

**MINUTES OF THE WORK SESSION OF THE CITY COUNCIL OF THE
CITY OF NORTH RICHLAND HILLS, TEXAS HELD IN
THE LIBRARY COMMUNITY ROOM, 9015 GRAND AVENUE,
NORTH RICHLAND HILLS, TEXAS,
JUNE 10, 2009 – 6:00 P.M.**

**1.
CALL TO ORDER**

Mayor Trevino called the work session to order at 6:00 p.m.

Present:	Oscar Trevino	Mayor
	Scott Turnage	Mayor Pro Tem, Council Place 6
	John Lewis	Council, Place 1
	Ken Sapp	Council, Place 2
	Tom Lombard	Council, Place 3
	Tim Barth	Council, Place 4
	David Whitson	Council, Place 5

Staff Members:	Larry J. Cunningham	City Manager
	Karen Bostic	Assistant City Manager
	Jimmy Perdue	Assistant City Manager
	Vickie Loftice	Managing Director
	Mike Curtis	Managing Director
	Patricia Hutson	City Secretary
	Larry Koonce	Director of Finance
	Mark Mills	Budget Director
	Mary Peters	Public Information Officer
	Elizabeth Reining	Assistant to City Manager
	Patrick Hillis	Human Resources Director

Absent:	Tim Welch	Council, Place 7
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**2.
DISCUSS PLANNING AND PROGRAM OF SERVICES
FOR FISCAL YEAR 2009/2010**

City Manager Cunningham discussed the theme for this year's budget, *Today's Reality, Tomorrow's Vision*. With the current economic conditions, the realities of today need to be considered while still keeping a focus on the Council's vision. The work session's purpose is to review and discuss the fiscal year 2009/2010 preliminary budget, the preliminary tax roll, and how current and future issues presented could affect the 2009/2010 budget and to receive input from the Council on planning next year's

program of services. During budget preparations, consideration was given to the Council's goals and priorities, data from the 2007 Citizen Survey, the economic impact on citizens, and continuing service levels at the current levels while minimizing service impacts to the citizens. Also taken under consideration were the work activities/levels in the various city departments, the impact of the economy on the employees as well as how to best utilize reduced revenues. Council was reminded that information being presented and discussed was very preliminary. A PowerPoint presentation was presented by staff.

Mr. Larry Koonce, Finance Director, presented information on Fiscal Year 2007/08 Year End Fund Balances and reviewed the June 2009 Capital Balances.

Mr. Mark Mills, Budget Director, discussed the 2008-2009 revised budget and compared the 2009 adopted to the revised Budget. The contingency adjustments to revenue and the impact to expenditures were reviewed and discussed.

Mr. Larry Koonce discussed the preliminary tax roll released in May, reviewed the distribution of property taxes and discussed appraised property values.

Mr. Mark Mills gave a brief overview of the Fiscal Year 2010 preliminary budget, sales tax collection history, and compared the preliminary budget to the 2009 adopted and revised budget and compared revenue and expenditure impacts.

Ms. Elizabeth Reining, Assistant to City Manager, discussed some of the cost saving initiatives the departments have come up with to provide the same services in a more efficient manner. The following cost saving initiatives were discussed:

- Use of Social Media Websites for Advertising and Marketing
- Group Printing Stations
- Electronic Manuals
- Complete Required Certification and Training Online
- Automated Information Distribution
- Design Projects In-House
- Reduced Production Time of Newsline
- Vehicle Use
- Examine Water and Wastewater System
- Implemented the JIT (Just in Time) Principle
- Solar Power for Lighting and Irrigation at City Entryway signs
- Conversion of Sworn Police Officers Positions to Civilian Positions

Staff presented to Council the following current issues:

- **Impact Fee/Utility Rate Study** – Mr. Mike Curtis, Managing Director, briefed the Council on the need for an impact fee and utility rate study. The utility rate study is to be included in the proposed CIP budget. Mr. Curtis explained the purpose of impact fees and advised that the City is required by state law every five years

to review and possibly update water and wastewater impact fees. Mr. Curtis explained the City can only collect a maximum of 50 percent of impact fees required and that the additional funding needed for utility improvements comes from the revenue collected from the utility rates. Additionally, the utility rates also fund the water meter replacement program and the utility construction division. The rates need to be reviewed on a periodic basis to determine if the City is collecting enough revenues to pay for the improvements. A rate study does not suggest a rate increase, but allows staff to monitor and evaluate the amount of revenue collected and to make sure the City's costs are not exceeding its revenue. The last Utility Rate Study was completed in 2005. Staff sought direction from Council on the following:

- Would Council be in agreement for staff to expand the scope of the Impact Fee Study to also include a Utility Rate Study?
- Would Council be in support of staff conducting a Utility Rate Study on a regular basis, similar to the Impact Fee study (for example every five years)?

Council discussed that the Utility Rate Study needed to be done on a regular basis and by combining the two studies the City would receive an economy of scale. The Council concurred with expanding the scope of the Impact Fee Study to include the Utility Rate Study and supported staff conducting a Utility Rate Study on a regular basis.

- **Planning for Future Bond Election** – Mr. Larry Koonce presented information on a possible future bond election. The last bond election was held in 2003. Mr. Koonce highlighted the 2003 election process and the status of the projects approved in the last election. Since 2003, the City has issued 2003 election general obligation bonds in the amount of \$19,640,000 leaving the amount left to issue at \$17,570,000. Of the remainder, \$13,360,000 are street projects, \$2,660,000 are drainage projects, \$250,000 is for the public safety facility upgrade and \$1,300,000 is for the animal adoption and rescue center expansion. Mr. Koonce discussed with Council planning for future development and considerations that might be included in a future bond election. Future initiatives such as the widening of Loop 820, the city-wide facility plan, Neighborhood Revitalization Initiative, Boulevard 26 improvements and rail station development will influence future projects. Projects for consideration that might be included in a future election may include improvements to residential streets beyond any preventive maintenance and must be reconstructed, improvements to collector streets such as Smithfield Road (Mid-Cities to Hightower) and Amundson (Main Street to west of Precinct Line), Police and Fire Training Academy, Safety Town and the replacement of major fire apparatus. Mr. Koonce discussed with Council whether the Council wanted to consider for voter approval the replacement of major fire apparatus equipment or continue to issue certificates of obligation to replace the equipment. If voter approval is sought, the City risks non-approval of

the fire equipment and the ISO rating might be affected as well as the safety of life and property. Council was advised that from the time staff begins planning for the election until the election itself could take as long as thirteen to eighteen months. Staff requested direction from Council on the following:

- Would Council like to begin the bond election planning process in FY 2009/2010, or should it be delayed until a future fiscal year?
- Would Council like to consider including major fire apparatus in the referendum?

Council discussed planning for future projects and the possible bond election. Council agreed that planning should begin for a future election and discussed that economic conditions will need to be considered and that the citizen study committee that Council will appoint to recommend projects will provide input on economic factors. Council discussed the replacement plan for major fire equipment and the lifespan and funding of the equipment. Council was supportive of beginning the bond election planning process in FY 2009/10, but did not favor including major fire apparatus in the referendum.

- **Update of Recreation Center Public Input and Consideration of Inclusion of Senior Services** – Ms. Vickie Loftice, Managing Director, updated the Council on the public input process for the new recreation center. Input has been received from general public meetings, focus group meetings and email responses. From the input received the consultants will present three to four building design plans with facility amenities and cost estimates of each plan. The consultants will also provide maintenance and operational costs for each plan as well as probable revenue. Staff would like to consider the possibility of adding senior services to the new recreation center. This was not included in the original scope of services, but there are benefits of adding senior services. The two existing centers are located on the outer boundaries of the city and are limited in what they can provide. The new recreation center will be centrally located and will provide a central location for senior services and up to date amenities and facilities. Ms Loftice discussed the benefits of adding senior services to the new recreation center. The seniors would have their own dedicated space and access to the rest of the recreation center including all the health and wellness components, indoor walking track, indoor aquatics, and banquet and kitchen facilities. The City's consultants have put together a preliminary cost estimate of \$1 million to \$1.5 million for 5,000 square feet of senior space within the new recreation center. Staff is recommending that the costs associated with the additional space for the seniors at the new recreation center would be provided through the Parks and Recreation Sales Tax Budget. This may require other park projects to be rescheduled, but the potential savings makes the decision justifiable. Council was advised that it would not be financially feasible to operate three centers and all programs at the two existing centers would be transferred to

the new recreation center. Existing staff at the centers would be transferred to the new center and the existing centers would be used for other purposes. Staff requested direction from Council on the following:

- Does Council support the idea of adding senior services to the new Recreation Center, with the understanding that senior services at the two existing centers would no longer be offered (all services would be consolidated into the new center)?
- Is Council in agreement that funding for the additional space be provided through the Parks and Recreation Sales Tax Budget?
- Would Council support utilizing the two existing centers for other purposes, once the new center is operational?

After discussion, the Council was supportive of the information presented by Staff and moving senior services to the new recreation center but only if the seniors in North Richland Hills were in support of a new center located in the new recreation center and closing down the existing centers. Council wanted staff to meet with North Richland Hills Senior focus groups for their input and consensus.

- **Texas Municipal Retirement System** – Mr. Patrick Hills, Human Resources Director, recapped the three TMRS policy changes that became effective January 2008 and how they impacted city costs in January 2009. Council was reminded that last year Council approved the adoption of the eight-year phase-in of increases in contribution rates which set the City's 2009 contribution rate at 14.26%. The statutory maximum was also increased from 13.50% to 15.50%. Mr. Hillis reviewed recent TMRS legislative activities. HB 360 signed into law in May allows TMRS to credit unrealized gains and losses into City accounts, guarantee members an annual interest rate of 5% on their investments and allows cities variable annual interest rates. Last May, the City was notified that the city contribution rate would increase from 13.63% to 18.43% as a result of the changes adopted by the TMRS Board. In May 2009, the City was notified by TMRS that three additional actuarial changes were made by the TMRS Board in January 2009. The changes increased the City's ultimate contribution rate to 20.18%. Mr. Hillis reviewed the City's current plan vs. benefit options, compared the cost of the city's retirement program with other public agencies and cities, and compared the city's benefit options with other local cities. Council was presented with information on possible changes to the TMRS design plan and the future potential impact to the stakeholders, and previous changes made to the benefits and compensation plan was reviewed. Staff sought direction from the Council on the following:
 - With the ability to fund, is Council supportive of maintaining the current level of TMRS retirement benefits for our employees and retirees?

- With the ability to fund, is Council supportive of continuing the 8-year phase-in option for calendar year 2010 requiring the elimination of the statutory maximum of 15.50%?

After discussion and questions by Council, the Council was supportive, with the ability to fund, of maintaining the current level of TMRS retirement benefits for employees and retirees and the 8-year phase in option for calendar year 2010 requiring the elimination of the statutory maximum of 15.50%.

- **GASB 45** – Mr. Larry Koonce discussed with Council the GASB 45 mandated accounting standard requiring quantification and disclosure of health care costs. GASB 45 requires an independent actuarial analysis to determine the thirty year cost of retiree benefits. The actuarial analysis must be recalculated every two years and the results are based on assumptions such as existing funding of retiree benefits, age and eligibility and mortality rates. The actuarial analysis identifies the “gap” between the existing funding of retiree benefits and the estimated long term and short term cost. GASB 45 requires that the long term liability and annual required contribution needed to fully fund the liability be incorporated into the City’s financial statements beginning fiscal year ending September 30, 2009. This will reduce net assets on the City-wide balance sheet, the annual required contribution will be shown as an annual expense in the self insurance fund and it will affect cash if the City chooses to increase funding for retiree benefits. The GASB 45 requirement is not a funding mandate, but an accounting mandate – cities are not required to pay more than they currently pay or make changes to benefits. Council was advised that some cities are choosing to fund more now to reduce future impacts and some are changing retiree benefits to reduce current and future costs. It is unknown if these decisions will affect cities’ future credit ratings. The preliminary independent actuarial analysis is being completed and will be presented to Council at a future work session. Staff requested direction from Council on the following:
 - Would Council consider funding an additional amount in Fiscal Year 2009/2010 or future years?

After discussion by Council, the consensus was to fund a minimal amount (\$100,000) for 2009/2010 and wait for questions regarding the unknown impacts to be answered.

- **Southside Revitalization Project** – Ms. Elizabeth Reining updated Council on the Neighborhood Revitalization Program and initiatives underway. In addition to the projects the City has completed and are continuing on the southside of the City, Staff is recommending additional immediate actions toward the implementation of the Neighborhood Revitalization Program. Some require little or no funding and others will require funding in implementing first year strategies

and tangible progress toward revitalization efforts. Projects under consideration for Fiscal Year 2009/2010 are:

- Gateway Connections - \$30,000 – Future improvements to major gateways with enhanced way-finding signs, neighborhood sign toppers and monuments distinguishing neighborhoods and districts
- Expansion of the Neighborhood Improvement Plan - \$150,000 – Approximately \$50,000 is currently earmarked for the program. Staff is recommending an additional \$150,000 which will assist in transitional areas, substandard homes, demolitions, assistance with moving costs, and incentives for home repairs and improvements.
- Stakeholders meeting/Neighborhood Cleanup Days – \$2,000 – Schedule a meeting with residents as well as plan a targeted neighborhood clean up day.
- Community Reusable Resource Warehouse - \$4,800 – Help facilitate the donation of building materials, business equipment/furniture, and school supplies that are no longer needed by local companies and residents and then offer that material to NRH residents, nonprofit organizations and schools free of charge.
- Enterprise Land Management - Purchase strategically located property to entice private development to the area. Funding would be provided through the 4B Sales Tax designated for Economic Development.

Council was advised that it may not be financially possible to provide funding for these initiatives in FY 2009/2010 but Staff wanted make Council aware of the ideas. Staff requested direction from Council on the following:

- If funding is available, is Council in support of the proposed projects suggested for the Neighborhood Revitalization Program?
- From the list of programs does Council have a priority preference or are there other projects the Council would like Staff to consider?

Council supported all of the suggested proposed projects. The top priorities for the Council were Enterprise Land Management and expansion of the Neighborhood Improvement Plan (NIP).

- **Animal Shelter** – Mr. Jimmy Perdue, Assistant City Manager, reviewed the history of the proposed expansion to the animal shelter. In the 2003 bond election, the voters approved \$1,300,000 for the expansion. The total cost of the facility was estimated at \$3,000,000 with the balance being made up from private fundraising and the city's donation fund. Part of the City's original plan included a joint partnership with the City of Watauga. Following the City of Watauga's decision to build its own shelter, the expansion of North Richland Hills' shelter was reduced to 8,000 square feet and the loss of Watauga's funds increased the amount of funds to be raised. Mr. Perdue presented site plan options for the

expansion of the facility that would utilize the existing building and adjacent land. Staff has determined that the best plan would be to construct an adjacent but detached facility. Council was advised that the City of Keller has recently approached the City on creating a partnership to construct a new facility large enough to meet the needs of both cities. In addition, Keller brought the Cities of Southlake, Westlake and Roanoke to the discussion and the cities were interested in being a part of the discussion. Council was advised that a joint facility would not fit on the existing land without total demolition of the existing facility. The facility would fit on city-owned land in front of the Fire Administration building. Staff requested direction from Council on the following:

- Does Council approve of staff continuing discussions with our neighboring communities on the creation of a joint animal services center?
- If the discussions are to continue, does Council approve of the potential location of a joint facility?
- If these discussions are deemed not in the best interest of the City does Council agree with the plan to construct a new adjacent but detached facility?

After a brief discussion, Council concurred with staff continuing discussions with neighboring cities for a joint animal services center and was in favor of the joint facility on the city-owned land in front of the Fire Administration building. If the discussions are not deemed to be in the best interest of the City, Council concurred with the plan to construct a new adjacent but detached facility.

- **Preliminary Budget Considerations** – Ms. Karen Bostic advised that based on flat revenues and increasing costs there might be some possible service level reductions that will impact citizens and employees. The City is doing everything possible to seek efficiencies and effectiveness to decrease costs and provide the best possible service to citizens. Personnel costs in the general fund account for more than 70% of the total budget and in some departments as much as 90% of the total departmental budget. The City is a service industry and the goal is to provide the best possible service to citizens. Should Staff find it necessary to consider making reductions, staff needs guidance as to what areas may be off limits as far as reductions are concerned. Staff requested the following direction from Council:
 - Are there specific areas Council would like staff to explore for service level changes?
 - Are there specific areas Council would like staff to explore for program changes?
 - Are there any areas Council specifically would not want staff to consider?

Council provided the following input: The general consensus was there were no areas Council would not want staff to consider; everything should be looked at.

Their preference was for personnel reductions to be at the bottom of the list, and if personnel reductions become necessary, they would like to see reductions through attrition if feasible. Salary freezes were preferred over furloughs.

Staff presented to Council the following future issues:

- **Golf Course Maintenance Equipment** – Ms. Vickie Loftice discussed improvements that have been made to the Golf Course over the last several years. Council was advised that the Golf Course's maintenance vehicles and equipment are in need of major repair and replacement. The Golf Course has not been able to maintain its equipment replacement schedule and does not have the funds to replace the equipment. The Golf Course has approached the City to fund the replacement. In the past, the Golf Course has borrowed funds from the City's General Fund to cover costs. The Golf Course is requesting \$293,250 from the City in FY 2009/10 to replace equipment ranging from gators to tractors to pesticide sprayers. Overall, the Equipment Replacement Plan identifies \$979,350 in equipment costs through FY 2021/2022. The Golf Course's original debt will be retired in 2012 and intrafund loans will be repaid with balloon payments beginning in 2013. Staff requested the following direction from Council:
 - Does Council agree golf course maintenance equipment should be placed on a schedule similar to the rest of the city equipment?
 - Is Council willing to continue to loan the golf course funds to replace its maintenance equipment?
 - Should Iron Horse's business model and rate structure include recovery of all annual operational costs including equipment replacement?

After discussion by the Council, the consensus of the Council was the equipment should be placed on a replacement schedule similar to the City's and Council indicated their willingness to loan the golf course funds to replace its maintenance equipment. The Council also felt the Golf Course should be self-supporting.

- **Crime Control District Election** – Mr. Jimmy Perdue advised the Crime Control District was originally approved in 1995 for a five-year period and was extended by the voters in 2001 for ten years. The District is set to dissolve in 2011 and a new election must be held to continue the District. Authorizing legislation has been modified and now allows Crime Control Districts to be approved for 5, 10, 15 and 20 years. If Council desires to continue the District and bring the issue to the voters, an election must be held on one of the uniform election days and no later than the May 2011 Election Day. Council was asked the following:

- Does Council wish to continue with the Crime Control District and bring the issue to the voters during the May 2011 election?
- If an election is held, does Council desire to keep the term the same 10 year period or change the length of the term to either 15 or 20 years.

After discussion, the consensus was to bring the issue to the voters to seek continuation of the District for 20 years and their preference was for the election to be held before May 2011.

Mr. Mark Mills, Budget Director, reviewed the budget calendar with the Council.

Mayor Trevino adjourned the work session at 10:06 p.m.

APPROVED:

Oscar Trevino – Mayor

ATTEST:

Patricia Hutson – City Secretary