do open enrollment with the staff at the end of this month. Open enrollment begins at the beginning of September,

so if Council wants to put that back into the budget, if we can have that consensus by August 18th that would allow Guadalupe sufficient time to make those adjustments.

As far as the health insurance, we had the 60% increase projected entries for the renewals, we went back and negotiated with the alternate provider, got the renewal costs down to 39.16%, overall for our city budget that is a total of \$550,000 that is distributed amongst those funds that have employees. We would like for Council to keep in mind that increase is the city portion, there is also a 39.16% increase on the employee side that the employees will also be absorbing on as well.

For the dental plan we continue the 75% dependent contribution rate, but we were able to negotiate a decrease on our dental plan instead of an increase. That is an average of 8.75% depending on the coverage that the employees have chosen. For an overall budget savings of \$14,000.

Councilmember Glockel – I noticed on another place that is says the short term disability was eliminated and it is now an employee contribution. That was never decided by this Council that I know of.

Lee Ann Bunselmeyer, Acting City Manager – no, that was what we had proposed with the personnel manual. If Council chooses that, that was our recommendation, mine and the executive staff. Should Council want it to be a completely contributed by the city, you do have that option to do so and we will incorporate that into the adopted budget.

Councilmember Burke – Could we take the \$24,000 and use it to offset some of the employee increase in health insurance premiums? Would that be any relief at all? They are still going to have the elective short term disability, this is only \$24,000, the 39% increase and the cost of the insurance to employees seems like a bigger pill to swallow than the loss of that benefit. Maybe if we are thinking about spending that money on employees we ought to see what that would do to reduce their outlay on health insurance. That is going to benefit all of them and not just randomly benefit one or two of them or none of them. Depending on if somebody actually used the short term disability.

Lee Ann Bunselmeyer, Acting City Manager – we can analyze that and on the 18th, we can bring that information back to the Council.

Councilmember Glockel – If I am the employee and I have no family, my insurance is going to be at 100%, so I am not going to receive a benefit, as an employee, if you do what you say. I would only get a benefit if I insure my family.

Lee Ann Bunselmeyer, Acting City Manager – Correct. When we were going through preliminary discussions on the budget, just an overview of all of our wages and benefits by fund, I wanted to go ahead and update that with Council. We have eliminated 3 positions in the general fund, the budget does not include the addition of any positions. Originally, we had discussed adding the three firefighters, but since we were assuming the fire contracts were going to terminate I let those out of the budget to minimize the cost. Our average wages per employee by all funds is about \$56,000 and our average benefits per employee is \$28,000 and that inclusive of all the benefits that are listed here. You can see that our health insurance increased by \$550,000 this year and that was because of our loss rate factor. We do have some benefits that did have some decreases as well during the year.

Councilmember Glockel – You talk about the three people that we cut, those were the slots we talked about in last year's budget. Talking about the mechanic, we eliminated a job in the last budget, is it a different mechanic?

Lee Ann Bunselmeyer, Acting City Manager – No, it was not eliminated. The City Manager chose to leave that position vacant and not fill it until an analysis was done on the fleet maintenance contract because we outsourced it with Bill Utter and we did that towards the end of the fiscal year. Before he eliminated the position he wanted to make sure that that new contract that we went into with Bill Utter

was actually going to work and save us money, so he left that position into the budget in the current budget 15-16.

Lee Ann Bunselmeyer, Acting City Manager – as part of levying of the tax rate, the state statutes have truth in taxation requirements which basically state if you are going to levy a tax rate you have to make any changes that you do to that tax rate open to the public and give them opportunities for them to come and either speak for or against the tax rate and budget that the Council is wanting to push. Part of the requirements is that you have to calculate an effective tax rate, which is the tax rate that will generate roughly the same amount of revenues that you did the prior year on the properties that were in your rolls both years.

The other is the roll back tax rate, it is the highest rate you can levy legally without triggering a roll back election. If you levy a tax rate that is over that roll back rate, your citizens can petition and if that petition is successful it can actually roll that rate back to the lower of your effective or the prior year tax rate. Whenever we try to set a rate, we try to be very careful not to go over that roll back tax rate. The requirements also state that we have to publish a notice of 2016 Tax Year Proposed Property Tax Rate, this is an item that is on the Council agenda tonight for your consideration. That does not mean that you have to adopt that tax rate, but that is the tax rate that you are going to let your citizens know that this is the highest possible rate that you are going to consider for the next calendar year.

The other thing is if you are going to adopt a tax rate that exceeds your effective tax rate, which is the tax rate that will generate the same amount of revenues as the prior year, then you have to have two public hearings allowing your residents to come in and speak on that tax rate increase. As per charter and also state statute we do have to adopt a budget by the end of the current fiscal year, which is September 30th. So we currently have both the budget and the tax rate on the agenda for September 19th, there is a lot of requirements as to the time difference between the public hearings and the times you would adopt your tax rate and so for us we cannot go past September 15th to adopt a tax rate, otherwise you have to start the truth and taxation process all over again.

Last year's tax rate was .58489, what I have in the proposed budget is .58193 per assessed valuation, I lowered the tax rate so we could stay below the roll back rate as our roll back rate was .58194. Last year we had a debt rate of .14346, so we actually lowered the debt rate to .13895. This year we issued the \$15,000,000 for the Joint Public Safety Facility and we did restructuring of our debt. We did that assuming that a certain amount of assessed valuation that would allow us to maintain a flat tax rate without having a tax rate increase. Due to the increased assessed valuation we received, it actually allowed us to lower that tax rate. We dropped that down by 4/10th of a cent and that did allow me to increase our O & M tax rate by roughly 1/10th of a cent and increase that to .44298. This is what makes up our tax rate. If Council chose to go down to the effective tax rate of .54348 then you would reduce your tax revenues by about \$691,000.

Looking at a comparison of our certified values over the last 5 years, this year we had an increase in assessed valuation of 9.82, historically when you do a 5 year average, it is about 5.35% and then our tax rate is showing a 3/10th of a cent reduction, 2.51893. To analyze our roll, last year's assessed valuation was \$1.6 billion, the increase to properties that were on the roll last year and that are on the roll this year is about \$127,000,000, about 7% is the increase to your existing properties that is both residential and commercial. New growth, commercial and residential, that we receive this year is a little less than 2% so about \$33,000,000. When you equate that to actual revenues to our budget for the general fund is about \$737,000 and to the debt service fund is about \$150,000.

Your average home value increased to \$229,765 that is about an 8% increase over prior year. You look at the last 5 years and that has increased about 27% or almost \$50,000. Also with the lower of the tax rate and an increase in your assessed valuation, you can expect your average citizens on a home value of

\$229,000 to pay \$97 more a year in taxes. Over the last 5 years their tax bill has actually increased about \$242.

The top 10 taxpayers for the 2016 tax year, the highest is the Boulevard Apartments followed by Denton County Co-op (CoServ), Anexter, DATCU was at \$12,000,000. The total value for your top 10 taxpayers is \$127,000,000 and that makes up about 7% of our taxable value.

Councilmember Harrison – On the Texas Health Resources, go over that a little bit. That's the Atrium, right? Are we still unsure whether that is going to be taxable or not?

Lee Ann Bunselmeyer, Acting City Manager – Yes that is the Atrium. Jason Alexander is trying to contact the company and also we have been in contact with Denton Central Appraisal District as well and at this point we are still not sure. I think they have 2 facilities in Denton, one of them is taxable and the other one is non-taxable, we are still trying to figure that one out.

On your proposed budget, we have revenues of \$16,000,000 our expenditures are at about \$15.4 million, your public safety funds, fire and police, make up 60% of our budget and on your FTEs they are also about 60% of the general fund. Total employees in the general fund is 127, we did eliminate 3 positions, fleet services mechanic, recreation specialist, and 2 part time recreation attendants. We also transferred an inspector from the streets department to the water/wastewater fund. In total our wages and benefits are about \$11.3 million and that is about 73% of our budget and we do have some new program funding in the budget of \$187,000 that we discussed previously because of increased needs in our services for legal fees, mowing and the new joint public safety facility.

I did add, as a 1 time funding of \$35,000 is a server back-up system. The one that we have right now is failing. Most of our critical systems like our financial systems for court, utilities, finance those are housed in Denton through our contract with them, but some of our larger programs like GIS and some of the systems that PD has for their videos, those are housed locally because they are too large to transfer to the Denton cloud. It slows down our servers and we need that server backup to backup those systems.

When you look at your revenues over your expenditures, we are contributing \$628,000 to fund balance. The necessity of that is just the unknown of the fire services agreement as of today. Should the fire services agreements be terminated, then that will reduce our revenues by roughly \$2.5 million, in order to try and make that up, this allows us to actually contribute some. At this time, the other cities have hired a consultant to do a review of both companies, us and Argyle Fire District, they did an interview with our fire staff this week and they also sent us a packet of information for us to disclose them financially is based on how many employees we have, the apparatus specifications and so forth. We are in the process of gathering that information to get back to the consultants. It is my understanding that the consultants plan on giving their recommendation to the 3 cities at the end of this month on August 25th. We are still unknown exactly when the cities plan on making a decision but by contract they have until October 1st to let us know.

When you look at our financial forecast and I have done 2 scenarios, the first one is what I assume are our worst case scenario where we actually project 4% growth every year for the next 4 years after this year. I picked 4% because historically when you look at those years where we have had a bad economy where our assessed values were decreasing, some years they were increasing, our average there was about 3.75% almost 4%, even if you have some dips that low, I think 4% is absolutely the worst case over a long period of time.

With us restructuring the debt we are able to shift some tax rates from the debt side over to the operations side in the coming years, that will help us get through the next 4 years should the contracts terminate. We will contribute \$628,000 into our fund balance, we have a fund balance policy target of 20% of budgeted expenditures. For 2016-2017 we will have an excess fund balance of about \$1 million. We would use that in the coming years to offset that revenue shortage that we would get. In 2017-2018 we would need

about \$892,000 of our fund balance, we would still be above our policy target of 20%. As you go into 2018-2019 and so forth you can see that we would be quite a bit below our effective fund balance or our policy target of 20% going all the way down to about 11.64% in 2021.

Also on the agenda tonight is for Council to consider placing, on the ballot, the street maintenance sales tax reauthorization for another 4 years. If that passes from your voters the street maintenance sales tax would go into effect in January of 2017. You would have that for 4 years, at that point, you would have that in partial 2016-2017 all the way through the end of 2020, at that point Council would have the option of terminating your street maintenance sales tax and actually going out to your voters to try and create a fire district that could potentially transfer some of those sales tax dollars over to a fire district to help alleviate some of this burden on the tax rate and your citizens.

When you look at the 2nd scenario, this one is a little more realistic, in 2017-2018 we are still experiencing growth, we have a lot of homes that still are not on the roll for this year so if we have another year of 8% growth next year in 2017-2018 at that point we are able to shift over about 2 ½ cents from the debt service rate and you will still be able to shift over 2 cents in 2021. If that were to happen, assuming our expenditures of no raises and no increase in personnel, we did factor in some reduction of expenditures to our electrical rates and so forth, based on the contract Council had adopted earlier this year, we will never fall below our fund balance target of 20%. We would be able to consistently hold within that policy. Everything we would put into the fund balance this year, this \$628,000 that would be what you would be drawing down over the next 3 years. Any growth after that or any growth above the 8% would only make the situation a bit more positive.

Councilmember Glockel – Several times you mentioned the assumptions are based on that the fire department will be a stand-alone unit September of 2017, but the budget we are talking about is good through September 2017, now granted I do not want to take on anything in this budget that assumes 2018 we are going to have this extra help. Have you shared the extra cost that is associated with the fire department for maintaining 4 cities vs. 1? What is that? I know there is some fixed cost, there has to be other costs associated with handling Lake Dallas, Hickory Creek and Shady Shores. I never heard that number.

Lee Ann Bunselmeyer, Acting City Manager – We do have that factored into our expenditure assumptions for 2017. 2017 and forward we reduced them out of that, I will give you a listing of that for the 2018, I do not have them off the top of my head.

Councilmember Glockel – The additional fire equipment is that something we have to have if we are a stand-alone fire department? Or do we need it because we have 4 cities?

Chief Birt, Lake Cities Fire Department – We still need it because it is running in the front line service. We would be running the same operation.

Mayor Heidemann – But is it going to be utilized as much?

Chief Birt, Lake Cities Fire Department - Probably not as much as we used to, the call volume on the interstate with all the construction will go back to normal.

Lee Ann Bunselmeyer, Acting City Manager – Our Utility Fund, we have 26 employees and our annual budget is \$11.9 million. This budget actually implements the 3rd year of our water rate plan. Within this budget, starting in December or January of this year, we are actually going to be going through a water rate study to set our water rates for the next 3 years. Hopefully we will have that back to Council, a lot of it depends on the outcome of the impact fee study and if there is any projects that the Council wants to look at doing or if there are any projects in there that are mandatory, basically, if we have any systems that are failing and we might have to incorporate into the budget, if that is the case then those costs

actually impact our rates. We may have to postpone that water rate study a little bit closer to budget than I would like but it might be essential to make sure we have correct debt numbers into those scenarios.

Our wages and benefits are about \$1.7 million and that is 15% of the water/wastewater fund budget. The majority of the budget is on fixed fees, these are fees that we have by contract with Upper Trinity, City of Denton, or even debt service. That is about \$7.5 million or about 63% of the total budget. Another big portion is the garbage, we contract out with Community Waste Disposal so these are actually pass through costs, we do all the billing and collection for them and we hand over the revenues. The total expenditures is \$770,000 or 6.5% of the budget. We do have a couple of one time capital outlay projects in this fund for \$65,000 and that is the rate study and to also update our engineering manual which has not been updated since 1999.

Mayor Heidemann – Is that required by law?

Fred Gibbs, Planning & Development Director – No, it is just good practice to have updated engineering techniques.

Lee Ann Bunselmeyer, Acting City Manager – Your storm drainage budget has 3 employees with total expenditures of \$627,000, there is no rate increases in this fund this year. Our total wages and benefits is about \$160,000 or about 25% of the budget and the health insurance was minimal increase to this budget of about \$2,600. Major expenditures are about 60% of the budget, that includes your debt service payment of about \$195,000, transfers for administrative costs and the vehicle replacement program of about \$96,000 and the mosquito abatement program is about \$35,000. We do have new program funding in here of about \$45,711 to replace a slope mower. Our revenues do exceed our expenditures this year by \$58,000 and that will go into fund balance.

Mayor Heidemann - You have \$96,000 in vehicle replacement fund, if we needed to could we stretch that out over a period of time?

Lee Ann Bunselmeyer, Acting City Manager - That is not all the vehicle replacement, only \$25,000 is transferred to the vehicle replacement fund, the rest is transfers to the water/wastewater fund. The supervisors to the drainage fund are actually employed out of water/wastewater so we allocate portions of their salary to water/wastewater and storm drainage.

Councilmember Glockel – Can we talk about the slope mower for \$45,000, where are we using that?

Cody Collier, Acting Director of Public Works, Parks and Recreation, and Utility Operations – The ditch along the Kensington Park Apartments, beside Riverview Dr., S. Garrison and IH-35E, the ditch along the backside of the Thousand Oaks pond, sometimes the banks at Meadowview Park pond, there are a lot of areas that if we do not have that kind of particular mower then basically you would get your guys out there with weed eaters and walk the ditches.

Councilmember Glockel – And that is not stuff you would probably consider contract mowing, you have looked at that and that would be better to have this \$45,000 mower? Is this similar to what you had before?

Cody Collier, Director of Public – Basically we are replacing the exact same mower is what we are doing. The one we have is in bad shape.

Lee Ann Bunselmeyer, Acting City Manager – Moving on to our restricted and sales tax funds, we have 3 Economic Development, Crime Control and Prevention and Street Maintenance. In Economic Development we have 1 employee total wages and benefits of \$127,000. They have operational expenditures of about \$439,000 which includes project incentives of \$150,000, a transfer to the park development fund for improvements to our neighborhood parks of about \$50,000, and promotional

expenses of \$20,000. The budget does include program funding of \$125,000 for branding strategy, I would like to note that the Economic Development board did approve this budget last month and recommended that it be forwarded to the City Council.

For the Crime Control budget we have 2 officers for total wages of \$165,000 and the budget does include new program funding of \$106,000 for mobile video recording to get all of our cars up to Watch Guard from L-3, we are split right now using 2 systems, Tasers for the department for \$28,000 and the radio frequency identification system of \$24,000, that will allow us to automate our records department for property and evidence.

On the Street Maintenance sales tax fund we have \$319,000 budgeted to fog seal Amity Village, Corinth Shores, Meadows Oak, Forrestwood, Corinth Farms and Pecan Creek subdivisions.

Special Revenue funds, there are no employees on this group of special revenue funds that we have listed. Our hotel occupancy tax fund is mostly to promote tourism and bring folks out of the city into the City of Corinth. We do have funds to continue funding our Pumpkin Palooza Music Festival that we will have for the 1st time later this year. Administrative services to help promote tourism of \$20,000 and that is basically to help manage all of our special events. We do have entryway monument signage and that can be 1 or 2 signs, on this one we will have to wait for the new City Manager to give direction to staff as to how we would like to proceed with that and make recommendations to the City Council.

For Keep Corinth Beautiful, we have \$6,500 budgeted and that is just for all the clean-up events that the board hosts throughout the year. There are no budgeted expenditures for the Community Park Improvement Fund. For the Park Development Fund we have a little over \$10,000 budgeted to replace picnic tables, benches, and trash cans through a few of the parks throughout the city. Tree Mitigation Fund is a new fund for us this year, we have \$50,000 budgeted and this is the item we discussed last month about adding the installation of trees and irrigation at Thousand Oaks Park and Cody gave us an estimate of about \$15,000 to do that.

Our Child Safety Program Fund that is .5, that is restricted to crossing guards and programs that facilitate child safety, we also have in this fund the contribution to the County Child Advocacy Group of \$13,000 and then the replacement of the Police McGruff costume of about \$2,000.

On our Municipal Court Security Fund we have .5 for a part-time bailiff position about \$30,000, and our Court Technology Fund we have \$4,700 budgeted for video redaction software for the Police Department. We do have a handful of internal service funds, for our vehicle replacement funds we have to replace our Animal Control vehicle in the general fund for \$33,000, for our Tech Replacement Fund we have about \$53,000 to replace some of the admin computers, replace a GIS scanner and also to purchase a new server for the police department. For the fire vehicle and equipment replacement we have \$202,000 budgeted. This continues the lease payment for our ladder truck of \$97,000, a fire engine at \$65,000 and we are also proposing to add a new lease payment for a medic at \$40,000. There are no budgeted expenditures in our utility vehicle equipment replacement fund and in the meter replacement fund we have \$600,000 and that is the 1st phase of the transponder replacement and to buy the software that will allow us to change how we read our meters and provide some customer service tools for our residents to be able to track their usage on a daily basis.

Mayor Heidemann – On phase 1, what percentage of the total meters is that?

Cody Collier, Director of Public Works – We just did the bid opening today, about 2/3 of the entire system we will be able to do in the 1st phase.

Mayor Heidemann – How many meters do we have?

Cody Collier, Director of Public Works– 6700, maybe 6750.

Mayor Heidemann – So there is going to be about 5000 on the meters that you are going to finish?

Cody Collier, Director of Public Works – Yes.

Lee Ann Bunselmeyer, Acting City Manager – Moving on to our debt service fund, this is how our fund actually looks today, with the 9.82% increase in our ad valorem assessed evaluation this year and a 4% growth over the new few years, we have excess revenues over expenditures. Our annual debt service payment for 2016-2017 is about \$2.4 million almost \$2.5 million and we have outstanding debt in the general fund of \$33 million. If we continue with this scenario and we did not shift any of our tax rate over to the operation and maintenance side of our tax rate, we would have some debt capacity of about \$22.7 million starting in 2018 that Council could elect to allocate to projects. Or, you could also reduce the tax rate at that point.

Mayor Heidemann – Would that reduce the general fund tax rate?

Lee Ann Bunselmeyer, Acting City Manager - The general debt service tax rate. This assumes the tax rate shifts we discussed in the financial forecast so if we shift the .02 cents next year and then again in 2021, you can see that it flattens out and now our excess revenues are just slightly over our expenditures. You would still have some debt capacity, in 2022 you would have about \$2.45 million and in 2028 you would have about \$10 million. That would be the time you would be able to issue debt for new projects or lower the tax rate if you did not have any projects that were being a priority.

Looking at our calendar, tonight we have the vote on the publish tax rate and to set the public hearing rates. That is for you to set the highest tax rate that you are going to consider. It does not bind you to adopt that tax rate. You will adopt that tax rate on September 15th. We will have the public hearings on August 18th and September 1st, we will publish that in the newspaper, we have already put it on our website and put it in our newsletter to let our residents know that those public hearing dates are available. We have budget workshops for the Council to deliberate on the budget on August 18th and September 1st and then also on September 8th if Council is still having discussions on the budget. We can even go on to September 15th and add another budget workshop if the Council needs it as well. The budget and the tax rate are step plans, those will all be on the September 15th Council agenda for adoption and that is the last date the Council can actually adopt those legally without effecting the tax rate, if you do not adopt it at that point then your effective tax rate of .54 would take into effect, since that is the lower of your current and the effective tax rate.

If by September 15th we have not heard the outcome of the fire services agreement and Council adopts the higher tax rate of .58193 and then on October 1st, since that is the date by contract that the other cities have to give you notice whether they are going to continue the contracts or not, if at that point they let you know that yes we are going to continue these services for another 5 years, you cannot go back and reduce your tax rate at that point. Once it is set on the 15th, it is set for the entire fiscal year.

Councilmember Glockel – The contract is set until September of 2017 right now, so if they opt out it is going to be a drastic change for 2018, not the budget we are considering?

Lee Ann Bunselmeyer, Acting City Manager – Correct.

Mayor Heidemann adjourned the meeting at 6:44 pm.

There was no closed session during the workshop.

CLOSED SESSION

The City Council will convene in executive (closed session) to consider any matters regarding any of the above listed agenda items as well as the following matters pursuant to Chapter 551 of the Texas Government Code:

Section 551.071. Private consultation with its attorney to seek advice about pending or contemplated litigation; and/or settlement offer; (2) and/or a matter in which the duty of the attorney to the government body under the Texas Disciplinary Rules of Professional Conduct of the State of Texas clearly conflicts with chapter 551.

- a. Amendments to the Northwood Home Owners Association Encroachment agreement.**
- b. Interlocal Agreement for fire services.**

Section 551.072. To deliberate the purchase, exchange, lease or value of real property if deliberation in an open meeting would have a detrimental effect on the position of the governmental body in negotiations with a third person.

- a. Acquisition of two (2) fee parcels for right-of-way, five (5) permanent drainage easements and six (6) temporary construction easements out of a called 41.272 acre tract of land situated in the B. Merchant Survey, Abstract No. 800, City of Corinth for the construction of the Lake Sharon Drive Extension between Oakmont Drive and future FM 2499.**

Section 551.074. To deliberate the appointment, employment, evaluation, reassignment, duties, discipline, or dismissal of a public officer or employee; or to hear a complaint or charge against an officer or employee.

- a. Deliberation of the employment, reassignment, or duties of the City Manager.**

Section 551.087. To deliberate or discuss regarding commercial or financial information that the governmental body has received from a business prospect that the governmental body seeks to have locate, stay, or expand in or near the territory of the governmental body and with which the governmental body is conducting economic development negotiations; or to deliberate the offer of a financial or other incentive to a business prospect.

After discussion of any matters in closed session, any final action or vote taken will be in public by the City Council. City Council shall have the right at any time to seek legal advice in Closed Session from its Attorney on any agenda item, whether posted for Closed Session or not.

ADJOURNED

Meeting adjourned.

Approved by Council on the 15th day of September, 2016

Kimberly Pence
Kimberly Pence, City Secretary
City of Corinth, Texas