

MINUTES OF AN ONLINE STUDY SESSION OF THE TOWN COUNCIL OF THE TOWN OF HIGHLAND PARK, TEXAS, HELD VIA VIDEOCONFERENCE, AT 8:09 A.M. ON TUESDAY, AUGUST 4, 2020.

Prior to the study session, Tempest Brunson, Town Services Coordinator, explained that as provided by the State of Texas, this online Town Council study session could be viewed via the Town's website, or listened to by telephone, and gave the toll-free and alternate telephone numbers, as well as the access number for citizens to call. Mrs. Brunson conducted a roll call of the Town Council Members. Present at the study session were Mayor Margo Goodwin, Mayor Pro Tem David Dowler, and Town Council Members Jimmy Grisham, Marc Myers, Lydia Novakov, and Craig Penfold.

UPCOMING AGENDA DISCUSSION

Action

Review, discuss, and consider scheduling public hearings on August 18, 2020, and on September 1, 2020, to receive public comments regarding the Proposed Budget for Fiscal Year 2020 - 2021. The Texas Local Government Code requires that the Town hold a public hearing on the Proposed Budget. The public hearing on the Proposed Budget is scheduled at 8:00 a.m. on August 18, 2020, and at 8:00 a.m. on September 1, 2020. Notice of the public hearings will be published in Commercial Daily Record on August 5, 2020, and on August 10, 2020, and posted on the Town's website. On July 31, 2020, the Proposed Budget was submitted to the Finance and Audit Advisory Committee and to the Town Council and filed with the Town Secretary's office. Council Member Novakov asked whether there were many people attending these public hearings, to which Mr. Alexander stated few people attend the public hearings. On a motion by Mayor Pro Tem Dowler, seconded by Council Member Myers, the Town Council voted unanimously to approve scheduling two public hearings for 8:00 a.m. on August 18, 2020, and at 8:00 a.m. on September 1, 2020, to receive comments regarding the Proposed Budget.

Consent

Review and discuss awarding the Town's employee health insurance plan for Fiscal Year 2020-21 to Cigna and the dental insurance plan to United Health Care. Over the last few months, Town staff worked with Lockton Consultants to negotiate health insurance rates with Cigna. Due to the level of claims impacting the plan, Cigna initially proposed a renewal at an overall 17.1% increase to renew the plan; however, Lockton Consultants negotiated the rates down to an increase of 6.9%. The IRS has announced an increase in deductibles of \$100 for individuals and \$200 for family plans. The Out of Pocket Maximums will also increase \$100 for individuals and \$200 for families on the HDHP High and HDHP Local Plus plans. Regarding dental insurance, there was no increase to the dental rates. The Town will continue to pay \$10.46 per month, per dental plan; the employee contributes the balance of their monthly dental insurance premium. Council Member Penfold commended staff for negotiating the rate down. Council Member Myers asked if the consultant received a construct payment. Mr. Alexander replied that the company is partially compensated on the contract. The contract is for \$35,000 annually to manage health and dental programs on the Town's behalf. Mr. Lindley added that the Town switched to Lockton a few years ago, when recommended by past Mayor Pro Tem Bob Carter.

Review and discuss construction bids for the Overhill Drive Reconstruction and Utility Improvements project. Lori Chapin, Director of Engineering, explained the item. In 2019, the Town contracted with its consultant to help develop a Pavement Asset Management Plan (PAMP) to assess current roadway conditions throughout the Town. As part of the PAMP, a pavement condition index (PCI) value has been determined for each roadway. The PCI is a simple numeric scale used to represent the functional and operational condition of the roadway. Mayor Pro Tem Dowler was curious to know about the scale. A PCI value of 100 denotes a road in excellent condition while 0 represents a completely failed road. PCI values provide an indication of the types of problems present on the road surface and offer guidance on the type of work needed to fix the problem. Overhill Drive, exhibiting significant road deterioration, resulted in a score of 38 out of a possible 100 points. The low score confirmed the need for a total reconstruction of the roadway including the pavement, subbase and curb and gutter. In addition, the water and sewer lines that are located within the roadway will also be replaced. ADA ramps and sidewalks will be replaced on an as needed basis. Four (4) bids were received on May 19, 2020 for the Overhill Drive project. The low bid in the amount of \$1,159,741.80 was submitted by New World Contracting, LLC. Town staff determined the bid from New World Contracting, LLC is non-responsive based on the review of past performance provided through references. Staff recommends awarding the contract to the second lowest bidder, Axis Contracting, Inc., in the amount of \$1,215,809. Axis Contracting, Inc. has a strong reputation and experience with this type of work and has previously worked on Town projects. Council Member Penfold asked what the lowest scoring street was in Highland Park. Ms. Chapin explained a small piece of Prescott Avenue scored a nine (9). Mayor Pro Tem Dowler asked when the project is scheduled to begin. Ms. Chapin stated the project is scheduled to begin in mid-August. Mayor Pro Tem Dowler asked if Overhill Drive was a challenge because the street is one-way. Ms. Chapin indicated that it will be a challenge, but the department will be working closely with neighbors. Council Member Penfold asked Ms. Chapin to provide a copy of the Pavement Asset Management Plan. Ms. Chapin will deliver a copy to the Mayor and Town Council.

Review and discuss an Interlocal Agreement by the Town of Highland Park and the City of University Park with the Highland Park Independent School District providing an allocation of Coronavirus Aid, Relief, and Economic Security Act Funding. Mr. Alexander explained the briefing. Bill Lindley, Town Administrator, and Robbie Corder, City Manager of University Park, discussed this with the School District. The funding commitment is for up to 10% of the amount allotted to the Town and the City. The allocated funding would be used by the District for one-time expenses related to their responding to the fiscal impacts caused by the COVID-19 pandemic. Funds received by the District would be restricted to identical regulations as imposed to the Town and City. The Town and City have determined they will not expend their full share of the funds. CARES Act projects must be completed by November 30, 2020. Mayor Pro Tem Dowler commended staff on this idea and clever use of funds. Council Member Penfold asked about the \$26,000 in legal fees. Mr. Alexander will deliver an itemization of the legal fees. Most of those fees were for COVID-19 and employment law. The Mayor commented a benefit of the proposal is keeping citizens federal tax dollars local, as any unspent funds shall be returned to the County, and ultimately the federal government, by December 11, 2020.

REPORTS

Review and discuss regulating screening, storage, maintenance, and temporary structures of construction sites. Kirk Smith, Assistant Director of Town Services, explained the briefing, item is being presented at the request of a Council Member to discuss the utilization of temporary construction buildings (field offices) and temporary storage units on single-family residential job sites. Mr. Smith presented this item to the Town Council for the potential regulations of field offices, portable toilets, refuse dumpsters, storage units, and construction fencing. The Mayor asked if there was a difference in regulation between construction trailers and fencing. Mr. Smith explained that residential properties were not allowed fencing unless a basement was being dug and there were fall hazards. Once the basement was made safe, the fence is removed. Placement of construction trailers are at the Town's discretion and the Town can require trailers to be removed. Current restrictions for storage buildings, field offices, and fences are set by ordinance. Council Member Myers is concerned about the size of construction trailers, as well as dirt mounds stored on properties. Council Member Penfolds noted temporary trailers are permitted by Ordinance 13-102, but the ordinance could be more robust. Council Member Myers suggested restricting construction trailers to the back of the property. Mr. Smith explained restricting trailers to a specific area could trap the trailer as the property is developed. Council Member Grisham disagreed with some of the restrictions because every site is different, and he believes the permitting process is acceptable as it currently stands. The Mayor asked if there were different sizes of construction trailers. Mr. Smith confirmed there are many sizes. The Mayor noted when the house next door to her was under construction, the trailer was an eyesore, but the superintendent was always easy to find. Council Member Myers asked if under current guidelines, the staff has the power to prevent construction material storage like piles of dirt on a property during construction. Mr. Smith stated there was not a simple ordinance that specifies construction material storage. Mr. Smith stated there were many reasons to store dirt that may have been dug out for the basement and then used to grade level other areas of the property. Council Member Myers stated that he understood the resistance to micromanaging a construction site, but the Building Inspection Department needs the authority to prevent construction materials left on a property for a year or more. Council Member Myers suggested an ordinance be developed. Mayor Pro Tem Dowler stated that a few years ago, Mr. Smith began requiring a sign with the builder's name and contact information on the property, so the information was available to the public. The Mayor noted this has been very helpful to neighbors of these residential construction sites. The Mayor summarized the discussion and stated this topic would be discussed at a future study session.

Review and discuss a report on the building permit fees and process. This item is provided for Town Council discussion at the request of a Council Member. Kirk Smith explained the briefing. Building permit fees for the current budget year are projected to be \$1,070,266. The State's passage this past legislative session directing how fees are assessed did not have a material impact to the Town's budget. Consistent with State law, the Town's building permit fees are calculated on a price per square-foot basis of \$2.60 for residential construction and 1% of the construction cost estimate for commercial permits. Our trade permits are based on a unit price per fixture for plumbing and electrical; while air conditioning (HVAC) permits are charged a fee of \$0.08 per square-foot of floor area. In 2013 the Town amended the building regulations to limit construction

on one- and two-family residential properties to a 2-year period. During plan review if the submitted construction schedule reflects that the property cannot be constructed in a 2-year period, Town staff requests that the applicant appear before the Town Council to appeal for an exception to the time limitations of the building regulations. Upon approval of the exception by the Town Council, an incremental cost increase in the building permit fees of 50% of the original calculated building permit fee is required. Council Member Novakov asked what the longest period granted has been. Mr. Smith stated 32 to 34 months. The Mayor noted that past councils have not wanted to establish longer permits based on larger square-footage homes. Council Member Grisham stated that he was satisfied with the current two-year time frame, especially with this year's pandemic. He suspects that more permit extensions will be requested because of the impact the pandemic has had on builders. The Mayor noted the embarrassment of a homeowner experiences coming to a council meeting to ask for an extension, as well as the cost of a permit extension. This has encouraged many property owners to finish within the limits of a permit. Mayor Pro Tem Dowler asked the cost of the penalty. Mr. Smith explained the permitholder is fined through the municipal court, adding the fine is \$500 per day, doubling over time, up to \$2,000 per day. Upon a question from the Mayor, Mr. Smith explained that with changes in the new legislation, builders are using less expensive materials to save the homeowner money, but we have not had issue with builders not completing work that is up to code. Mr. Lindley asked for Council Member Myers' guidance related to habitually slow contractors. Council Member Myers suggested getting references to make sure the builder is competent. The Mayor commented that it is the homeowner's responsibility to vet the builders and hold them accountable. Mayor Pro Tem Dowler commented that the Council has been sympathetic to past requests especially when the project is related to keeping something of community value on the property, like the Reynolds property (3700 block of Crescent Court) keeping the large, older trees safe during the construction. Council Member Myers stated that he was satisfied with the current permit standards.

Review and discuss the Financial and Investment Report for the period ending May 31, 2020. Karen Kurtin, Controller, explained this briefing. This report is for the period ending May 31, 2020, which marks the completion of the eighth month of the 2019-20 fiscal year. Therefore, the Year-to-Date percentage for budgetary comparison purposes is 66.7%. General and Utility Fund combined revenues as of May 31, amount to \$27,896,213, which is 75.6% of the annual budgeted amounts. As of May 31, the General and Utility Fund combined expenditures and encumbrances amount to \$22,525,476 or 60.6% of the Fiscal Year 2019-20 Combined Budget. Property taxes are almost completely submitted. Sales Tax was higher than expected for May, and this is related to March sales. This is due to a one-time adjustment for a reallocation of taxes. June and July were predictably down compared to projections. Reports are two months in arrears so the August collections will be related to June's sales. Building permits continue to be strong. Three (3) large single-family residences received permits in May and contributes a large percentage of the income for May. The market value of the Town's investment portfolio on May 31, 2020, was \$41,248,398. This is 100% of the recorded book value.

Review and discuss the proposed Combined Operating and Capital Budget for Fiscal Year 2020-21. Steve Alexander, Director of Administrative Services and CFO, explained the briefing. Pursuant to the Town Charter, each year the Town Administrator is required to submit a proposed budget for the ensuing fiscal year not later than thirty (30) days prior to the end of the current fiscal year to the Town Council for its review, consideration, and revision if desired. The Council shall

call a public hearing or hearings on the budget. The Council may adopt the budget with or without amendment. The budget ultimately adopted by the Council must set forth the appropriations for services, functions, and activities of the various Town departments and agencies, and shall meet all fund requirements provided by law. Public hearings on the Proposed Budget are scheduled at 8:00 a.m. on August 18, 2020, and 8:00 a.m. on September 1, 2020. The Town Council is scheduled to consider approval of the Proposed Budget at its meeting on Tuesday, September 15, 2020.

This budget was presented to the Finance and Audit Committee, with only minor adjustments. This is a sustainable budget, meaning the operating revenues meet or exceed our operating expenditures. Fund balance requirements under our financial policies relate to the General Fund, Utility Fund, and the Capital Projects Fund. These fund balances are met by this budget. These policies are adopted by the Council and can be changed by the Council. The financial policy was approved and adopted in 2012. These requirements help the budgets maintain more steady levels and lessen the possibility of spikes and dips in each fund. Areas of related capital include infrastructure improvements, rolling stock replacement, technology replacement, and facility maintenance, including the Service Center and the Town Hall.

Mr. Alexander noted expecting to see reductions in key revenue sources, including sales tax and fines. Sales Tax is impacted mostly to COVID-19. This source is a challenge to project due to not knowing when a normalization will be reached again in the community and State. In Municipal Court, there is a reduction in fines and fees. Franchise fee revenue reductions are not related to COVID-19, but instead to new legislation as it relates to telecom and cable providers. The Mayor asked if the Town was inundated with requests for small cell installation. Mr. Lindley interjected these telecommunication franchise questions can be directed to Lori Chapin, Director of Engineering. Ms. Chapin explained the Town requires permitting on these and have not been inundated with requests. The Town has very tight restrictions on such devices. Mr. Lindley then explained recent State legislation allows telecommunication companies to control placement, location, and aesthetics of this equipment. The Mayor asked if that was in any right-of-way or alley. Mr. Lindley confirmed, then explaining they could install these poles in any public rights-of-way. They can also purchase an easement through a private residence, if they chose. Council Member Myers asked if this is for 5G. Mr. Lindley confirmed, and added 5G and any small cell technology. Solid Waste revenues have risen slightly. This is due to a rate increase related to cost increase in contracts for collection and disposal. Also, an increase in Water and Wastewater revenues related to a planned rate adjustment for the water and sewer rates. Property tax revenues increase related to reassessed value. The taxable assessed value as it relates from last year to this year, a 2.88% increase is seen. Protest hearings continue and the Town is seeing a decrease from the original 4.2% increase. The proposed budget is built on a 3% increase. As of August 3, roughly 800 parcels were under protest. The Dallas County Central Appraisal District (the "District") suggested if the Town needed a planning number for the budget, to use a 1% increase over last year's taxable assessed value. Mr. Alexander recommended waiting to receive the final tax rolls on August 20, and have those numbers recalculated, which staff believes will be more in line with what was presented in the proposed budget. Council Member Penfold agrees it is the prudent decision for the most accurate numbers. Council Member Myers asked if the number of protests was similar to previous years and does the Town have the breakdown between residential and commercial protests. Mr. Alexander explained that the Town does not have the current breakdown

of commercial and residential, but staff can ask the District for that information. Regarding the protests, Mr. Alexander replied that the number is high this year. A couple of years ago, the Town experienced a similar situation to this year. The District is seeing more protests each year. There was a ten percent (10%) jump this year compared to last year, and same as last year to the year before. The Mayor commented that the District is making their decisions more slowly this year due to COVID-19. In normal years, the District would complete the evaluations of protest earlier in the year. Waiting to receive the information until August 20, is difficult for the Town, but necessary to provide an accurate proposed budget.

Mr. Alexander explained the planned water rate increase for monthly water consumption for fiscal year 2020-21. In the proposed budget, the Town is moving forward with that rate adjustment. It was commented that the Finance and Audit Committee discussed if the rate was too high. To the extent that a 3.75% adjustment in rates were implemented rather than a 4.75% adjustment, the monthly average on the water bill changes by approximately \$2.00, but the overall adjustment of the plan is approximately \$100,000.00 for the first year, and \$1,000,000.00 on the ten-year plan. Mr. Alexander asked the Mayor and Town Council to direct staff regarding the 4.75% rate increase or the lower 3.75% rate increase, explaining the differences. Mr. Alexander also demonstrated how moving the currently planned rate increases scheduled over the next ten years by one year with the next rate increase beginning in FY 2021-22 impacts the financial model. The Mayor summarized the options presented to the Town Council and asked for comments from Council. Council Member Novakov stated her preference would be to leave it as it is and start next year, due to COVID-19. The Mayor concurred. Council Member Myers agreed with Council Member Novakov and commented that there is no need to add to residents' distress during this very stressful year and feels this would be better held until a better economic period. The Mayor Pro Tem Dowler concurred with Council Member Myers. Council Member Penfold agreed with the other Council Members. Mr. Lindley asked if the Mayor and Council if they preferred moving to catch up in future years. The Mayor stated that she didn't see another way due to the Town's resistance to not borrow money. She would prefer to borrow for equipment that will last fifty years, instead of passing the expense to residents. Council Member Myers agreed that a capital asset that lasts over fifty years should be financed over a longer period. Council Member Myers thinks it would be best to delay increased rates in a pandemic year and finance those capital assets with capital funds. The Mayor and Council agreed to not approve a rate increase this year and assume next year's rate increase will be 4.75%. Mr. Lindley suggested another meeting later in the fall to address and model those CIP funds. The Mayor agreed.

Overall departmental budgets are seeing a 1.31% increase with 1.61% in the General Fund and 0.21% in the Utility Fund. Mr. Alexander explained the personnel costs with changes in the operating budgets. In personnel costs, there is a recommended 2% adjustment in pay; health insurance will rise 7%; and retirement expenses are increasing, in part, to payroll growing, but is more related to the updated service credits. The payroll increase is recommended at 2%, and everyone will experience a 7% increase in medical premiums. Several years ago, the IRS regulations began increasing its minimum deductible for high deductible health savings plans from \$2,500 to \$2,800 for 2021. The Town Staff recommends raising the health savings account contribution benefit to \$2,800, starting in January 2021, covering the minimal deductible at 100%. Council Member Penfold agreed. Mr. Lindley noted the Human Resources Department creates a

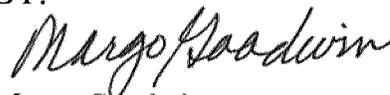
thorough breakdown for employees of the compensation and benefits provided by the residents of the Town.

Mr. Alexander explained the upcoming schedule for approval of the FY 2020-21 proposed budget. The time frame meets the Town Charter's deadline for approving the budget. The Town's deadline is September 15. The schedule will be emailed to the Mayor and Council. Mr. Alexander explained the Voter Approval Rate and its relation to disaster declarations. This allows the Voter Approval Rate to be calculated at 8%. If agreed to by the Council, the staff will draft a resolution directing staff to calculate the Voter Approval Rate at 8% to bring back to the Council to approve at the next meeting. Council Member Penfold asked if the Council chose not to approve this year, what the option would be next year. Mr. Alexander clarified the Voter Approval Rate calculated at 8% would only be enacted if there was a Disaster Declaration. Council Member Myers asked if a disaster declaration is a federal or State action. Mr. Lindley explained that it is a State-wide declaration. In the current situation, both the County and State have approved a disaster declaration. Council Member Novakov asked if there was a downside to approving the Voter Approval Rate. Mr. Lindley explained it could be negatively viewed by the community. It is more of a political issue. The Mayor explained that there is no expectation by staff to enact the Voter Approval Rate. Mr. Lindley stated several other cities in the area are adopting the 8% as a "safe harbor" provision. Council Member Penfold supports the rate. The Mayor asked if there was consensus for approval to set this rate. Council Member Myers stated that he thought it is peculiar that the Town is required to do this, but he does agree. Council Members Myers and Novakov want the Council to be prepared for this to become a topic of conversation in the community. He then commented that it is a mathematical exercise, not a policy issue. The Mayor directed staff to calculate the 8% Voter Approval Rate. Mr. Alexander will prepare a resolution and bring it back to Council at the next meeting for approval.

Mayor Goodwin adjourned the study session at 10:44 a.m.

APPROVED on this 18th day of August 2020.

BY:



Margo Goodwin
Mayor

ATTEST:



Tempest Brunson
Interim Town Secretary

