

Brenham City Council Budget Workshop Minutes

A special budget workshop meeting of the Brenham City Council was held on July 21, 2014 beginning at 8:30 a.m. in the Brenham City Hall in Conference Room 2-A, at 200 W. Vulcan Street, Brenham, Texas.

Council members present:

Mayor Milton Y. Tate, Jr.
Mayor Pro Tem Gloria Nix
Councilmember Mary E. Barnes-Tilley
Councilmember Andrew Ebel
Councilmember Danny Goss
Councilmember Keith Herring

Council members absent:

Councilmember Weldon Williams, Jr.

City staff members present:

City Manager Terry Roberts, City Secretary Jeana Bellinger, Chief Financial Officer Carolyn Miller, Stacy Hardy, Kaci Konieczny, Fire Chief Ricky Boeker, Police Chief Rex Phelps, Development Services Director Julie Fulgham, Jennifer Eckermann, Public Works Director Dane Rau, Public Utilities Director Lowell Ogle, Debbie Gaffey, and Grant Lischka

Citizens present:

None

Media Present:

Arthur Hahn, Brenham Banner Press

- 1. Call Meeting to Order**
- 2. FY 2014-15 Budget Workshop Discussions**

City Manager Terry Roberts welcomed Council and stated Staff is expecting flat revenues for the General Fund in FY15 with modest sales tax growth, and stable growth in property values. Roberts explained that sales tax has fallen 3% below prior year actual and will not meet FY14 budget projections. Roberts advised the primary revenue drivers in the General Fund in the FY15 Proposed Budget include modest growth in sales tax, stable growth in property valuations, decline in utility franchise tax, and maintain court fines and fees.

Roberts stated several factors contributed to the positive position of the General Fund, which include:

- Use of \$88,248 of the FY14 General Fund ABNR (Above Budget Net Revenues)
- Close-out of Medical Self Insurance Fund and transfer remaining balance of \$88,234 to General Fund
- Transfer a portion of excess Worker's Comp Fund balance (General Fund portion) of \$190,500 to General Fund (utility funds portion equals \$80,400)
- FY15 positive revenues over expenditures of \$210,018 (prior to impact of Budget Priority #2)

Roberts advised that General Fund Capital only totaled \$577,000. Roberts explained the preliminary estimates at the time of the budget preparation from Chief Appraiser, Willy Dilworth, was a decrease in the effective tax rate of \$0.0885 based on the transfer of \$957,273. Roberts stated there will need to be an adjustment for the decrease for the lost revenue from the County for shared services which totals \$106,252 or \$0.0100 for a net impact of just under eight cents (\$0.0785). Roberts advised the new tax rate will be \$0.3847.

Roberts explained that Staff has included a projected 10% increase in premiums for FY15. Roberts stated this projection is based on medical inflation and the uncertainty of costs associated with the Affordable Care Act. Roberts advised this increase is already included in the departmental salary budgets with the General Fund portion being \$202,104 and the utility funds portion being \$90,736. Roberts stated traditionally, the City's retirees were responsible for the full premium for medical insurance coverage; however, in the FY14 budget, Council approved a \$100 per month subsidy for the "employee only" coverage and a \$200 per month subsidy for "employee and spouse" coverage. Roberts explained this subsidy is again being included in the proposed FY15 budget for eight (8) retirees and one retiree with spouse coverage.

Roberts stated the FY15 budget includes step increases in the General Fund totaling \$90,685 and utility funds totaling \$26,958. Roberts explained unfortunately with the flat General Fund revenues and declining utility revenues, Staff did not include a COLA for City employees in the FY15 budget.

Roberts advised in fiscal year 2014, the City is receiving "one-time" money from the County for the period of January through September 2014 of approximately \$371,359 that was not budgeted.

Roberts explained the debt service payments for the first two year's payment on these new shared facilities, New Animal Shelter Facility and Renovation and Expansion of Library Facility, will come from the "one-time" money. Roberts stated the City is completing the design phase and will begin construction phase in FY15.

Roberts explained that it is important that the City tries to maintain a competitive electric rate. Roberts advised that on the distribution side, the budget includes spending on technology in an effort to slow down growth in operational costs by becoming more efficient in areas, such as, metering, outage management and customer service. Roberts stated that on the generation side, the City continues to monitor LCRA's generation and transmission charges relative to other wholesale providers.

Roberts explained the outlook for the next three to four years is for natural gas prices to remain fairly stable with some forecasts anticipating a slight drop in prices once inventories return to pre-winter levels. Roberts advised the cost of heating homes and businesses and using natural gas to power appliances is much cheaper than electricity and propane.

Roberts stated the recent drought has been a catalyst to a change in attitude on water conservation across the state. Roberts explained state owned water sources are now making water right holders account for every drop of water taken into their systems in an effort to control water loss, which, in turn, puts pressure on water distribution systems to reduce water waste. Roberts advised the drought has also raised awareness of the need to replace 40 miles of aging AC (asbestos-cement) water pipe in the distribution system. Roberts explained with water conservation a primary object, AC pipe replacement has become a budget priority. Roberts stated the FY15 budget includes \$400,000 for the systematic replacement of AC water lines by outside contractors. Roberts stated one method some cities have used to reduce water usage is by taking treated wastewater and using this non-potable water for irrigation. Roberts advised the budget also includes funds for the feasibility of rehabilitation of one of the old City wells as an emergency only source of water.

Roberts advised the budget priority for the Wastewater Fund is financial stability which can only be achieved by reducing costs and raising rates. Roberts stated the Wastewater Fund is saddled with the debt of the 13 year old treatment plant renovation and expansion. Roberts explained the debt payment increases approximately \$140,000 in FY15 and remains at that level for seven years when the debt is finally paid off. Roberts explained the departure of Mount Vernon Mills left the City with unplanned excess plant capacity and a permanent revenue shortfall. Roberts stated the City immediately responded to Mount Vernon Mills' departure by cutting costs in personnel and plant operations. Roberts advised for the FY15 budget, personnel costs have again been cut with the elimination of one position. Roberts explained a rate increase of \$1.00 per customer per month is necessary to cover the debt payment increase in FY15.

Roberts stated the Public Utilities is trying to migrate to a more proactive compliance approach through the implementation of internal audit programs designed to enhance system controls and mitigate system risk. Roberts explained record automation using electronic data capture in forms on tablets is an important component of the program as distribution system integrity can be measured by "failures", such as, the number of gas leaks, the magnitude of unaccountable water loss, the number of mercury hits at the wastewater treatment plant, and the amount and duration of electric system outages. Roberts advised regulatory initiatives have exploded over the past ten years putting utility systems under increased scrutiny by federal and state agencies. Roberts stated public safety and system accountability are big drivers of the change.

Roberts advised the budget priority for the Sanitation Fund is to identify a landfill replacement for Sunset Farms in Austin which will be closing November 2015. Roberts explained the City will begin looking for a new landfill beginning the first of the year. Roberts stated the disposal fees may be higher at the landfill selected which could raise rates in FY15.

Roberts explained that public parks are the economic engine that drives tourism in many communities. Roberts stated the City of Brenham offers first class facilities that appeal to both residents and visitors. Roberts explained the BCDC continues to support aquatics, parks and recreation projects within the City. Roberts stated BCDC has committed resources to begin construction of the access to the new future Brenham Family Park. Roberts stated expenditures include infrastructure costs related to paving and drainage improvements and materials for water and wastewater improvements.

Roberts stated by the City Council policy adopted at the inception of the 4B sales tax in the late 1990's, 35% of the BCDC funds are allocated for economic development activities. Roberts advised the BCDC maintains the Brenham Business Center and Phase III of the Southwest Industrial Park.

Roberts advised that the Community Services funding allocations were increased by 3% for FY15 over FY14 allocations. Roberts explained the City collects a 7% hotel occupancy tax from lodging properties within the city limits with the County also collecting 7% from lodging properties located within the County, but not within the City. Roberts stated for FY15, the revenues are projected to be \$575,000 for the City and \$90,000 for the County.

Roberts stated when the sale of the City's 205 acre Chappell Hill property being finalized next month, the City will receive an estimated \$1.43 million in proceeds.

Roberts explained the debt projects for Council consideration, which are not funded in FY15 Proposed Budget, which include:

- New Fire Substation – total estimated cost of \$2.18 million
- Increase Funding for Street Maintenance Program - \$270,000 in addition to the current \$135,000 in Street Department budget
- Lease purchase of Asphalt Mixer - \$35,000 per year for 5 years

Roberts advised the FY15 Proposed Budget authorizes \$72.9 million in expenditures, net of inter-fund transfers, compared to a budget of \$63.8 million for FY14. Roberts explained the increase of \$9.0 million is largely attributable to budgeted expenditures of \$3.6 million in the 2014 Capital Projects Fund for the construction projects of the Library and Animal Shelter and transfers out of \$0.8 million in the Donations Fund related to these projects.

The meeting was adjourned.

Milton Y. Tate, Jr.
Mayor

Jeana Bellinger, TRMC
City Secretary

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