

**SPECIAL CALLED MEETING
BUDGET WORK SESSION
July 24, 2018 at 1:30 p.m.**

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

The City Council of the City of Abilene, Texas met in a Special Called Meeting on July 24, 2018, at 1:30 p.m. in the Council Chambers, 555 Walnut St. Mayor Anthony Williams was present and presiding with Mayor Pro-tem Kyle McAlister, Deputy Mayor Pro-tem Steve Savage, and Councilmembers Shane Price, Jack Rentz, Donna Albus, and Weldon Hurt. Also present were City Manager Robert Hanna, City Attorney Stanley Smith, City Secretary Rosa Rios, and various members of City staff.

Councilmember Albus delivered the invocation.

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

Mayor Williams outlined the agenda for the afternoon.

BUDGET WORKSHOP

3. **Staff Presentation on Revised FY 2018 and Proposed FY 2019 Budgets
Complete Budget Review**

City Manager Hanna provided the overview of the proposed schedule for budget work sessions

- **Budget Workshop** **July 24-26**
 - First Reading 2018 Revised Budget
 - First Reading 2019 Budget
 - First Reading Tax Rate
 - First Reading Fee Schedule

- **Public Hearing and Adoption of:
2018 Revised Budget** **August 9**

- **Public Hearings on Tax Rate** **August 23
September 6**

- **Public Hearing and Adoption of:** **September 13**
 - Tax Rate
 - 2019 Budget
 - Fee Schedule

The Revised FY 2018 and Proposed FY 2019 Budgets information was as follows:

General Fund
Summary of Revenues & Expenditures
FY 2018-2019 Budget

	Actual 2016-2017	Approved 2017-2018	Revised 2017-2018	Proposed 2018-2019
REVENUE				
Current Revenue	\$87,432,464	\$89,290,690	\$92,693,110	\$93,705,480
Operating Transfers In	3,495,986	3,085,000	3,197,850	3,836,810
Total Current Revenue & Transfers In	\$90,928,450	\$92,375,690	\$95,890,960	\$97,542,290
EXPENDITURES				
Personnel Services	\$64,850,012	\$66,855,550	\$67,430,170	\$70,458,050
Supplies	3,059,755	3,294,010	3,442,920	3,330,160
Maintenance	2,621,220	2,767,240	2,878,950	1,846,840
Other Services & Charges	12,694,595	13,703,330	14,492,320	15,143,200
Capital Expenditures	332,881	46,000	496,720	-
Operating Transfers	6,432,995	5,685,870	9,092,120	6,753,700
Total Expenditures	\$89,991,458	\$92,352,000	\$97,833,200	\$97,531,950
Net Revenues Over (Under) Expenditures	\$936,992	\$23,690	(\$1,942,240)	\$10,340
Beginning Fund Balance	\$23,975,204	\$22,285,657	\$24,912,196	\$22,969,956
Ending Fund Balance	\$24,912,196	\$22,309,347	\$22,969,956	\$22,980,296

General Fund
FY 2018 Revised Revenue Changes from FY 2018 Adopted Budget

Taxes and Franchise Fees	\$ 3,017,760
Licenses and Permits	29,600
Intergovernmental Revenue	10,970
Charges for Service	40,010
Fines and Forfeitures	(36,040)
Miscellaneous Revenue	340,120
Operating Transfers in	112,850
Total Increase/(Decrease)	\$ 3,515,270
% Change	3.81%

General Fund
FY 2018 Revised Expenditure Changes from FY 2018 Adopted Budget

Personnel Services	\$ 574,620
Supplies	148,910
Maintenance	111,710
Other Services and Charges	788,990
Capital Expenditures	450,720
Operating Transfers	3,406,250
Total Increase/(Decrease)	\$ 5,481,200
% Change	5.94%

General Fund
 FY 2019 Revenue Changes from FY 2018 Revised Budget

Taxes and Franchise Fees	\$ 1,054,230
Licenses and Permits	(143,760)
Intergovernmental Revenue	(39,710)
Charges for Service	102,750
Fines and Forfeitures	(24,190)
Miscellaneous Revenue	63,050
Operating Transfers in	638,960
Total Increase/(Decrease)	\$ 1,651,330
% Change	1.72%

General Fund
 FY 2019 Expenditure Changes from FY 2018 Revised Budget

Personnel Services	\$ 3,027,880
Supplies	(112,760)
Maintenance	(1,032,110)
Other Services and Charges	650,880
Capital Expenditures	(496,720)
Operating Transfers	(2,338,420)
Total Increase/(Decrease)	\$ (301,250)
% Change	-0.31%

Schedule of Tax Rate
Per \$100 Assessed Valuation
FY 2010-FY 2019

<u>Fiscal Year</u>	<u>General Operating</u>	<u>General Debt Service</u>	<u>Total Tax Rate</u>
2010	.4693	.2239	.6932
2011	.4758	.2174	.6932
2012	.4837	.2095	.6932
2013	.4937	.1923	.6860
2014	.5095	.1765	.6860
2015	.5215	.1645	.6860
2016	.5306	.1834	.7140
2017	.5448	.2017	.7465
2018	.5648	.2103	.7751
2019	.5678	.2135	.7813

**General Fund
FY 2019 Expenditure Changes
from FY 2018 Revised Budget**

Personnel Services	
2% Across the Board Raise	\$ 965,730
Fire Meet & Confer	492,080
New Positions	401,130
Police Academy	473,280
Annualized Effect of 2018 Raise	309,930
Workers Comp Claims	213,230
All Other	172,500
Supplies	(112,760)
Maintenance	(1,032,110)
Other Services and Charges	650,880
Capital Expenditures	(496,720)
Operating Transfers	
End of Year Funds	(2,165,000)
Street Fund Transfer	1,040,900
Minor Improvement Transfer	630,000
Radios Phase III	(1,000,000)
Convention Center Projects	(777,350)
All Other	(66,970)
Total Increase/(Decrease)	\$ (301,250)
% Change	-0.31%

**General Fund
FY 2019 Unfunded Requests Lists**

General Government	\$ 534,880
Administrative Services	55,700
Finance	140,300
Planning & Development	111,860
Public Works	4,274,710
Facilities & Capital Improvements	101,670
Police	216,920
Fire	813,460
Transportation Services	66,290
Community Services	4,767,380
Total FY 2019 General Fund Unfunded List	\$ 11,083,170

**Water & Sewer Operating Fund
Summary of Revenues & Expenditures
FY 2018-2019 Budget**

	Actual 2016-2017	Approved 2017-2018	Revised 2017-2018	Proposed 2018-2019
REVENUE				
Charges for Service	\$51,419,584	\$55,033,340	\$54,897,680	\$54,802,600
Interest, Misc & Transfers	4,134,917	531,430	1,576,300	801,610
Total Revenue	55,554,501	55,564,770	56,473,980	55,604,210
EXPENDITURES				
Personnel Services	\$8,016,791	\$8,632,970	\$8,463,660	\$8,726,360
Supplies	2,653,587	3,570,230	3,677,520	3,555,130
Maintenance	2,334,440	2,868,720	2,841,560	2,793,060
Other Services & Charges	19,391,680	20,790,530	18,225,640	18,895,410
Capital Expenditures	681,161	1,708,500	1,922,000	1,739,500
Debt Service	17,038,280	17,732,560	17,729,500	18,345,940
Operating Transfers	4,718,651	899,200	2,182,710	-
Total Expenditures	54,834,590	56,202,710	55,042,590	54,055,400
Net Revenues Over (Under) Expenditures	\$719,911	(\$637,940)	\$1,431,390	\$1,548,810
Beginning Fund Balance	25,498,069	20,264,285	26,217,980	27,649,370
Ending Fund Balance	\$26,217,980	\$19,626,345	\$27,649,370	\$29,198,180

Water & Sewer Operating Fund
 FY 2018 Revised Revenue Changes from Original FY 2018 Budget

Charges for Service	\$ (135,660)
Interest Earnings & Misc.	234,540
Transfer from Capital Projects	<u>810,330</u>
Total Increase/(Decrease)	\$ 909,210
% Change	1.64%

Water & Sewer Operating Fund
 FY 2018 Revised Expenditure Changes from Original FY 2018 Budget

Administration	\$ (3,222,340)
Utility Office	138,750
Water Production	287,030
Water Treatment	180,190
Water Distribution	121,250
Sewage Collection	(4,590)
Wastewater Treatment	80,830
Quality Control	(21,690)
Utilities Special Services	<u>1,280,450</u>
Total Increase/(Decrease)	\$ (1,160,120)
% Change	-2.06%

Water & Sewer Operating Fund
 FY 2019 Revenue Changes from FY 2018 Revised Budget

Charges for Service	\$ (95,080)
Interest Earnings & Miscellaneous	35,640
Transfers from Capital Projects	<u>(810,330)</u>
Total Increase/(Decrease)	\$ (869,770)
% Change	-1.54%

Water & Sewer Operating Fund
FY 2019 Expenditure Changes from FY 2018 Revised Budget

Administration	\$ (332,920)
Utility Office	(153,600)
Water Production	230,900
Water Treatment	(318,060)
Water Distribution	105,010
Sewage Collection	(41,620)
Wastewater Treatment	(126,950)
Quality Control	138,250
Utilities Special Services	(488,200)
Total Increase/(Decrease)	\$ (987,190)
% Change	-1.79%

Self Insurance Fund
Summary of Revenues & Expenditures
FY 2018-2019 Budget

	Actual 2016-2017	Approved 2017-2018	Revised 2017-2018	Proposed 2018-2019
REVENUE				
City Health Contributions	\$6,901,352	\$7,083,180	\$7,083,180	\$7,205,580
Employee Health Contributions	2,269,517	2,491,500	2,491,500	3,204,410
Retiree Health Contributions	222,621	231,000	231,000	231,000
Interfund Charges	1,648,000	1,798,430	1,798,430	2,133,880
Recoveries	576,902	491,420	491,420	575,500
Miscellaneous	8,821	20,760	22,500	6,740
Operating Transfers In	1,045,000	2,034,100	2,234,100	543,900
Total Revenue	12,872,213	14,150,390	14,352,130	19,901,010
EXPENDITURES				
Health & Drug Claims	\$10,069,712	\$9,207,000	\$10,058,130	\$9,334,240
Administrative Charges	1,183,785	1,243,330	1,128,030	1,229,650
Liability/Property Premiums/Charges/Claims	1,901,383	2,039,780	2,064,610	2,469,330
Other Expenditures	504,105	491,590	493,540	501,720
Hall Damage Repairs	270,842	-	191,280	-
Total Expenditures	13,929,827	12,981,700	13,935,570	13,534,960
Net Revenues Over (Under) Expenditures	(\$1,257,614)	\$1,168,690	\$416,560	\$366,050
Beginning Fund Balance	1,652,276	238,888	594,662	811,222
Ending Fund Balance	\$394,662	\$1,407,578	\$811,222	\$1,177,272

Health Insurance Plan Changes

	2018 Current Plan	2019 Proposed Changes	% Increase 2018-2019
City Funded Transfers to Self Insurance	\$2,234,100	\$543,900	(76%)
Employee Premiums-annual cost			
Employee only	\$1,320	1,620	23%
Employee+children	2,556	3,600	41%
Employee+family	5,124	7,500	46%
Deductible			
Individual	\$3,000	\$5,000	67%
Family	6,000	10,000	67%
ER Deductible	\$250	part of standard deductible	
Maximum Out of Pocket			
Individual	\$6,600	\$7,000	6%
Family	13,200	14,000	6%
Specialty Care Provider Copy	\$50	\$75	50%
Sole Source Hospitalization Provider			

**Fire Apparatus Fund
 Summary of Revenues & Expenditures
 FY 2018-2019 Budget**

	Actual 2016-2017	Approved 2017-2018	Revised 2017-2018	Proposed 2018-2019
REVENUE				
Transfers in General Fund	\$500,000	\$1,100,000	\$1,100,000	\$1,100,000
Interest	18,526	17,440	36,280	38,520
Total Revenue	518,526	1,117,440	1,136,280	1,138,520
EXPENDITURES				
Fire Apparatus	-	\$1,825,000	\$1,395,000	\$1,729,250
Total Expenditures	-	1,825,000	1,395,000	1,729,250
Net Revenues Over (Under) Expenditures	\$518,526	(\$707,560)	(\$258,720)	(\$590,730)
Beginning Fund Balance	2,359,498	1,555,497	2,878,024	2,619,304
Ending Fund Balance	\$2,878,024	\$847,937	\$2,619,304	\$2,028,574

**Street Maintenance Fund
 Summary of Revenues & Expenditures
 FY 2018-2019 Budget**

	Actual 2016-2017	Approved 2017-2018	Revised 2017-2018	Proposed 2018-2019
REVENUE				
Street Maintenance Fee	-	-	-	\$4,571,010
Contribution from DCOA	-	-	-	1,500,000
Transfers in General Fund	-	-	-	1,040,900
Total Revenue	-	-	-	7,111,910
EXPENDITURES				
Supplies	-	-	-	\$1,040,900
Other Services & Charges	-	-	-	6,071,010
Total Expenditures	-	-	-	7,111,910
Net Revenues Over (Under) Expenditures	-	-	-	-
Beginning Fund Balance	-	-	-	-
Ending Fund Balance	-	-	-	-

All Other Funds
 Other items to be aware of...

- We are reviewing how we purchase fleet vehicles. Assuming we maintain our current approach, the fleet replacement fund will purchase vehicle replacements as follows: \$511,670 for General Fund, \$110,100 for Water & Sewer Fund, \$1,265,000 for Solid Waste Fund, and \$685,000 for Stormwater Fund. This totals \$2,571,770. All purchases exceeding \$50,000 will require Council approval, and all will meet Council's adopted vehicle replacement policy. If we change our procurement process, there will be additional Council discussions on how we might do this.
- A transfer from the General Fund of \$1,000,000 is included in the 2018 Revised budget to prefund the next phase of radio replacements. This phase will include non-public safety radios and upgrades to the microwave infrastructure. The total cost will be \$3.52 million with \$1 million to be paid in FY 2019, \$1.26 million in FY 2020 and \$1.26 million in FY 2021.

New Position Requests

- Eight new positions are included in the FY 2019 Proposed budget including:
 - Animal Services – Veterinarian and Veterinarian Technician
 - Legal – Attorney/Prosecutor
 - Finance – Accountant
 - Police – Forensic Interviewer (96% grant funded)
 - Zoological Gardens – Office Assistant and Special Events Coordinator (funded by Zoological Society)
 - Health Services – Nurse Practitioner (will replace a contracted Nurse Practitioner)

Decision Points

- We discussed some changes at the Council Retreat that are not included in this budget.
 - Renaming the undesignated fund balance for utilities to utility capital project reserve fund – proposed to be done mid year, or FY 2020 after needs are determined and Purpose for Cedar Ridge.
 - Taking 5% of sales tax and depositing it into a capital projects funds for the General Fund. Only set 1.9% of sales tax collections has been set aside. This is recurring, which means it will be available on an annual basis until Council stops it. I think this is a good start. FY 2020 will likely see an ability to increase this further. The goal being to raise enough recurring revenue to stop the issuance of \$2M annually +/- in certificates of obligation for the CIP.
- The City's capital improvement program for this year consists of the continuation of the 2015 Bond program, \$1M in radio related purchases, the construction of the police station, the utility billing office, and the municipal court offices.
- In addition, we have \$630,000 for one-time considerations. As mentioned earlier this is re-occurring revenue intended to fund the City's minor capital improvement program.
- The final issuance of the voter authorized 2015 Bond Program includes the following projects:
 - Butternut Street _ Treadaway Blvd to S. 1st - \$2,871,000
 - N 6th/Legget Dr. – N 1st St to Grape St. - \$1,683,000
 - S Willis St. – S 32nd St to S 14th St. - \$1,356,000
 - T&P Lane – ES 11th St to Sandy St. - \$673,000
 - Airport - \$1,700,000
 - Total \$8,283,000
 - There are no further debt issuances associated with the 2015 Bond Program after FY 2019.
- The city manager recommends funding the following one-time expenses totaling \$630,000:
 - Adventure Cove third water slide - \$150,000 additional (\$114,500 available in 2016 CO)
 - Adventure Cove shade structures - \$10,000
 - Lights for Rose Tennis Center - \$140,000
 - Zoo – Mules and Gators - \$50,000
 - Mobile restroom unit for special events - \$50,000
 - Main Library window repairs - \$60,000
 - Main Library microfiche reader - \$9,000
 - Main library flooring - \$40,000

- Mockingbird Branch entry door - \$15,000
- Animal Shelter resurfacing of kennel floors - \$30,000
- Cemetery management software - \$26,000
- Fleet Maintenance vehicle lifts - \$30,000
- Fleet Maintenance roof repairs - \$20,000

The above information/charts were detailed in the presentation. Also detailed and broken down to percentages were (1) Proposed Revenues – All funds FY 2019; (2) Proposed Expenditures – All Funds FY 2019; (3) General Fund – Expenditures by Category FY 2019; (4) General Fund – Expenditures by Department FY 2019; (5) Water & Sewer Operating Fund – Revenues by Category FY 2019; (6) Water & Sewer Operating Fund – Expenditures by Category FY 2019.

City Council previously updated on property tax appraised values. Property evaluations increasing, which results in an additional \$1.3 million in property tax revenue available with a noted tax rate of \$.7813 per \$100 valuation.

In-depth discussion was held on employee health premiums and ever-increasing costs. City may need to start looking at increasing contributions. City-Employee contribution rates for health premiums to be provided. Management recognized the need for employee relief.

The following was covered/discussed:

Tax Rate Options with Updated Certified Tax Roll Numbers

The certified values as received on 7/24/2018 have indicated a freeze adjusted taxable value of \$5,687,358,826 which is \$137,358,826 above estimates used in the FY 2019 Proposed Budget as filed.

	<u>Budget As Filed</u>	<u>Updated</u>	<u>Tax Rate</u>
FY 2018			5.7751
FY 2019 As Filed			5.7813
Option 1: Change in Assessed Value added to Minor Improvement Fund			
General Fund property tax revenue	\$33,624,610	\$34,944,610	5.7811
Minor Improvement Fund	\$630,000	\$1,950,000	
Option 2: Decrease M&O tax rate 1 cent from FY 2018 (.5648 to .5548)			
General Fund property tax revenue	\$33,624,610	\$33,866,520	5.7622
Minor Improvement Fund	\$630,000	\$871,910	
Option 3: Keep M&O tax rate the same as FY 2018 (.5648)			
General Fund property tax revenue	\$33,624,610	\$34,438,120	5.7722
Minor Improvement Fund	\$630,000	\$1,443,510	

City Manager Hanna recommended Option 3 as the proposed tax rate, which keeps it close to the current rate.

The budget presentation concluded.

Police Chief Stan Standridge presented the cost comparison for police vehicles, Tahoe vs Charger. The Tahoe is the vehicle used by Police, and while the cost is more, the advantages discussed justifies its use. When these police vehicles are taken out of service, they are transferred back into service but not for 911 use (use by school resource officer, for example).

Mayor Williams recessed the meeting at 2:43 p.m. for a short break and reconvened at 2:52 p.m.

New staff positions were previously outlined. Directors from the applicable department outlined the specifics for the needed positions.

City Manager Hanna recapped the previous handout on tax rate options. Councilmember Rentz and Mayor Pro-tem McAlister indicated a preference for Option 1. Councilmember Hurt in favor of Option 3. Mayor Williams and Deputy Mayor Pro-tem Savage indicated a preference for Option 3. Councilmember Price supports Option 3 but interested on impact of Option 1. Increase in property tax rates paid are due to increased property values.

There is some funding for the Convention Center. The proposed hotel also takes into account some improvements to the Convention Center.

City Council has the final say on how the additional funds identified from the adopted tax rate will be spent.

4. Ordinances:

4.1 Consider on First Reading - Ordinance Approving Revised 2017-2018 Budget

No fee presentation was made but could be covered at a future date. City Manager Hanna reported there were no substantial changes to the fee schedule.

Mayor Pro-tem McAlister moved to approve the item as presented. Deputy Mayor Pro-tem Savage seconded the motion; motion carried.

AYES (7): Mayor Williams, Mayor Pro-tem McAlister, Deputy Mayor Pro-tem Savage, and Councilmembers Rentz, Albus, Hurt, and Price

NAYS (0): None

4.2 Consider on First Reading - Proposed 2018-2019 Budget

Councilmember Hurt moved to approve the item with the proposed tax rate noted in Option 3 (\$.7722 per \$100 valuation). Mayor Pro-tem McAlister seconded the motion; motion carried.

Additional discussion will be held at upcoming meetings on the Decision Points earlier outlined. City Manager Hann has additional projects he would like to recommend for the additional funds identified (\$1.4 million).

Library Director Lori Grumet provided information on microfilm reader printers being outdated and non-compatibility with computers. New readers being purchased.

Discussion ensued on the mobile restroom unit. Deputy Mayor Pro-tem Savage expressed a concern that the City does not need a permit to clean out the unit, but companies that provide that service do require permits. City Manager Hanna reported a full analysis would be conducted on the mobile restroom unit.

For FY 2020, Staff is to use funding that would be proposed for a salary increase towards reducing or minimizing any increase in the employee portion of health care costs.

AYES (7): Mayor Williams, Mayor Pro-tem McAlister, Deputy Mayor Pro-tem Savage, and Councilmembers Rentz, Albus, Hurt, and Price

NAYS (0): None

4.3 Consider on First Reading - Ordinance Setting Tax Levy

Deputy Mayor Pro-tem Savage moved to approve the item with a tax rate of \$.7722 per \$100 valuation. Mayor Pro-tem McAlister seconded the motion; motion carried

AYES (7): Mayor Williams, Mayor Pro-tem McAlister, Deputy Mayor Pro-tem Savage, and Councilmembers Rentz, Albus, Hurt, and Price

NAYS (0): None

4.4 Consider on First Reading - Ordinance adopting fees and charges for FY 2018-2019

Mayor Pro-tem McAlister moved to approve the item as presented. Councilmember Hurt seconded the motion; motion carried

AYES (7): Mayor Williams, Mayor Pro-tem McAlister, Deputy Mayor Pro-tem Savage, and Councilmembers Rentz, Albus, Hurt, and Price

NAYS (0): None

ADJOURNMENT

Because the budget workshop was completed and scheduled ordinances adopted at first reading, the public was informed there was no need to meet Wednesday, July 25, and Thursday, July 26, on the budget.

The meeting adjourned at 4:22 p.m.



Rosa Rios, TRMC
City Secretary



Anthony Williams
Mayor

Minutes approved on: August 9, 2018