

**SPECIAL MEETING
BUDGET WORKSESSION
JULY 26, 2006, 8:30 a.m.**

**CITY COUNCIL OF THE CITY OF ABILENE, TEXAS,
CITY COUNCIL CHAMBERS OF CITY HALL**

The City Council of the City of Abilene, Texas, met in a Special Meeting at 8:30 a.m. on July 26, 2006 in the City Council Chambers of City Hall to conduct a budget work session. Mayor Norm Archibald was present and presiding with Councilmen Sam Chase, Joe Spano, Anthony Williams, Stormy Higgins, and Councilwomen Laura Moore and Celia Davis. Also present were City Manager Larry D. Gilley, Assistant City Manager's David Vela and Kathy Merrill, Director of Finance David M. Wright, Assistant Director of Finance Mindy Whisenhunt, City Attorney Sharon Hicks, City Secretary Jo Moore, and various other members of staff.

Mayor Archibald called the meeting to order and gave the invocation.

Councilman Chase led the Pledge of Allegiance.

Mayor Archibald stated his appreciation for the productive budget workshop held yesterday and for the progress made in considering and understanding the budget issues. The Mayor further stated the meeting today is being held in order for Council and staff to review and discuss budget issues including the city's external funds (i.e. Fleet Maintenance, Insurance, Technology, etc.), the unfunded needs that Councilman Chase brought forward at the conclusion of yesterday's budget workshop, the Water Fund Budget/Capital Improvement Projects/Proposed Water Rate increases and the impact of those rates.

The Mayor noted today's meeting is expected to conclude by 12:00 noon and that a budget workshop is scheduled, if needed, following the Regular City Council meeting tomorrow, Thursday, July 27, 2006.

Councilman Chase requested Council convene into Executive Session at some point during the budget work sessions in order to clarify some personnel and Meet and Confer issues. Mayor Archibald stated Council can convene into Executive Session and as the work sessions proceed the best time to do that would be determined. The Mayor then asked Mr. Gilley to brief the Council on the budget issues.

Mr. Gilley reviewed the updated Assessed Value information received yesterday from the Central Appraisal District. The Schedule of Tax Rate per \$100 Assessed Valuation for FY2006-07 changes reflected the following:

General Operating Fund: tax rate from .4956 to .4940

General Debt Service Fund: tax rate from .1744 to .1738

Total Tax Rate: from .6700 to .6678

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Mr. Gilley stated the new amount generated by the above changes is now \$388,280 and that the Assessed and Estimated Value of Taxable Property for 2006-07 will change from \$3,990,000,000 to \$4,002,955,000.

David Wright, Director of Finance, reviewed various funds line items including the following:

- Housing Fund – Summary of Revenues & Expenditures
- Health Services Fund – Summary of Revenues & Expenditures
- Transportation Planning Fund – Statement of Revenues & Expenditures
- Seized Funds – Summary of Revenues & Expenditures
- Hotel/Motel Fund – Statement of Revenues & Expenditures
- Abilene Transit System Fund – Summary of Revenues & Expenditures

Council and staff discussion included: 1) staff noting some salaries are not delineated in the budget due to the multitude of activities and programs involved; 2) the new Hotel/Motel Fund that has been taken out of the General Fund and beginning in October the funds generated from this tax will be disbursed to the Chamber of Commerce for the Abilene Convention and Visitor's Bureau (ACVB) as well as the Cultural Affairs Council (CAC) with the remainder of the funds to go to the General Fund for the benefit of the Civic Center; 3) prior years distribution methods of Hotel/Motel funds with the budget being the document that determined the amounts the individual organizations would receive; 4) Council's preference that the organizations receive in writing, other than the budget ordinance, the percentages they would receive (50%-ACVB, 15%-CAC, and 35%-Civic Center) and that it be noted the plan is for those percentages to stay the same in the future; 5) staff noting the allocated percentages do address the intent of state law; 6) staff noting the additional revenue being received due to the new percentage recommendations will be submitted to Council at a later date; 7) Council noted interest in how the additional revenue will be used and also noted there is a good return on the City's investment in partnering with these organizations; 8) financial issues that will need to be addressed concerning the Transit System Fund with an ending balance of only \$14,531 for 2006-07 (rate adjustment could occur in 2005-06), and; 9) staff stated an Advisory Committee is being established to address the Transit System issues.

Mr. Wright continued the review including the following funds:

- Solid Waste Services Fund – Summary of Revenues & Expenditures
- Stormwater Utility Fund – Summary of Revenues & Expenditures
- Fleet Maintenance Fund – Statement of Revenues & Expenditures
- Fleet Replacement Fund – Statement of Revenues & Expenditures
- Central Warehouse Fund – Statement of Revenues & Expenditures
- Self Insurance Fund – Statement of Revenues & Expenditures
- Technology Fund – Summary of Revenues & Expenditures
- Abilene Reinvestment Zone – Statement of Revenues & Expenditures
- Development Corporation of Abilene – Statement of Revenues & Expenditures

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Council and staff discussion continued and included: 1) the long time concerns over the Self-Insurance Fund with health premiums and health claims not breaking even; 2) staff noting timelines expected for consultants to conclude research/review on self-insurance issues; 3) Council requested historical data on health claims to identify significant growth areas; 4) staff reviewing options to bring the self-insurance issues under control (i.e. premium increase); 5) although there is a large number of employees in high risk areas the City is experiencing a positive trend in health and worker compensation claims; 6) staff noted it is now required that the City show the liability of City retirees and how claims will be paid, and; 7) Council requested staff provide them with a break out of the projects for the Abilene Reinvestment Zone (TIF Special Projects) under the Revised 2005-06 Budget shown in the total amount of \$371,301.

Council recessed for a break at 9:55 a.m. and reconvened at 10:05 a.m.

Mayor Archibald stated at tomorrow's Council meeting Abilene will be joining other cities in proclaiming Sunday, July 30th, as the "Day to Pray for Rain".

Mr. Wright stated that Council had received a replacement page for the proposed budget on the Water & Sewer Operating Fund Statement of Revenues & Expenditures, reflecting for FY 05, the GAAP basis was used instead of the budget basis. Council also had received the resolution and schedule of rates and charges for Water and Sewer Utility Service to implement the rate increase in the proposed budget.

Mr. Tommy O'Brien, Director of Water Utilities reviewed the Water & Sewer Operating Fund – Statement of Revenues & Expenditures and the proposed Schedule of Rates and Charges for Water and Sewer Utility Service at the following rate:

- \$0.30 per thousand Water Rate Adjustment to fund the Capital Improvements Program (CIP) over the next five years = \$2,000,000 per year
- Water & Sewer Rate Adjustments for Maintenance and Operations
 - Water Rate Adjustments = \$2.9 Million
 - Sewer Rate Adjustments = \$1.7 Million

For residential customers currently using 7,500 gallons of water per month, their bill is \$32.02. Using the proposed rates, their bill will be \$39.37 (an increase of \$7.35 a month).

Council and staff discussion included: 1) the basis for Water Treatment cost having doubled (i.e. electricity, gas, chemicals); 2) proposed rates being the same as presented to Council a few weeks ago; 3) Ivie charge shown as 60 cents and Capital Improvement charge shown as 30 cents; 4) Abilene's rates shown as lowest in every category compared to 10 comparable cities; 5) staff reviewed historical patterns on rate increases; 6) rate increase issues including considering raising rates equally for all and higher users paying more to discourage use; 7) fundamental issues of raising rates, altering rate structure, closer analysis of revising rate structure, and impact rate increase will have on customers; 8) current rates

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deemed to be fair across the board; 9) considering excess funds to allow for reserves for future large lake project; 10) 30 cent per 1,000 gallons increase added to all 3 water tiers, and; 11) funding needed to pay for aging infrastructure.

Councilman Chase requested Council discussion concerning the unfunded projects that he addressed at yesterday's budget workshop.

Council and staff discussion included: 1) staff having prioritized unfunded requests and that if funding options are available during the year unfunded needs will be reviewed; 2) Council reviewed the five unfunded requests as presented by Councilman Chase and noted all as noteworthy projects with the Carver shelter being noted as having a quality of life impact; 3) Council consensus was to approve no projects that have on going cost added; 4) Council requesting, if funding is approved, input from Hotel/Motel tax recipients; 5) Council noted the positive economic impact from the Venue Tax (AISD Shotwell Stadium, Taylor County Expo Center, and City's Frontier Texas!).

Mayor Archibald stated today's budget work session is concluded and following the Executive Session Council will reconvene in the Council Chambers to adjourn the meeting. Council will complete the budget work sessions following tomorrow's Council meeting.

The Mayor noted the first readings of the Ordinances approving the Revised 2005-2006 Budget, Proposed 2006-2007 Budget, and setting the Tax Levy as well as the Resolution adopting the Schedule of Rates and Charges for Water and Sewer Utility Service are on the Council agenda's for tomorrow's meeting.

EXECUTIVE SESSION

Mayor Archibald recessed the Council into Executive Session pursuant to Sections 551.071, 551.074, and 551.072 of the Open Meetings Act, to seek the advice of the City Attorney with respect to pending and contemplated litigation, to consider the appointment and evaluation of public officers, and to consider the purchase, exchange, lease or value of real property.

The Council reconvened from Executive Session and reported no votes or action was taken in Executive Session.

There being no further business, the meeting was adjourned at 12:35 p.m.

Jo Moore
City Secretary

Norm Archibald
Mayor