

AUDIT/FINANCE COMMITTEE

APRIL 30, 2018

Meeting Minutes

After determining that a quorum was present, the Audit/Finance Committee of the City of Denton, Texas, convened for a regular meeting on April 30, 2018, in the City Hall Conference Room, at City Hall, 215 E. McKinney Street, Denton, Texas.

PRESENT: Mayor, Chris Watts; Mayor Pro Tem Sara Bagheri; and Council Member, John Ryan.

STAFF PRESENT: Bryan Langley, Deputy City Manager/COO; Mario Canizares, Assistant City Manager; Antonio Puente, Jr., Director of Finance; Kevin Ann Mullen, Treasury Manager; Lee Howell, Chief of Police, Dean Hartley, Facilities Manager, and Theresa Jaworski, Recording Secretary.

OPEN MEETING:

Council Member John Ryan brought the meeting to order at 9:30 a.m. and the following items were considered:

1. Consider approval of Audit/Finance Committee Minutes of April 10, 2018.

Mayor Pro Tem Sara Bagheri made a motion to approve the Committee meeting minutes of April 10, 2018, followed by a second by Mayor Chris Watts. Motion passed unanimously.

2. Receive a report, hold a discussion, and give staff direction regarding the status and options for the Police Firing Range Capital Project.

Director of Finance Tony Puente explained staff's efforts to follow up on questions that the Committee had on this project during the last meeting. Staff was able to gather additional information and Lee Howell, Chief of Police, was asked to address those questions.

Howell began with the original intent of the project to make the range safer and secure and improve the facilities for a long-term use. In the mid 2000's, there was a discussion and planning about a Public Safety Training Facility at the Vintage location where Fire Station 7 is located. Part of that project planning included relocating the firing range, with more extensive facilities. That became a multi-million projection and was tabled, leading to the decision to bring the facility into the current location at City Hall East, where the Police and Fire department uses classroom space. We explored moving the range and find a property location, including outside the city limits, to avoid interfering with existing residences and relocate to an all-inclusive

facility with an indoor or baffled facility. That would be very expensive and cost prohibitive. It was decided that we try to stay and improve the existing firing range location. All the homes in the immediate area have been evacuated, leaving only the Airport and the industrial complex coming into this area. From a noise standpoint, this was one of the last few locations found within the city limits.

Howell presented the project history, including the original project scope with a metal building that had to be brought up to code, flood plain issues, increased construction costs, the addition of fiber technology and fencing for the area. The land donation from the Rayzor Group Board changed the scope significantly and presented additional delays in the legal process of conveying the property to the City. Howell pointed out the revenue received from outside agencies for the firing range usage then presented the construction options and estimated costs.

Mayor Chris Watts asked for specific details to understand the cost of the building, adding that there is no problem with the concept, the design and the space but when considering all the components, there is a problem in supporting the price structure without more information.

Howell explained the cost for storage needs and overhead doors as items that replace the shipping container and conex box that are substandard storage and includes an overall improvement in aesthetics.

A discussion followed on the roofing materials, standards for building, pricing differences and options.

Deputy City Manager Langley suggested that staff work with the architect in considering different roof options with pricing and bring them back to the Committee,

Bagheri reminded the group of the recent building of Fire Station 3, the roof options presented, and the decision to go with the higher cost option. This presents an equity issue in what was decided for the fire station and what is suggested for the firing range. Perhaps the higher option should apply to all of the City's buildings that have a commercial aspect. Maybe a broader conversation should be on an established standard or construction guidelines setting standards for all City buildings going forward.

Langley agreed. This a good point as questions are coming from the City Council on other projects and staff's efforts to provide the right options. A better way might be to come back to the Committee with a policy setting building standards, including what Council would like to include to get it in front of the planning for future projects.

Watts added there would be a difference between a public building and a training facility. There is not a lot of discussion about the cost specifics. There could be some huge differences in cost.

The group discussed the difference between government versus commercial bidding, different construction elements line items in the options and the need for clarification.

Watts explained he is not opposed to the project but recognizes a need to scrutinize the costs involved.

Langley asked if it would be helpful to bring in the architect to meet and talk through some options for the facility, addressing how they arrived at the probable estimates, what they see on a typical commercial basis versus government contracting, and if there are differences in codes or terms of the bidding process and give some suggestions to the Committee.

Watts advised that he is okay with Option 1, with some options or some understanding the cost prices and/or differences.

A discussion followed on cost verification after the contractors have submitted an item's price, language in the contract binding them to submitting actual prices, current contract language that protects the City from receiving numbers in contracts with additional charges, the current right to audit clause in the contract, and the need for clarification of actual costs in future contracts.

Langley stated that this discussion is helpful in determining the right information to bring back to the Committee on a contracting basis, including the options on this facility, a policy setting building standards, packaging that together and bringing that forward as a policy discussion.

Bagheri agreed adding that a policy discussion would be good. A set itemized list that creates historical data for the City to compare apples to apples as much as possible.

Watts added his interest in knowing information on bond and insurance information and what the City requires for contracts in general. Is there a kind of insurance or payment/performance bonds required? Does it depend on the cost of the contract and what is the cost per thousand dollars coverage of the insurance or bond?

Watts expressed his approval of the square footage and the design. The goal is to look at the cost and construction operations or materials to find savings.

Ryan agreed.

Bagheri agreed with Option 4.

Watts asked for a breakdown in the design cost.

Hartley explained that the design is not just the designer but also those who are designing the mechanicals such as the structural engineers, HVAC engineers, and others that are getting the bulk of the load of the design fee.

Howell explained that in paring down, Option 3 offered what was most needed with classrooms, restrooms and storage areas. Option 4 has the most cost savings but the walls are support walls that can't be taken out and cuts the classroom in half.

Watts confirmed his okay with Option 1 with details on costs.

Puente clarified the Committee's direction to proceed with Option 1. Will take this option back to Mayor and Council, after the bids and clarify any questions with the Mayor. Puente reminded the Committee of the need for a budget amendment to make this project whole and advised that the source would be the General Fund.

Bagheri asked if a policy for construction by department was in place, wouldn't that remove the design aspect because there is a predetermined building set up, making it a one-time design.

Hartley responded that was tried when working with the project for the Fire Station 2 design. That was the reason Kirkpatrick Architects was chosen with the idea to design a standard floor plan and add to it for the future fire stations with differences in number of bays or challenges with the lot. There were some savings going into Station 3. Another example was in Parks in the requesting the architect's design for one of the bathrooms to be used for another. We were advised there is no pass over to use those plans again. There would be a charge each time for that engineer's stamp.

Langley responded that could be addressed. In overall construction management, could there be ways to get efficiencies and cost savings in that process for future buildings? How do we make decisions on the frontend to our advantage? There are lots of projects coming up making this a good time to look at this.

Ryan asked if additional City staff could be hired to work on the projects coming up.

Langley answered that for the large projects or over \$2 million projects, project management would be outsourced, due to the significant risks and dollars with limited expertise to handle them. We will look for specific answers in determining the right time to bring in additional staff and what would be needed to help with that internally.

Ryan agreed adding if the outside architect could create the prototype and internal could make minor changes needed with the contract written we could reuse it for other sights and internal staff could make the adjustments for the sights.

Langley explained staff is trying to figure out the right mix. If there was an issue between not being designed properly or built properly, we want to be impartial. Should an issue arise in a large project such as a crack in the building, who is at fault? If there were City staff in the mix, we might complicate our ability to litigate. Those are legal issues we don't have answers to and those are things we need to think through.

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Ryan asked if that could be considered but on small projects, like restrooms.

Langley agreed. Let us pull all this information together with answers to your questions, then bring them back to you.

3. Receive a report, hold a discussion, and give staff direction regarding an Internal Audit Risk Assessment and Audit Plan.

Internal Auditor, Umesh Dalal reported on a recently completed a city-wide risk assessment. A risk assessment is a process to identify the conditions that prevents an organization from achieving their objectives.

Dalal presented the City's objectives, factors considered, opportunities, and major risks, identifying over 200 auditable units/projects. He followed with the plan for auditing areas for the remaining fiscal year and the constraints in completing the remaining audit findings.

To accomplish the audits in a timely manner, funding will be required for additional staff. Dalal compared the City's audit resources with comparable cities and a national comparison of shop and organizational expenditures. Funds will also be needed for consultants to help understand and audit technical issues in the diverse operations in the City. Dalal followed by presenting his upcoming budget request for an additional auditor position, funds for consultants and analytical software.

The group discussed how other cities that have their own electric utility companies paid auditors and how the City will handle the funding of auditing and the cost of additional auditors.


The Committee directed the Internal Auditor to proceed with presenting the Internal Audit Risk Assessment and Audit Plan to the City Council.

Meeting adjourned at 10:34 a.m.

The Audit/Finance Committee approved the April 30, 2018, Meeting Minutes on September 18, 2018.



JOHN RYAN
COMMITTEE CHAIR
CITY OF DENTON, TEXAS



THERESA JAWORSKI
RECORDING SECRETARY
CITY OF DENTON TEXAS