

**AUDIT/FINANCE COMMITTEE
NOVEMBER 6, 2018
MEETING MINUTES**

After determining that a quorum is present, the Audit/Finance Committee of the City of Denton, Texas, convened for a regular meeting on November 6, 2018, at 11:00 a.m., in the City Hall Conference Room, at City Hall, 215 E. McKinney Street, Denton, Texas

PRESENT: Mayor Chris Watts, Council Member John Ryan, and Council Member Paul Meltzer.

STAFF PRESENT: Bryan Langley, Deputy City Manager/COO, Mack Reinwand, Deputy City Attorney, Antonio Puente, Jr., Chief Financial Officer; David Gaines, Assistant Finance Director, Kevin Ann Mullen, Treasury Manager; Brian Hogan, Assistant Controller, Cody Wood, Assistant Controller, Umesh Dalal, City Auditor, William Mafi, Auditor, Tiffany Thomson, Director of Customer Service, Cynthia Williams, Water/Customer Service Business Information Analyst, Autumn Perkins, Revenue Assurance Supervisor, Water/Customer Service, Hailey Payne, Treasury Analyst, and Theresa Jaworski, Recording Secretary.

OPEN MEETING:

Council Member and Committee Chair John Ryan brought the meeting to order at 11:00 a.m.

1. ITEMS FOR CONSIDERATION

A. Consider approval of the Audit/Finance Committee Meeting Minutes of September 18, 2018.

Council Member Paul Meltzer made a motion to approve the September 18, 2018, Meeting Minutes. Mayor Chris Watts followed to second the motion. Motion carried unanimously.

B. Receive a report, hold a discussion, and give staff direction regarding revisions to the City of Denton's Debt Service Management Policy.

Antonio Puente, Chief Financial Officer explained that staff annually comes back to the Audit/Finance Committee and the City Council to reapprove the City's Debt Policy. There is no statutory requirement to do that, simply something that is done through ordinance as a requirement, consistent with what will be stated on the Public Funds Investment Act (PFIA) Investment Policy. The PFIA does require an annual review.

We are blending the two processes. This year we worked with our financial advisors, bond counsel, and our City Attorney's Office to review the current policy. Staff is recommending administrative title changes, and additional staff added who are involved in this process.

The Securities and Exchange Commission (SEC) did promulgate additional requirements on material event disclosures as well as the SEC requirements in Section XIII for clarification that advance refundings, utilizing tax-exempt bonds, are no longer allowed under current Federal Law, although advance refundings, utilizing taxable bonds, are still allowed. Due to ongoing efforts to reinstate advance refundings utilizing tax-exempt bonds, staff is proposing language in this section to allow for flexibility if those efforts result in a change to Federal Law allowing us to act on any potential refunding opportunities.

With the Committee's approval, staff anticipates taking this item to the City Council on December 4, for their consideration.

City Council Member, Paul Meltzer asked about the intent in changing the law on advance refundings.

Puente answered that this surprised a lot of the local governments. This change may have been due to the non-tax exempt status of some seeking to reduce the number of tax exempt bonds that are out there and shift folks to the taxable side for a federal government revenue stream.

Bryan Langley, Deputy City Manager, added that there has been a lot of discussion over the last few years about removing any tax exempt bonds and the ability to issue any tax exempt debt for public entities. Some of the discussion at the federal level has been that exemption goes back to wealthy individuals not paying income tax on those kinds of interest payments.

Meltzer suggested that this raises the cost of borrowing.

Langley confirmed adding that it shifts the cost of debt to the cities, school districts and public agencies.

Puente explained that if that tool had not be in place at the time, some of the refunding that took place in the area of revenue bonds with the substantial savings that has now been captured and moved over to street operations would not have been possible. The timing turned out to be to the City's benefit.

Mayor Watts made a motion to move forward the revisions to the City's Debt Service Management Policy for the City Council's consideration, followed by a second from Paul Meltzer. Motion carried unanimously.

C. Receive a report, hold a discussion, and give staff direction regarding revisions to the City of Denton's Investment Policy.

Puente introduced Kevin Ann Mullen, Treasury Manager, as the presenter of the item.

Mullen explained that the Legislature did not meet this year on the Public Funds Investment Act so there were no changes except some changes within the City, pointing out the different title changes to the Committee

Following a short discussion and clarification on the policy changes, Mayor Watts made a motion to approve and forward the revisions to the City's Investment Policy to the City

Council for consideration. Motion was seconded by Council Member Paul Meltzer. Motion carried unanimously.

D. Receive a report, hold a discussion, and give staff direction regarding an audit of the Customer Service Division of the Finance Department.

Puente advised the Committee that Tiffany Thomson, Director of Customer Service, as the presenter of the item and reminded the Committee of their requests for more information from the September 18 meeting, including payment type, drainage only accounts and some additional collection data that the Internal Auditor had included in his audit report recommendations, moving the delinquent closed accounts to the collection agency from 120 days to 90 days.

Thomson presented the inactive collections protocol and the results of the collection actions over the past two fiscal years followed by additional data on the Drainage only accounts.

Watts questioned a drainage only account that had a large outstanding balance recognized during the September 18 Committee Meeting.

Thomson advised that one account had approximately \$18,000, and is in lien status.

Watts asked that the last presentation be checked on that one account and followed with a request that of the forty accounts with a balance over 120 days totaling the \$66,343, how many are over \$1,000 and can be eligible for lien status.

Thomson answered there are nine accounts over the \$1,000 eligible for lien status.

Watts clarified, "if there is a drainage only account, the only way the City can apply any enforcement is to wait until after the past due balance reaches \$1,000? Then a lien can be placed on the account, but the City doesn't have foreclosure opportunity?"

A discussion followed on the type of past due accounts, how they are handled through the Legal Department, the motivation for payments, and the options available to change current behavior.

Langley offered to look into the handling of drainage only, past due accounts over \$1000, the current status of those accounts and the City's policy as it relates to payment implementation.

Thomson presented information on the drop box payment methods offered to customers that included: mailed in payments, drive up parking lot and front door drop box. About 43,000 payments are made through the drop box methods, representing \$27,332,331 in revenue.

Puente confirmed the follow up with the Committee on the drainage only accounts and filing on them through foreclosure, working with the Legal Department.

2. 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.

Watts suggested that the Committee take a look at the accounts that are part of a business and as new accounts are set up for drainage and parking lots, a method be put in place to connect those and not be a standalone, perhaps with a third party agreement.

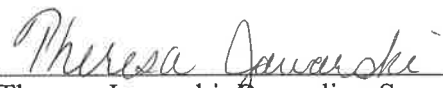
Langley agreed that would be the easiest way. Connect the utilities and the account will be turned off, if payment due is not made. Staff will look at it and come back with some options. Not many accounts like this but always unique.

With no further items to address the Committee adjourned at 11:23 a.m.

The November 6, 2018, Audit/Finance Committee Meeting Minutes were approved on March 5, 2019.



John Ryan, Audit/Finance Committee Chair



Theresa Jaworski, Recording Secretary