

MINUTES OF BUDGET WORKSHOP

July 16, 2015

MONTGOMERY CITY COUNCIL

CALL TO ORDER

Mayor Kirk Jones declared a quorum was present, and called the meeting to order at 6:00 p.m.

Present: Kirk Jones Mayor
 Jon Bickford Position # 1
 T.J. Wilkerson Position # 3
 Rebecca Huss Position # 4
 Dave McCorquodale Position # 5

Absent: John Champagne Position # 2

Also Present: Jack Yates City Administrator

BUDGET WORKSHOP:

❖ Discussion of the following items related to the City of Montgomery 2015-2016 Operating Budget:

- Summary

Mr. Yates presented a summary of the funds, advising the general fund revenues at \$2.236 million and expenses of \$2.286 million. Mr. Yates stated that there was approximately \$40,000 in carry over funds.

Mr. Yates stated that they would have to discuss debt service because it shows a \$10,000 reduction in carryover from this year to next year. Mr. Yates said that he found out this afternoon when he and Mrs. Branco rechecked the tax figures, and found the assessed value for this year is \$113 million, and last year it was \$95 million.

Mr. Yates advised that the water and sewer fund had revenues of \$871,788 and expenses of \$777,977.

- General Fund Revenue

Mr. Yates noted that he showed the ad valorem taxes at \$145,980, which was based on the previous \$98 million assessed valuation. Mr. Yates said if the City were to keep the same tax rate it would be \$167,000. Mr. Yates stated that he did not include Kroger figures in the budget.

Mr. Yates said that he had been very conservative on taxes for the budget. Mr. Yates then reviewed general fund revenue. Mr. Yates reviewed the following highlights:

- Taxes – only \$2,000 more than last year;
- Permits and Licenses – \$80,000 because of the expected construction in the next year, with the possibility of phase two of the apartments;
- Fees for Service – increased \$400 from the previous year;
- Fines and Forfeitures – \$360,000 a very conservative number for fines, since they are probably going to exceed \$515,000. Court had a record month, this month at \$67,000;
- Other Revenues - \$1,500
- MEDC – remained the same at \$40,380

Mr. Yates advised that he had cut the revenue budget by 9%. Mr. Yates advised that the expenses were \$10,000 more than the revenues, which is pretty good for a starting point.

- General Fund Expenses

- Administration – Mr. Yates presented the Administration Budget. Mr. Yates said that he kept the salaries the same as they are now.

Mr. Yates said that salaries can be discussed later. Rebecca Huss asked if there would be the same number of employees. Mr. Yates said that they were proposing one additional person in the Court.

Rebecca Huss asked about the insurance figure and whether the decrease was due to one less employee. Mr. Yates said that was correct. Mr. Yates said that he had figured the insurance at approximately \$10 more per person. Mr. Yates said that he had spoken to Susan Hensley, City Secretary, and found out that the health insurance rate would not be increased. Susan Hensley advised that she had requested that information from TML and they advised there would not be an increase in the rate.

Rebecca Huss said that there was definitely drama last year with the TML insurance, and asked if there were any problems. Susan Hensley advised that she had not received any complaints regarding the insurance other than the deductible, which she believed was \$2,500.

Mr. Yates advised that he had increased the Audit by \$1,000. Mr. Yates said that he had placed \$70,000 for Engineering under Public Works, but that probably should be split with two thirds in Utilities and one third in General Fund. Rebecca Huss asked if the total amount would be roughly the same as this year. Mr. Yates said that the total for Engineering is approximately \$105,000, with some in the Water/Sewer Fund.

Jon Bickford asked about the copier and printers. Mr. Yates said that they have another 2 ½ years remaining on the contract.

Mr. Yates advised that the Item 16590 Miscellaneous should have been Miscellaneous – Code. Mayor Jones asked how much Mr. Yates had figured for Codification. Mr. Yates said that he had budgeted \$12,000, but the cost would actually be \$15,000 - \$16,000. Mr. Yates said that they can either get it going this year or make a down payment, or they can wait until the following year. Mayor Jones said that they had been delaying for the last ten years, so he would like to get started one way or another.

- Police Department – Chief Napolitano presented the Police Budget and gave a summary of the expenses.

Chief Napolitano advised that in personnel there was an overall increase of 9%. Rebecca Huss asked if they would be adding one person to be included in that amount. Chief Napolitano said that was correct. Chief Napolitano said that they finally got to full strength in the Department about one month ago.

Chief Napolitano said with the increase of the apartments coming in, they wanted to see what City Council thought of having one more officer. Chief Napolitano advised that their calls for service had increased by 35%. Rebecca Huss said that according to the monthly reports for the Police Department, it seems like the dominant calls are for information and welfare checks. Chief Napolitano stated that their largest volume of calls is between 2 p.m. and 10 p.m., which is when they try to have the power shift with two officers and one supervisor. Chief Napolitano said that Montgomery County does the same type of scheduling. Chief Napolitano said that the bad crimes are mainly people coming through the City, not from the City, and the officers are making traffic stops and catching them. Chief Napolitano said that once the apartments behind Brookshire Bros. opens, it will increase the population and then the calls will increase.

Chief Napolitano said that they currently have supervisors working shifts when the officers take time off, and with more people they would not have to do that and they could stay level. Rebecca Huss said that she would feel more comfortable waiting it out and then midway through the year doing a budget amendment rather than allocating the funds at this time.

Jon Bickford said that with all the development and more people within the next three years the population will triple. Jon Bickford said that they have great schools and the community feels very safe. Rebecca Huss said that at the Community Meeting they held, nobody said that they did not feel safe in their homes, or complaining that their vehicles were being broken into, which was nice to hear.

Jon Bickford said that since the apartments would be done in another 4-5 months, let the Police start getting things planned, and asked if they would need another vehicle. Chief Napolitano said if they keep on the path of what they are doing, and replace the two older vehicles this year, they should be good just getting one new officer. Chief Napolitano said that they will be increasing their calls for service, with more traffic stops and family disturbances. Chief Napolitano said if they started the new officer in March, there is a training curve for them, which is about two to three weeks. Chief Napolitano said that they are finding good applicants because the equipment is well maintained. Chief Napolitano advised that \$50,000 would need to be put in the budget for an officer. Mr. Yates said that it would be more like \$60,000 to be added. Chief Napolitano said they had added 11% for the step salaries.

Chief Napolitano said that they still need four tazers that are \$1,000 each. Mayor Jones asked if they were included in the budget. Chief Napolitano said that they were in the current budget, he just has not purchased them, because he had been told to stand down and wait on purchases, because the funds were going to be used elsewhere. Mr. Yates said that he could add \$40,000 for a half year and another \$10,000 for uniforms and a weapon. Chief Napolitano advised that he would only need to purchase one weapon for the new officer.

Chief Napolitano said the increase in the gas and oil was for the new officer. Chief Napolitano said that they are having fewer auto repairs because of the newer vehicles, and the Tahoe's are running really well.

Chief Napolitano advised that the County will be changing their radio system, which will end up costing them money to update our system, but they do not have figures at this time. The District Attorney's Office is going to assist the smaller departments, but since the Sheriff's Department can't give them an amount they can't figure out how much they will be able to allocate. Lt. Belmares advised that they won't know anything until after December 1, when they go online and make sure that they don't have any kinks in the system.

Rebecca Huss asked about the phone plans. Lt. Belmares advised that all the plans were unlimited use. Rebecca Huss asked the Chief if his figures were based on concrete knowledge. Chief Napolitano said it was based on an estimate.

Jon Bickford asked about the radio fees that increased 43%. Chief Napolitano advised he would check on that figure, because that was an estimate. Dave McCorquodale asked about the scheduling software. Chief Napolitano advised that they would pay a set annual fee for the software. Chief Napolitano said that the scheduling system would load the information for the finance person. The payroll and the time sheets will be done in the scheduling system

electronically. Lt. Belmares said that the scheduling system will allow leave requests to be submitted electronically.

After discussion, Item 16359 - Infield Fingerprinter for \$4,500 will be moved to Capital Purchases.

Rebecca Huss asked about the radios, and said that last year they had discussed the \$26,000, and asked about the allocated \$4,000. Chief Napolitano said that \$4,000 was not the amount that he had submitted. Mr. Yates said that they had radios under Capital Outlay Item 17050, but there was no funds listed. After discussion, they put \$26,000 in Capital Outlay Item 17050 for radios.

Chief Napolitano advised that Item 16341-Employee Relations was for things like National Night Out and Coffee with Cops, etc. Mayor Jones said that he felt that was classified wrong, because Employee Relations would be an employee's birthday party, etc. Mr. Yates changed the name to Community Relations and moved up under Supplies and Equipment.

Chief Napolitano said that they were looking at the Tahoe and Explorer for patrol vehicles. Chief Napolitano said that the new vehicles maintenance costs are way down. Rebecca Huss said that some of the trucks had gone to aluminum, and asked if one was better than the other. Lt. Belmares said that he did not know about the police package.

Chief Napolitano said that the Vid Tac system works better than the COBAN. Rebecca Huss asked if the \$115,000 was a typo. Chief Napolitano said that it was a typo and should be \$15,000. Chief Napolitano advised that COBAN costs \$5,800 to purchase, and it only costs \$3200 for a Vid Tac unit. Chief Napolitano said that they need two units for the new cars. Chief Napolitano said that if they have to go to body cams in the future, they will need a much larger server. Then in the future, they will have to have someone that will be able to perform the redacting of everything that is not related to the case being requested for information on the system for records requests.

Rebecca Huss said that if they add \$40,000 to hire someone for March, along with the \$26,000 for radios that would be an 8-9% increase that is being asked for the entire year. Chief Napolitano confirmed that information was correct.

Jon Bickford confirmed all the changes as follows:

- One officer to be added for half a year - \$40,000;
 - Radios - \$26,000 (adding \$22,000 to \$4,000 already in budget); and
 - Vid Tac – already in the budget.
- Court – In the absence of the Court Administrator, Mr. Yates presented the Court Budget. Mr. Yates stated that the Court Administrator has decided to hire a clerical person instead of a Warrant Officer, which will be \$10,000 - \$20,000

less for wages. Dave McCorquodale asked if that was a revenue saving issue or another reason. Mr. Yates said that most of the job will be in the office and for a day or two per month they could use an officer for a day to serve warrants. Chief Napolitano said that the other reason the Court Administrator wanted a civilian was to assist while the other Clerk is out on maternity leave.

Rebecca Huss asked if the third person would bring it back to manageable status in the Court, and asked if that person would also be able to assist the Administration side also. Rebecca Huss asked if this would be a full time extra job or whether it would be three or four days a week, and if they would have the ability to work on both sides of the office. Mr. Yates said that they would get a little bit of a benefit, when Ashley does not have to cover as much of the Court.

Mr. Yates advised that the wages would be reduced \$15,000. Rebecca Huss said that the Worker's Compensation coverage would also be less since they would not be an officer. Mr. Yates said that they already have the computer equipment for the new person.

- Public Works

Mr. Yates said that the primary difference in the salary was not having the Economic Development Director position. Mr. Mike Muckleroy presented his budget. Dave McCorquodale asked if they were backing out some of the licensing costs, such as GIS, if they are not using them. Dave McCorquodale said that he thought he had purchased a full version of ARC, which is software that engineers use.

Rebecca Huss asked about Item 16375 Building Repairs that is listed as \$3,000, and wanted to make sure that would be enough. Mr. Muckleroy said that there was \$10,000 in the current budget that will be used to pay for the kitchen remodel. Mr. Muckleroy said that the only major thing that needed to be done at the Community Center was an electrical rewire.

Mr. Yates advised that if they do not spend all of the \$22,500 under Item 16375 – Street Repairs in the current budget, they can roll it over into the new budget, which is set at \$2,500.

Mr. Muckleroy said that streets and drainage had increased a little. Mr. Muckleroy said that they had increased Memory Park a little bit, because they had a meeting with some of the members of Memory Park and there will be some more expenses and improvements that need to be made. Jon Bickford asked if that was because they said so. Mr. Muckleroy said that there was some stuff that needs to be done and they have relied very heavily for them to do it themselves. Jon Bickford said that he wanted to let the record reflect that when

they got the free Community Center, he said that it was just like getting a free horse.

Jon Bickford said they had replaced the siding on the Simonton House, which cost either \$17,000 or \$28,000, and he noticed the building still had not been painted. Jon Bickford said that there is \$28,000 worth of wood rotting and it needs to be painted. Mr. Muckleroy said in their defense, the building does have a primer coat, so it is not bare wood.

Jon Bickford said that he wanted the agreements with the parks on the agenda for action.

Under Supplies and Equipment there were two typos: Item 16460 – Operating Supplies should be \$6,000, and Item 16460.6 – Tools, etc. should be \$1,000.

Mr. Muckleroy advised that he is requesting the following purchases:

- a new ¾ ton 4-wheel drive Chevy truck
- a walk behind gas powered asphalt packer for larger asphalt patches
- 20 more barricades

The total for these purchases is \$46,000.

- Utility Fund

Mr. Muckleroy advised that the Groundwater Reduction Expenses was a typo and should be \$20,000.

Mr. Yates advised that the Misc./Contingency/GRP should be \$1,000 and not \$21,000. Rebecca Huss asked about the utilities. After discussion, Mr. Yates said that the \$85,650 should be \$110,000 for utilities.

Mayor Jones asked about the \$140,000 Capital Expenditure and what they had in mind. Mr. Yates advised that it was for lift station repairs for \$100,000, and \$40,000 thrown in as an estimate. Mayor Jones said that it should be under Maintenance and Repairs instead of Capital. Rebecca Huss said if they are changing out the motors with a longer life, then it would count as Capital.

Rebecca Huss said that they would end up with roughly a negative -\$56,000 in income for the water/sewer fund, which is not a sustainable number. Rebecca Huss said that while they are still waiting for Jones and Carter to come out with the Rate Analysis, this still says that they need to take action. Mr. Yates advised that it would be -\$39,000.

Rebecca Huss asked if the Capital that was coming out included the electric meters. Mr. Yates said that they had \$60,000 in Capital Projects and some in the \$140,000.

- Special Funds
 - Construction Fund
 - Court Security Fund
 - Court Technology Fund
 - Hotel Occupancy Tax Fund
 - Police Assets and Forfeitures
 - Montgomery Economic Development Corporation

❖ Discussion 2015 Tax Rate

Mr. Yates reviewed the tax calculation for FY2015. Mr. Yates advised that the calculation is based upon how much of the valuation is necessary to pay off the debt. Mr. Yates said that currently the City rate is .2672 for debt service and .1483 for maintenance and operations for a total of .4155. Mr. Yates said that if the City were to keep the same rate that we currently have the City would get \$302,162 for debt service, and \$167,699 for maintenance and operations based on this year's adjusted tax base.

Mr. Yates advised that he took the Jones and Carter spreadsheet and broke it up into Certificates of Obligation and what General Fund, Utility Fund, Capital Outlay and Water/Sewer Funds could pay. Rebecca Huss advised that they could borrow money to pay for the projects, and not raise the tax rate. Mr. Yates said that the list included \$35,000 for Stewart Creek land acquisition.

Rebecca Huss had a question regarding keeping the same tax rate, and then not borrowing funds until halfway through the year, would it be okay for the City to accumulate more money in debt service than they need to pay off the bonds that they have currently. Mr. Yates advised that would be okay. Rebecca Huss stated that they could pay off their highest yielding bond. Mayor Jones said that they could also borrow less. Rebecca Huss asked whether they could transfer the funds out of the debt service into the maintenance and operations. Mr. Yates advised that he thought that could be done, but he would check to be sure. Mayor Jones asked if he was sure that could be done. Mayor Jones asked whether you could put taxes into debt service, without having a debt to apply it to, and if that would be legal. Mr. Yates said that he believed that it would be legal. Mr. Yates said that they could have changed it right now, because it is still the public's money.

Rebecca Huss said from a public relations and fiscal perspective. it would make sense to leave things as they are and if they have more money, they can spend it appropriately. As, opposed to lowering people's taxes, and then having to raise taxes to pay for something. Mayor Jones said that for about three or four years in a row the City did lower the taxes a little bit, but they have stayed flat for the last several years.

Rebecca Huss said that when they have a depreciation fund to cover the cost of everything that they are using, then she would consider lowering taxes. Rebecca Huss said that each year they should be charging \$20,000 for a police vehicle, and putting those funds away as the cost of doing business. Mr. Yates said that at some point it would be good to have a Capital Improvement Fund, where you spread out your projections and determine how much you take from the General Fund and Water/Sewer Fund and put into the Capital Improvement Fund. That fund would be divided into ten years to determine how much should be put into that Fund every year. Mayor Jones said that they had sort of done that already, they just had not named it that. Mayor Jones stated that they had excesses that were rolled into reserves, and could have been put into a Capital Improvement Fund instead. Rebecca Huss said that the reserves would be shrinking, because they are a percentage of the operating budget, so as the budget gets bigger, the reserve percentage shrinks. Rebecca Huss said that she would like to take advantage of the growth while they can, and hold expenses back and start paying for things that haven't been done and start to truly account for what it costs to grow.

Jon Bickford stated that if they purchase a \$50,000 Tahoe this year, then they need to project what another Tahoe is going to cost in five years and put funds away each year to purchase the vehicle. Jon Bickford asked what the Surplus Funds looked like for 2016 and whether they were going to be flat. Mayor Jones said that Mr. Yates needs to make all the adjustments so that they can see where they stand. Mayor Jones stated that the experts say that you should have at least three months of operating, and we have twice that amount. Jon Bickford said that he thought there was a certain amount that they can't exceed or the State will look at the City and say that we need to lower our taxes. Dave McCorquodale said that would be where the Capital Improvement Fund would come into play, because the funds would be designated.

Mayor Jones said that Mr. Yates was listing off some projects for long term repairs, with funds for studies by the Engineers. Jon Bickford said that if they adjust the Jones and Carter spreadsheet for Water/Sewer usage, now that they know that Kroger is going to be a lot less than what they originally stated, he thought that they could kick the can on starting a new sewer plant for a year. Mayor Jones said that he thought that they could also kick the can on the Stewart Creek detention. Jon Bickford said that they need to question if right now is the time to spend \$200,000 sewer plant planning, or do they spend it next year. Mayor Jones said that he felt that when they spend the funds, they should tie it in with the bonds that they sell for the water/sewer plant, and not as a separate debt. Jon Bickford said that he thought that was a good idea. Mr. Yates said that can collect the revenue and sock it away and decide what to do with it six months from now. Mr. Yates said that they have \$140,000 designated for repairs, and the Capital Projects Fund will have \$50,000-\$60,000 remaining after the water meters, and Buffalo Springs waterline. Jon Bickford said he felt it would be worth their while to see what impact it would be with different interest rates of 3.5 and 4.5 percent. Mr. Yates said if they wait six months and they gain some more in the Utility Fund, they can spend \$25,000 out of Surplus Revenue. Jon Bickford said that they need to understand the implications of waiting, where you will save more, but you won't

be getting anything done. Jon Bickford said if the interest rate was at 2 percent, he would say get as much as you can get now. Mr. Yates stated that if the interest rates are at 4 percent, then construction rates will be at 6 percent, so they will never catch up to construction inflation. Mr. Yates said it will always be cheaper to borrow versus saving. Mayor Jones asked if they should be building the sewer plant right now. Jon Bickford said that with construction it will always be cheaper to build it today versus two years from now.

Mr. Yates reviewed the Capital Improvement Projects. Rebecca Huss asked if that was funds left over from their previous bond issuance. Mr. Yates advised that was correct. Rebecca Huss asked if those funds had been released. Mr. Yates advised that it had not. Rebecca Huss stated that they have been asking Jones and Carter for that to be released for a while.

Mr. Yates advised that there was approximately \$80,000 left to pay the contractor, which leaves about \$250,000. Mr. Yates said that he had \$70,000 for a water project in Buffalo Springs and \$60,000 for water meters, which will leave \$91,000 remaining. Rebecca Huss said that they should spend that on old projects to get them out of debt service. Mr. Yates said that he found out today that the Lone Star Parkway lift station, where they keep having the ragging problem is going to cost \$20,000. Mr. Yates said that they could use the Capital Projects Fund for the purchase of the two new pumps.

Jon Bickford said that he would like to have the following information all in one place:

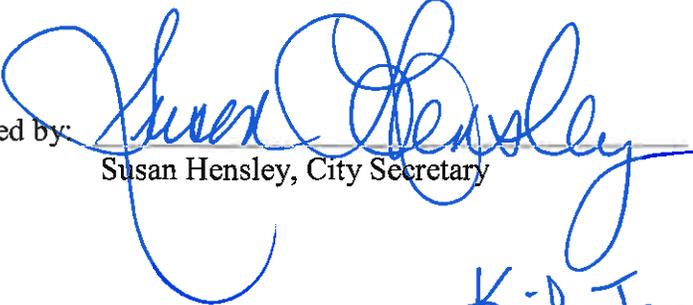
- 2014 final income and expenses;
- 2015 expected final income and expenses; and
- Proposed income and expenses for 2016.

Mr. Yates advised that information is listed on Page 18. Jon Bickford advised that it did not show expense for 2015. Jon Bickford said that they are down \$200,000 more in expenses than they do in projected revenue for 2016. Mr. Yates advised that was correct. Jon Bickford said that it looks like the balance in the funds is going to go from \$1,530,000 to \$1,480,000, which is a \$50,000 difference. Jon Bickford said he did not know how they were only \$50,000 different. when they are down \$200,000. Mayor Jones said this was the first go round. Mayor Jones said that all the capital fund expenditures that they have dedicated, and all the monies that they already have in the bank for capital expenditures, and asked if he could list all of them. Such as the water line project, lift station, etc., and all the funds proposed for Capital Projects be listed. Mr. Yates advised that he would do that. Mayor Jones said that they needed to get together for another Workshop. After discussion, they decided to get together on Thursday, July 23, 2015 at 6 p.m. at City Hall. Susan Hensley advised that they would need to vote to schedule the Budget Public Hearing at the next Workshop Meeting.

Mr. Yates asked City Council to think about what they want to do regarding salaries at the next meeting.

ADJOURNMENT

Mayor Jones adjourned the meeting at 8:25 p.m.

Submitted by: 
Susan Hensley, City Secretary

Date Approved: 08/25/15



Mayor Kirk Jones

