

MINUTES OF BUDGET WORKSHOP MEETING

August 22, 2019

MONTGOMERY CITY COUNCIL

CALL TO ORDER

The Workshop Meeting convened at 6:00 p.m.

Present: Sara Countryman Mayor
John Champagne, Jr. Place #2
Rebecca Huss Place #4
Tom Cronin Place #5

Absent: Jon Bickford Place #1
T.J. Wilkerson Place #3

Also Present: Richard Tramm City Administrator
Susan Hensley City Secretary
Kimberly Duckett Court Administrator
Anthony Solomon Chief of Police
Mike Muckleroy Public Works Manager
Cathy Branco Financial Consultant

BUDGET WORKSHOP:

- ❖ Discussion of the following items related to the City of Montgomery 2019-2020 FY Proposed Operating Budget:

Mr. Tramm advised City Council had received the updates from the Tuesday, August 20, 2019 Workshop Meeting, but said they noticed there were six categories they had not changed correctly, and those corrections were provided this evening.

Mr. Tramm said he could review the adjustments made to the Proposed Budget line by line if Council chose to do so. John Champagne asked if they were substantial line items. Mr. Tramm said four of them were within a couple thousand dollars at most, and one was a \$30,000 change. Mr. Tramm said the \$30,000 was in the Capital Outlay Sewer Treatment Plant Improvements,

where it was \$80,000 (Page 30) and they lowered it to \$50,000 and said the change did not get carried over from Tuesday. Mr. Tramm advised all the personnel portions where the health insurance is covered, they had planned on a three percent increase for costs, so that was already factored in. Mr. Tramm said they are looking at two or three different options for the health insurance plan, one being the three percent increase on the same plan, and there is also a plan where the deductible goes down by \$500, which is about a seven percent increase. Mr. Tramm said they have different changes to the dependent coverage, which the City does not pay toward dependent coverage. Mr. Tramm said they will be having a staff meeting in the next week to get with staff to see how those changes on either one of those plans might interact with their family coverage. Mr. Tramm said they don't want to put the employees in the position where they are not aware of the changes and don't want to put an employee in the position where they might have difficulty affording the insurance change. Mr. Tramm said with just the change in personnel they would have enough money in the budget to cover the difference between the three and seven percent for City coverage.

Mr. Tramm reviewed the Texas Municipal Retirement System information for different cities in Montgomery County in comparison with the City of Montgomery. Mr. Tramm said the City of Montgomery has fewer options than the other cities and said when you hire someone from another City they look very closely at the retirement options, and if you are a step below it becomes difficult to lure good employees who come from another municipality. Mr. Tramm said the City is meeting the same matching and percentages, we are not covering the cost of living for retirement down the road. Rebecca Huss said the cost of living adjustments kills people's pension funds. John Champagne said Mr. Tramm was saying the retirement benefits provide coverage for a certain period of time. Mr. Tramm said for employees it takes 5 years of employment to vest, and then there is a 20-year or age 60 requirement for retirement with TMRS. Mr. Tramm said at the point the employee hits retirement, within their plan, there is a payment schedule that carries out continuously for life. Mr. Tramm said if you are in a plan without cost of living adjustments the retirement amount stays level and is eaten up by the cost of inflation. Mr. Tramm said he was not asking for anything that would require additional spending tonight or any approval, because this is a Workshop, what he is looking for is to see if there is an openness for consideration that if they work with TMRS and get some values that would be assigned with dollar amounts then bring them to City Council at a later date for consideration. Rebecca Huss asked if TMRS has a 401K type option, because in Wisconsin they have the happiest retirement system that is premised on the idea that people get paid with a base amount, but the rest of it fluctuates based on market performance, which helps the State balance what it is that all the universities pay into it. Rebecca Huss said they

were solvent and the whole state is solvent. Rebecca Huss said their payments don't get eaten up by inflation if you live another 40 years after you retire. Rebecca Huss said that cities historically have been unwilling to put aside the money that is required to fund the longevity and inflation issue. Rebecca Huss asked if the City could get into a double plan so they pay the 401K and TMRS, so they would have two plans. Mr. Tramm said he would investigate that information and said he would doubt the City would be tied exclusively to TMRS and only that. Mr. Tramm said he has worked at other places where he had a 401K and he still has his funds there. Ms. Hensley advised that any changes to TMRS must be brought to City Council and adopted by Ordinance. Rebecca Huss said there are way too many unknowns. John Champagne said the rates for private industry of a large group were very low, but the rates for a small group were higher. Ms. Hensley said she would get an answer from TMRS regarding the rate breakdown. Mr. Tramm said the cost of living is just one option, stating there were other elements listed, such as supplement death benefits. John Champagne said he thought it was worth looking into. Rebecca Huss said it was a benefit that she did not mind providing, but they need to find a way to properly account for it and know exactly what it is going to cost the City so every year forward it is in the budget and they don't have a surprise number. Mr. Tramm said he just wanted to hear there was at least enough interest to explore and nail down costs. Rebecca Huss said for her it is a 401K matching program. Mr. Tramm said he would investigate that option. Rebecca Huss said annuities are not a fabulous deal because you have to decide before you retire whether it is you and your partner and if the employee dies within a certain period of time then there is no money left, whereas with a 401K if you amass \$500,000 then you can leave that money to your family and if they pass away after a year, then they leave it to their beneficiaries.

Mr. Tramm pointed out on page 25 and 28, where tap fees and inspections figure (page 25) of \$455,000, which is the revenue the City is collecting as first time new accounts are coming in for new accounts and services and on page 28, the category for taps and inspections for the inspections they are doing on the same category. Mr. Muckleroy said the only thing that he codes to this is what they pay Gulf Utility to do taps for the City. Mr. Tramm said he has heard of the use of the term impact fee, but he did not see where that is separated out, so he must assume that it is part of the revenue that is being collected there. Rebecca Huss said they have an impact fee on page 25, but they have never actually collected anything since everyone that has been building has been outside the impact fee area. Mr. Tramm said the point he was making is there is a large difference between what they are receiving and what they are spending, and said he thought they needed to find a way to set some of that money aside for a longer-term. Mr. Tramm said when they have an upcoming expansion or a new sewer plant down the road, and several years down the road

potentially an elevated storage tank, and at some point, they will have water well expenditures, whether they need a new well or another well goes out. Mr. Tramm said where he came from in the last year, from what they collected impact fees in previous years, they were able to drill a new water well and erect a half-million gallon elevated storage tank that was paid for in cash from years of money that was set aside for those purposes. Mr. Tramm said he felt they need to dedicate some of that money to meet that difference because even though these new customers are not being charged impact fees, they are still taking up the demand of the system that has already been paid for. Rebecca Huss asked if there was room in the funds as it stands to do that. Mr. Tramm said he believed there is because if you look at the beginning and ending balance on page 24, they have about \$200,000 difference between the beginning balance and ending balance. Mr. Tramm said this is just for the water/sewer fund, which is kept separate from the other funds. Rebecca Huss said she would like to do that and said it was a great proposal. Mr. Tramm said if something comes up in the shorter term you have that money set aside and it could go to your debt service, and if you need money on the longer term you might have the cash to pay for a project along the way. Mr. Tramm said the point is the funds need to be segregate going forward. Tom Cronin asked if they need an escrow account. Mr. Tramm said it can be kept in the same banking accounts and done by a bookkeeping line item, or you can put it in a separate banking account. Rebecca Huss said she would like to make it clear that is what the funds are for. Mr. Tramm said he would probably put the funds in the TexPool account, so you get more interest and it is also just a little bit harder to get to. Rebecca Huss said they have talked about doing this for years. John Champagne asked if Mr. Tramm was proposing \$200,000. Mr. Tramm said he was proposing the difference between the beginning and ending balance, which is \$212,000. Mr. Tramm said if they come across something else they need to allocate, they can deduct from that amount, and whether it is \$175,000 or \$200,000, the point is they are setting aside a very significant amount.

- Summary
- General Fund Revenue

Mr. Tramm said they did redo some of the sales tax assumptions when they updated all the numbers for the actual estimates, and he brought them forward for 2020 to equal the year 2019 ending sales tax. Mr. Tramm said he wanted to keep a conservative assumption and he fully expects they will be higher, but he did not want to be in the position of promising more than they could deliver. Mr. Tramm said if he is wrong, they end up with additional revenue because of growth, but if he is wrong, we end up committing to expenses they suddenly can't afford. Tom Cronin said he agreed with Mr. Tramm. Mr. Tramm said if the

businesses that are planning to open suddenly don't and they open later, the City has not overextended themselves.

Mr. Tramm said it might be possible to dedicate these funds for streets and sidewalks and that kind of project. John Champagne said he was thinking there are some places they could go for streets and sidewalks. Mr. Tramm said the good thing about development and growth in the area is it brings in more revenue, the bad thing about it is they must front-load the work before that comes in. Mr. Tramm said the City is in the phase of having to prepare for the growth and the money comes in later. Mr. Tramm said, fortunately, the boost of sales tax revenue gives the City the chance to start to get a head start without looking like they are going to have to go out and borrow money to keep up. Mr. Tramm said he feels it puts the City in a pretty good position.

John Champagne asked if Mr. Tramm was looking at the Lone Star Groundwater Conservation District rates. Mr. Tramm said in a couple of months he planned on evaluating that information. Mr. Tramm said for the time being the rates will stay where they are and said that is something the City needs to continuously evaluate a couple of times a year. Mr. Tramm said, fortunately, there are people in the community that want to look at that information and said he finds the detail they put into that information is very helpful. John Champagne said that was not a mandate from City Council to have that help. Mr. Tramm said he understood that and said he felt it was a great tool to have.

Tom Cronin asked if the TORC Committee was getting a lot of pushback from the engineers when they ask for information and asked if Mr. Tramm could be a better buffer for that information. Mr. Tramm said he thought he could, stating he has been working on that and the TORC Committee has gotten all the information that he was aware they were asking for.

John Champagne asked about the revenue that Mr. Tramm adjusted. Mr. Tramm said on page 4, for Ad Valorem Tax, Item 14320, it stated those taxes were set at the rate with the property values in conjunction with the Tax Assessor's Office, so those were not figures the City came up with. Mr. Tramm said under the sales tax Item 14600, if you look at the 2019 estimate, which is based on the actual numbers collected projected for the remaining portion of the year, you can see what 2019 was budgeted for and there was a jump above the budget, based on growth. Mr. Tramm said for the 2020 projected budget he took the

2019-year end estimates and put that there for a good conservative starting point. Mr. Tramm said he thought the number would be higher, but he would rather plan for that. John Champagne said that fit the mentality that has existed here for at least the last 10 years.

Tom Cronin asked if sign fees were one time or an annual fee. Mr. Tramm said he believed they were one-time fees. John Champagne asked about the revenue for parks. Mr. Tramm said in the case of Fernland, they do have the occasional photography permit that shows up under permit fees. Mr. Tramm said those are \$25 permit fees. John Champagne said they are supposed to be \$250. Mr. Tramm said he has approved one photography permit since he has been with the City. John Champagne asked if the City was going to pull in the rental of Cedar Brake into the City. Mr. Tramm said yes, he was working on that.

Tom Cronin asked if money had been put into the budget for the replacement of trees at Cedar Brake Park. Tom Cronin said he walks the Park and he can see all the trees that have fallen. Mr. Muckleroy said that would fall under general maintenance and he did not feel that they needed to add extra funds. John Champagne asked if they would replace them with 50-gallon trees. Mr. Muckleroy said the ones they replaced two years ago were 10-15-gallon trees and they have only lost one out of all of them. Mr. Muckleroy said none of the trees they replaced were Cedar trees, which is what they decided when they replaced the trees. John Champagne asked why they did not use Cedar trees. Mr. Muckleroy said he, Mr. Yates and Sonya Clover decided not to go with Cedar trees. Mr. Muckleroy said if they want to put in an extra \$1,000 in Cedar Brake Park and dedicate it to trees, that would be good. Mr. Tramm said they could have a hurricane roll through later this year and it could take out more trees. Mr. Tramm said they have lost two trees at Cedar Brake Park. John Champagne asked if \$1,000 would get them 10-15 trees. Mr. Muckleroy said it would get them 10 trees. Mr. Tramm said they might want some extra funds so they could buy a slightly larger tree, so they are not all small trees. Mr. Muckleroy said the line item -16230 is General Maintenance, under Public Works and they are changing the amount to \$13,000.

John Champagne asked about Memory Park maintenance and said they were going up to \$21,500. Mr. Muckleroy said that included a one-time \$15,000 to do additional sidewalks at the Park and get rid of the last section of granite. Mr. Muckleroy said he was figuring a

little high to be safe, and he is hoping he can talk Ingram to donate some of the concrete, that figure could come down.

Mr. Muckleroy said on page 21, Item-16352.9 Memory Park Utilities the utilities are solely water, there are no other paid utilities over there. Mr. Muckleroy said the reason it is down to \$5,600 estimated for 2019 is that the irrigation system was down for several months and they had major issues. Mr. Muckleroy said it includes a complete rewire that they are slowly working on and said not to expect that it will stay at \$5,600 stating the year before it was \$10,400. Mr. Muckleroy said he would like to do \$9,000 for 2020 because he feels with the improvements they have done he can come in under the \$10,400. Mr. Muckleroy said they will kill the sprinkler system in the wintertime, which was one of the suggestions that Mel's Sprinklers made, saying not to rely on the solar brain for the winter. Mr. Muckleroy said they have also been working on run times for the sprinkler with one of the Rotary members who is a Master Gardener. Mr. Muckleroy said they are trying to find the perfect balance for the sprinkler system and increase the efficiency.

- General Fund Expenses

- Administration

- Police Department

Mr. Tramm advised one of the changes they made to the Police budget was for the Police vehicle that was discussed and said since there are funds in the current fiscal year that are unexpended, they will be bringing the purchase of the police vehicle for approval. Mr. Tramm said the vehicle that was in the budget for the current fiscal year that has not been purchased, they will be bringing it to City Council for action at the next meeting, not counting the wrecked vehicle. Mr. Tramm said they took one of the two that was to be purchased next year out so they can purchase it out of this year's current budget.

Rebecca Huss asked if they should put the pending purchase in the 2019 estimate budget. Mr. Tramm said he felt they should put it into the estimated ending budget for 2019 because it is an expenditure they can estimate.

Rebecca Huss said on page 14, Item - 17071.8 Capital Outlay Miscellaneous, she thought they were cutting out the miscellaneous capital outlay. Chief Solomon said he wanted the amount lowered to \$12,000 from \$25,000. Mr. Tramm asked what that

category was used for. Chief Solomon said last year when he came in, he was advised they had \$13,000 allocated to redo the Property Room, and he had no idea where the rest of the money went because he was told that was what was left. Mr. Muckleroy said a portion of the money went to the air conditioner for the server room, and then \$10,000 for barriers, which he thought Mr. Yates had switched it over to Public Works because he thought it was more of a Public Works item. Mr. Tramm said he must have because it shows an estimated amount of \$10,500, so the barriers must not have been included. Chief Solomon said they have no room in their department and they must make some room possibly with cubicles until they can get more room.

Rebecca Huss left the meeting at 6:50 p.m.

John Champagne asked if the Police Chief felt the space would be more effective if the department was configured another way. Chief Solomon said they have moved a lot of things out of the Patrol Room because it had files and a lot of other things in that area. Chief Solomon said one of the things they are looking at doing is in the area where the safe is located, they could move that out and put a cubicle in that area to give them more space.

Chief Solomon advised they were going to put racks in all the patrol vehicles and have long guns and shot guns in the vehicles because it takes too long to pull them out of the trunk of the vehicle.

- Court – there were no changes that were made to the Court's proposed budget.

- Public Works

Mr. Muckleroy reviewed the following changes:

Page 19 - Item 16374-Building Repairs for City Hall and the Community Center would be \$18,500. John Champagne asked if the changes had been made to revenue for the Community Center. Mr. Tramm said he would get back with City Council on some proposals, so they don't know exactly how that will change revenue. Mr. Muckleroy said it had been brought to City Council originally regarding the fees for the Community Center two years ago. Mr. Tramm said since the fees were set by City Council, he can't make the changes unilaterally. John Champagne said the proposed change could be noted in the proposed budget. Mr. Tramm said yes it could. Mrs.

Branco advised the Community Center revenue is Item 14380 – Community Building Rental. Mr. Tramm said they could add funds to that item. Mr. Muckleroy said he did not have a dollar amount. John Champagne asked why it was assumed that all non-profit groups got the Community Center for no cost if the organization is not located in the City. Mr. Muckleroy said it was not his decision. Mr. Tramm said he was looking at changing that information. Mr. Muckleroy said when they did the original proposal three years ago, the rates that are in place are not what they took to Mr. Yates. John Champagne said they must start somewhere, and they are going to change this information.

Tom Cronin asked Mr. Muckleroy how long his crew takes to clean the Community Center. Mr. Muckleroy said they go in there three days a week, Monday, Wednesday and Friday. Mr. Muckleroy said the normal run is 30 minutes, but once a week they physically clean the building. Rebecca Huss said they need to put a number in the revenue line item and then discuss the ordinance later. Mr. Muckleroy said Item 16374 is also City Hall and said most of it is City Hall. Rebecca Huss said Item 14380-Community Building Rental could be raised to \$8,000. Mr. Tramm said that would be a good number.

Mr. Muckleroy advised the next Item 16375-Street Repairs he wanted to reduce that number down to \$20,000, being there is a line item on page 21 that he had not seen before, Item 17081-Drainage Improvements, which he would like to add \$10,000, to cover culverts and other repairs they need to make, giving them \$30,000 between the two items. Mr. Muckleroy said at the end of the year they will get a better handle on what they spend on drainage. John Champagne asked what Mr. Muckleroy was basing the \$30,000 on. Mr. Muckleroy said it was based on what they are wanting to get done. Mr. Muckleroy said what was in the current budget was \$33,900 and they spent around \$10,000 because they were not able to get to the projects. Mr. Muckleroy said some of this amount was to redo the asphalt for Cedar Brake Park to add parking. John Champagne asked if the Park would fall under street repairs. Mr. Muckleroy said that was where he was told to put it. John Champagne said that was not right and is a misallocation of funds. Mr. Tramm said that was one of the reasons they were trying to take some of it and put it in drainage, trying to make it clearer on what is going on. John Champagne said he would propose another \$30,000 go to street repairs for this

year. Mr. Muckleroy said they have another item that will cover that. Mr. Muckleroy stated Item 17081- Drainage Improvements would have \$10,000.

Mr. Muckleroy said Item 16356 - Contract Labor Streets was a fund that was used for multiple things and Mr. Yates liked to put anything related to streets, drainage, sidewalks and anything like that would be coded to that. Mr. Muckleroy said after talking with Mr. Tramm earlier, they had \$282,000 on surplus and said they would like to have Item 16356-Contract Labor Streets at \$150,000. Mr. Muckleroy said they looked at the streets and said they have a list, figuring \$100,000 per mile, and they have a mile and a half of streets they can do for that amount. John Champagne asked if this would include any additional sidewalks or anything like that. Mr. Muckleroy said they were going to get away from this item being the catch-all fund. Mr. Tramm said they need to try and make it clearer. Mr. Tramm said he can't do it for this budget, but as he is going through the process, he is setting some priorities for next year of how to get an earlier start to make some of these things clearer. Rebecca Huss said they need more specific line items to show exactly what they are spending money on. John Champagne said there is no reason why City Council can't receive this budget periodically in electronic format so it can be manipulated by the individual looking at it so they can view more of the information.

John Champagne asked if there was anything set aside for capital improvements or capital expenditures for streets and/or sidewalks in the Capital Projects Fund. Mr. Tramm said he did not think so at this point, but one of his questions was going to be is it better to put the expenditure here in Public Works or is it better to transfer it to Capital Projects Fund. Mr. Tramm said his question was if there was a preference on how to do it or should they hold those to a different definition.

Mr. Muckleroy said those were all the changes for Public Works.

- Debt Service Fund
- Water & Sewer Fund

Mr. Tramm said the Water & Sewer fund has about \$213,000 unallocated funds. Mr. Muckleroy said they can always go up on Maintenance and Repairs. John Champagne said Item – 26335 - Maintenance and Repairs was at \$225,750. Mr. Muckleroy said Item - 26901 - Utilities Project Preventative Maintenance was another item they could go up on,

which is currently at \$108,590. Mr. Muckleroy said they were not able to do the full preventative maintenance plan last year that he had hoped they would be able to do. Mr. Muckleroy said this year they could go full out with the manhole inspections, fire hydrant maintenance and all those things that have not been done. Mr. Tramm said the balance of the funds available, \$213,772 in that fund would be added to that category, Item 26901-Utilities Project Maintenance- Other.

- Special Funds

- Capital Projects Fund

- Mr. Tramm said they still have some funds available that they can put into streets and asked if they put it there for contract labor for streets or set it aside in Capital Projects Fund under roadway projects. John Champagne asked that the line item be identified as General City Infrastructure. Mr. Tramm said Item 46000 – Capital Projects Fund on page 32. John Champagne said he wanted sidewalks included in the line item. Mr. Tramm said they would transfer from General Fund to Capital Projects Fund \$175,000 to the line Item 46000.1 – Streets/Sidewalks. Mr. Tramm said there were a couple hundred dollars left in that item and they can either put it into this line item or put it into the parks.

Tom Cronin asked Mr. Muckleroy if his crew picked up the four truck tires that were in the ditch on Old Plantersville Road by the high school. Mr. Muckleroy said he had not heard about the tires and said that location was in the County so they might have picked them up.

John Champagne asked how much was left over from the funds being put into streets and sidewalks. Mr. Tramm said it was \$979.00. John Champagne asked where we were with the video recording and online streaming of the City Council Meetings. Mr. Tramm said he will have Mr. McCorquodale bring the information back to City Council as a project item. Mr. Tramm asked if they can make an amendment to the Budget if necessary. Mr. Tramm said they will put the \$979.00 under Item 16374 City Hall Maintenance.

John Champagne asked if there was another Workshop Meeting planned. Mr. Tramm said he was going to meet with Jon Bickford and T.J. Wilkerson to go over the information with them.

Mr. Tramm said the General Fund budget has been zeroed out.

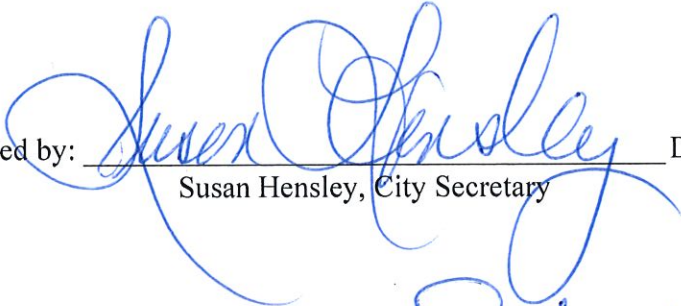
- Court Security Fund
- Court Technology Fund
- Hotel Occupancy Tax Fund
- Police Assets and Forfeitures
- Montgomery Economic Development Corporation

❖ Discussion 2019 Tax Rate

ADJOURNMENT

The Workshop Meeting adjourned at 7:46 p.m.

Submitted by:

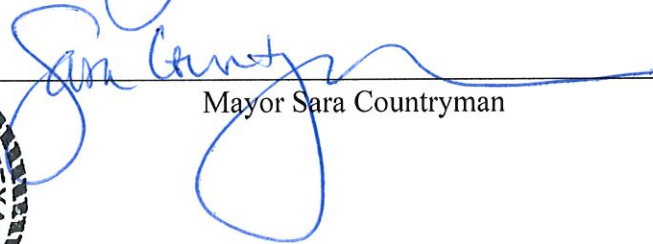


Susan Hensley, City Secretary

Date Approved:

12/10/19





Mayor Sara Countryman