

**SPECIAL MEETING
BUDGET WORKSESSION
JULY 19, 2007, 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 to conduct a budget worksession at 8:30 a.m. on July 19, 2007 in the City Council Chambers of City Hall. 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 David Vela, Director of Finance David M. Wright, Assistant Director of Finance Mindy Whisenhunt, City Attorney Dan Santee, City Secretary Jo Moore, and various other members of staff.

Mayor Archibald called the meeting to order.

Councilwoman Moore gave the invocation.

Mayor Archibald led the Pledge of Allegiance to the Flags of the United States of America and the State of Texas.

Mayor Archibald stated Council would at this time convene into Executive Session pursuant to Sections 551.071, 551.072, 551.074, and 551.087 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, to consider the purchase, exchange, lease or value of real property, and to discuss contemplated business prospects and or economic development matters.

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

The Mayor reviewed the expected schedule for today's budget work session and then noted today's session will begin with discussion concerning the Municipal Court and budget recommendations that will impact the Court. The Mayor recognized Municipal Court Judge Keith Barton and requested that Judge Barton provide the Council with input, and his opinion, on the recommendation to add a second Municipal Court Judge.

Judge Barton stated his first thought on the recommendation to add a second full time judge for the Municipal Court is that it is not really necessary at this time and if the Council is going to allocate funds for additional Court employees those funds would be better utilized in other areas. The Judge further stated, as an example, an additional City Marshall to work warrants would help resolve more cases than an additional judge would. Judge Barton reviewed the primary functions of a City Marshal. The Judge noted previous discussions with the Council concerning a city based Community Service Program to assist

Budget Worksession

July 19, 2007

Page 2

individuals that do not have the resources to pay their fines and as it is currently there are limited community service options available to the Court. Judge Barton stated his frustration in getting the program started and noted another alternative to a second full time judge would be to fund the position of Community Service Coordinator to supervise and arrange community service. The Judge reviewed the positive impact a Community Service Program would have on the City. Judge Barton stated another better alternative, for clearing cases, to having a second full time judge would be an additional warrant clerk to process warrants. The Judge explained the functions of a warrant clerk and stated the alternatives he has mentioned are not positions that he is requesting to be funded but that he does feel they are better alternatives for clearing cases than having another full time judge.

Council and staff discussion included: 1) the number of cases that are currently in warrant; 2) the impact an additional city marshal or warrant clerk would have on the court workload and the possibility of at least one of the additional positions paying for itself; 3) the current associate judge's functions (on an as needed basis); 4) possibility and purpose of a night court and what that would involve; 5) the collection process; 6) a more appropriate location, than the budget work session, needed to discuss the obstacles that have prevented the Community Services Program being implemented; 7) the need for and time involved in further study of a second full time municipal court judge and/or alternative positions; 8) currently monthly jail costs, and; 9) the Abilene Reporter News having incorrectly reported that police and fire would receive no pay raises, staff reviewed the salary percentage increases for police and fire.

Further Council and staff discussion included: 1) the amounts available to non-profits and the grant application process under the Community Development Block Grant (CDBG); 2) the public having supported the Disabled and Over 65 Tax freeze and the effect that freeze will have on the proposed budget, and; 3) the contributions to and activities of, the Cultural Affairs Council, the YMCA Supervision Program, and the Crime Victim Crisis Center, all as shown under the General Special Services Division.

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

Council and staff discussion continued and included: 1) the basis for not having a replacement fund for fire engines; 2) the cost per year to save for the 27th pay period; 3) funding of a future fire station and equipment being done through a bond package or CO's; 4) the differences involved in the cost and requirements involved in inspecting septic tanks and swimming pools, and; 5) professional (consultant) services and annual contracts.

Mr. Gilley addressed the process, time and people involved in preparing the budget and stated when the proposed budget is submitted to Council he believes it is with a reasonable tax rate that will support the needed programs and services. Mr. Gilley noted his concerns the impact of reducing expenses in the proposed budget by one million dollars in order to eliminate a tax rate increase would have, which could include eliminating personnel, programs and services. Mr. Gilley referenced the unfunded needs as listed in the proposed budget and stated these are legitimate needs and to add another million dollars

Budget Worksession

July 19, 2007

Page 3

would be significant. Mr. Gilley also noted that some items have been deferred for so long that they are now having to be addressed.

Council and staff discussion included: 1) considering how to fund a Community Services Coordinator position; 2) less jail fees having a direct budget impact; 3) the proposed budget addresses critical needs and Abilene's economy currently being good; 4) Council's challenge to staff to reduce the tax rate next year by the same amount that it is being recommended to be increased by this year; 5) Council noted the negative impact the self-insurance fund is having and stated the need to focus over the next 2-3 years on the "wellness" side, implementing programs, policies, etc. to help achieve healthier lives. Staff noted under the City's new Blue Cross Blue Shield plan there are wellness initiatives more readily available and reviewed various activities of the plan, and; 6) the increase over the past few years in the assessed values of property and how that impacts the City's economy and budget.

Mr. Gilley stated direction from Council is needed in several areas concerning specific expenditures including: 1) Meals on Wheels funding request (which is not addressed in the proposed budget); 2) the Water Utility Fund expenses and when the Council may want to discuss water rates; 3) final adoption of the budget and tax rate with appropriate public hearings will be at the Council's September 6 workshop, and; 4) the 2.47 cent tax rate increase being an estimate at this point because that will be dependent upon the sale of bonds on August 9th.

Mayor Archibald stated as a result of today's discussion he believes an evaluation of the Municipal Court is needed that relates to: 1) the need for a second full time judge; 2) and/or the increase use of the Associate Judge; 3) the impact of a clerk and/or a marshal in regards to the associated cost and potential revenue; 4) evaluation of the case load as it relates to what is seen in other cities where they have a one or two judge system in order to assist the Council in making better informed decisions concerning the Municipal Court, and; 5) the Community Service Coordinator position as it relates to decreasing jail expenditures for individuals incarcerated in lieu of paying fines and decreasing the cost for nuisance clean up. The Mayor further stated some of these issues could be addressed at the Council's October workshop which would provide time to review cost versus revenue issues and to consult with Judge Barton on considerations prior to Council making a decision concerning the Municipal Court needs.

Councilman Chase noted satisfaction in the Council having been good steward's over the past 3-4 years and addressed several areas where the city has improved. Councilman Chase reviewed some of the discussion from yesterday's budget work session concerning possible areas in the proposed budget that could be reduced and the difference in staff's opinion concerning those. Councilman Chase stated the budget can be approved without a tax rate increase and the first issue to consider is the self-insurance fund, where over at least the past four years the City has taken a million one-half to two million loss each year. The proposed budget is based upon previous year's track record and under the proposed budget there is 2.2 million for this year's self-insurance fund, loss, and that's using

Budget Worksession

July 19, 2007

Page 4

historical data. The City now has a new insurance administrator who recently told the Council that the first quarter was spent catching up but it was improving and the six month is expected to be better, but Councilman Chase noted that six month report is not available yet, and the City is using a proposal on historical date that they have been informed is not accurate. While that projection is being used Council is also now being asked to fund an additional \$20.00 per employee, back dated to last October 1st in order to enhance that fund. Councilman Chase stated in his opinion that is not good business and now Council is considering funding another \$20.00 per employee for this budget. Councilman Chase asked Council to consider: 1) not retro-actively funding back for a year the \$200,000 (\$20.00 per employee) additional contribution to the self-insurance fund, which is not cutting employees or programs and would save \$200,000 in this proposed budget; 2) not funding the \$200,000 (\$20.00 per employee) in this years budget until the insurance administrators present the six month report and Council knows the status of the self-insurance fund; 3) transferring the additional \$250,000 from the Solid Waste fund to the General fund, and; 4) increasing the projected 4% sales tax to 5%, which would result in another \$257,000 added to the projected budget. Councilman Chase stated Council could also decide to not purchase two buses this year for the Transit system which is a \$104,000 local match. Councilman Chase further stated these suggestions would not result in any loss of personnel, programs, or services and the tax rate would not have to be raised.

Mr. Gilley stated at this point as the budget is voted on it becomes the Council's budget and the suggestions made by Councilman Chase would net the revenue that is being looked for and reduce the expenditures. Mr. Gilley expressed concerns from a business perspective of doing some or all of the suggestions made by Councilman Chase. Mr. Gilley explained that under the self-insurance fund the claims estimates have been reduced from the approved FY06-07 to the revised, and some improvement in the claims history has been accounted for. The proposed FY07-08 claims line item has been reduced slightly from last years approved budget. Mr. Gilley noted a few years ago the balance in the Self-Insurance Fund was significantly higher than it is today. Today that fund balance is at a dangerously low level and Mr. Gilley noted even if it was determined that all went well in terms of changing third party administrators and implementing changes in the program, and even if the city came in at two million less in projected claims, the city would still be behind where we should be in the Fund Balance to protect against catastrophic claims. Mr. Gilley stated the conservative approach to the budget is taken in order to protect the financial integrity of the City and particularly in the area of sales tax projection because it is one of the most volatile revenues the City has, where property taxes are dependable, based on the values and the knowledge that historically approximately 98% of the collections of the tax bills will be received. Mr. Gilley further stated purchasing the buses could be delayed and that the transfer of funds from Solid Waste is a philosophical question but he does not think it would be a problem. The impact on the current rate structure and whether it could support that additional transfer of \$250,000 would need to be looked at.

Council and staff discussion included: 1) staff noting the delay that would occur in making Solid Waste self-sufficient in being able to implement new activities if the additional transfer of funds were made; 2) Council noted the excess revenue that would be

Budget Worksession

July 19, 2007

Page 5

in the Solid Waste fund even with the transfer of funds; 3) staff having adjusted the projected sales tax revenue from 4% to 4.75% last year and the revenue having exceeded expectations; 4) the poor condition of the buses and the need to address those needs now; 5) issues concerning the City and the employees contributions to the Self-Insurance Fund, and, ;6) staff noted in January insurance rate structures will be reviewed and it is anticipated that employees will pay more in premiums.

Mr. Gilley addressed the utilization of Solid Waste Services funds noting the Council had made a decision to move away from subsidizing the General Fund with Solid Waste Services funds and staff has moved toward implementing that direction since the decision was made. Mr. Gilley stated he is comfortable with transferring the Solid Waste Services funds into the General Fund but the anticipated transfer should be factored into a business plan of Solid Waste Services, if that is philosophically the direction Council chooses.

Councilwoman Davis made a motion to approve first reading of the Ordinance Approving the Revised 2006-2007 Budget and Proposed 2007-2008 Budget and the Ordinance setting the Tax Levy at .6925 per \$100 valuation, as recommended by staff. Mayor Archibald seconded the motion.

Councilman Chase moved to amend the main motion to change the Council's Solid Waste Services Fund philosophy and authorize from the City Manager's proposed budget the transfer of \$700,000.00 (leaving a balance of \$62,141.00) from the Solid Waste Services Fund to the General Fund, and to change the Sales Tax projection from 4.0% to 5.0% (for an approximate \$257,000), and to leave the tax rate at .6678 per \$100 valuation for the FY07-08. Councilman Williams seconded the motion.

Council and staff discussed the impact to the Solid Waste Services Fund of transferring \$700,000.00 to the General Fund. Mr. Gilley noted the fund balance would then be \$62,141.00 which is a tight margin of error for a fund balance and limits the working capital issues as discussed. Councilman Chase pointed out that in FY06 1.5 million was transferred from Solid Waste Services Fund and ended up with an ending balance of negative \$168,849.00, and it was still ok. The proposal to transfer 1.7 million would still leave a positive proposed balance in the Solid Waste Services Fund.

Mayor Archibald called for the vote on the amended motion, and the motion carried.

AYES: Councilmen Chase, Spano, and Williams, Councilwomen Davis and Moore, and Mayor Archibald.

NAYS: Councilman Higgins

Mayor Archibald called for the vote on the main motion as amended, and the motion carried.

Budget Worksession

July 19, 2007

Page 6

AYES: Councilmen Chase, Spano, Williams, Higgins, Councilwomen Davis and Moore, and Mayor Archibald.

NAYS: None

AN ORDINANCE APPROVING REVISED BUDGET FIGURES FOR FISCAL YEAR 2006-2007; APPROVING AND ADOPTING BUDGET FOR THE FISCAL YEAR OCTOBER 1, 2007, THROUGH SEPTEMBER 30, 2008, FOR THE CITY OF ABILENE; APPROPRIATING FUNDS; REPEALING ALL ORDINANCES AND PARTS OF ORDINANCES IN CONFLICT HEREWITH; CALLING A PUBLIC HEARING.

AN ORDINANCE OF THE CITY OF ABILENE, TEXAS, APPROVING THE ASSESSMENT ROLL FOR 2007, LEVYING AN AD VALOREM TAX FOR THE CITY OF ABILENE, TEXAS, FOR THE YEAR 2007; PROVIDING FOR THE ASSESSMENT AND COLLECTION THEREOF; REPEALING ALL ORDINANCES AND PARTS OF ORDINANCES IN CONFLICT HEREWITH; CALLING A PUBLIC HEARING; PROVIDING AN EFFECTIVE DATE.

Mayor Archibald stated the second reading, public hearing, and vote on the budget and proposed tax levy ordinances will be on the Council's September 6, 2007 agenda.

There being no further business, the meeting was adjourned at 11:35 a.m.

Jo Moore
City Secretary

Norm Archibald
Mayor