

**City Council Budget Workshop
MINUTES**

August 11, 2023, at 3:00 PM

CALL TO ORDER

Mayor Byron Sanford called the workshop to order at 3:02 p.m.

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| Present: | Byron Sanford | Mayor |
| | Casey Olson | City Council Place #2 |
| | Sara Countryman | City Council Place #3 |
| | Cheryl Fox | City Council Place #4 |
| | Stan Donaldson | City Council Place #5 |
| Absent: | Carol Langley | City Council Place #1 |
| Also Present: | Gary Palmer | City Administrator |
| | Nici Browe | City Secretary & Director of Administrative Services |

1. City Council Budget Workshop FY 2023-2024

Mr. Gary Palmer stated that the meeting would take place with a format of the following to guide the discussions:

- Frame, Situation, Factors
- Maryann Carl talk about Tax Rates
- Summary of changes
- Open discussion

Frame, Situation, Factors

Mr. Palmer informed the city council that they have removed the CIP from the adoption process thus far, as in previous budgets it appears the focus became finding money for the CIP rather than getting into operational expenses. He added that he will be getting Maryann, the Engineers, Mike and Dave to establish what is required for the projects already in process and develop a list of CIP priorities.

Mr. Palmer stated that there has been a \$500,000 expense from the General Fund into the Capital Projects for the FY2024 budget, and then to make any salary increases as we discussed previously, we need to find between \$100,000 - \$200,000.

Mr. Palmer informed the city council that the draft budget in their binders for this meeting does not include any salary merit increases which were discussed to be between 2-5%, that would equate to at least another \$105,000. He added that staff are looking at fees such as construction permit fees and make sure that we are adequately assessing the fees to offset costs incurred by the city.

How did we get here?

Traditionally the CIP has been funded by portions of transfers from General Fund, this is not abnormal, but we have not looked at other funding options, something we must do, or we will have no choice if we continue this trend but to look at taking away various services and programs, not an ideal scenario.

The current practices each year are not sustainable any longer, we need to make some hard decisions, and move way from continually funding projects from the general fund. He went on to say that there are different revenue sources, such as the municipal court, they are working to collect as much as they can.

Mr. Palmer informed the city council that he and Maryann will be meeting with the bond counsel and the financial advisor to see what the city's debt capacity is and build a couple of scenarios for borrowing and we will bring those to you for consideration and discussion. One thing that does merit discussion is the potential of increases in taxes, as we have put off increases for several years now, and it is something that should be looked into.

Mayor, Byron Sanford stated that he had repeatedly told the engineers that there are dollars available for small towns, especially those with old pipes underground, and we need to tap into those, HGAC has grants to replace these types of things, we need to get into those lines for funding.

Mr. Palmer agreed and said he will always be looking at alternative funding measures, the CDBG grants are typically census based and low to medium income.

Mayor, Byron Sanford asked that staff stay on top of alternative funding as we are in an area of high growth.

Mr. Palmer assured the city council he will be and explained that he has also created a Transportation Improvement Commission, which will look at developing a transportation improvement plan, something these grants look for, we are behind the curve on that at present.

Maryann Carl, Finance Director reiterated what Mr. Palmer had already stated by informing the city council that funding capital projects from the general fund you are taking tax dollars for operations expenses. She added that when working through the prior years budget and system, she had noticed that the city had budgeted to collect a 100% of property tax, and that was used to base all other calculations on. This obviously does not take into account any refunds to taxes based on protested assessments, looking at last year alone, the city had refunded 7% which equates to \$137,000.

Ms. Carl then spoke regarding the sales tax in lieu of property tax. The city has been using that sales tax and sending it into the capital projects, which ultimately squeezes other funds which were intended for the M&O when the look back tax rate is done by the tax assessor.

Ms. Carl says she is still working through incode and she is seeing some strange amounts which could have come from the conversion; however, she is working hard to place them to the correct line item in order for the city council to see and be confident with the revenue and expenses.

Ms. Carl stated that something she has some concerns about is the No New Revenue Rate (NNR) which is \$0.39. This is too close for comfort to the \$0.40 Tax Rate, as the city grows there is a real possibility there will be a shortfall, what do you do then? Do we cut services? Personnel?

She then provided a clarification by running through the budget sheets in the council binders, explaining what each meant to the general fund, and the M&O.

Councilmember Casey Olson said that he is not interested in a tax rate increase period.

Mr. Palmer responded that if that is the case, then why not borrow money for the capital projects.

Councilmember Casey Olson said he was not ready for that, not yet.

Ms. Carl informed the council that they should not forget that the utility fund is not funded by taxes,

Mr. Palmer summarized for the council and staff that if they pull the \$500,000 and keep the same tax rate, to provide a merit increase or make any improvements the city needs to find at a minimum of \$200,000 – \$300,000.

Councilmember Casey Olson stated that they should aim for the \$300,000 and as they go through maybe we will get to \$200,000. He asked about building permit fees, impact fees.

Mr. Dave McCorquodale responded that those are pass-through fees.

Councilmember Casey Olson said he would like to talk about the two positions “Permit Tech and the Finance Tech”.

Ms. Carl reminded the council that the Event Specialist is also this next fiscal year going to be under Administration.

Councilmember Casey Olson asked what both permit tech and finance tech would be doing and if totally necessary.

Mayor Byron Sanford said that he felt that with the budget being as it is, AP and Payroll he would ask Maryann to hold down the fort for the next year at least.

Ms. Browe, City Secretary said that she has been doing the AP and Payroll since January as well as her own job and can assure the council the AP and Payroll clerk position is a full-time position and she wanted the council to note that it is not wise to have someone enter and approve their own work, especially within the finance world.

Councilmember Casey Olson agreed and said he did not have a problem with the Finance Tech position it provides checks and balances.

Councilmember Sara Countryman asked if the Special Events person could be made into a Permit Tech instead.

Mr. Palmer responded that we have to remember that at the other end of these decisions is a human being, right now Patti is filling in only, she has the events to focus on.

Councilmember Casey Olson asked what was budgeted for a Finance Tech position.

Mr. Palmer responded that they had looked at surrounding cities and want someone who has done government AP and Payroll before, so looking at funding at a rate of \$29.00 per hour.

Councilmember Cheryl Fox asked how many hours a day is Patti doing permits.

Mr. McCorquodale responded that it depends but if you were to average it out, approximately 6-8 hours a week, and added that currently they city has spent \$146,000 on permits but the revenue is \$261,000 so that revenue does offset the expense from the general fund some.

Ms. Carl stated that the previous Permit Tech was earning \$55,000 annually with benefits you are looking at a total of \$75,000.

Councilmember Casey Olson said that rate is higher than he expected and would want to start lower and if they turn out to be an employee worth keeping, we provide the merit.

Councilmember Cheryl Fox stated that if you pay less then you are going to get less of a quality person.

Mr. McCorquodale said going forward he would not want to pay more than \$20-21 per hour.

Mr. Palmer stated that they could also look and see if this position could also partially be funded by Water and Sewer.

The city council then went through each department's budget seeking cuts from the department heads.

Council Training – Councilmember Sara Countryman recommended that was reduced to **\$2,500**.

Administration – Cuts were made from several line items for a total of **\$25,500**.

Police – Councilmember Casey Olson drilled down on the Police Vehicles being requested for the next fiscal year.

Anthony Solomon Police Chief argued the need as the wear and tear on the vehicles and cost of parts was becoming challenging operationally, especially when you consider vehicles are running 24/7 and he reminded the council that 1 hour of idle running is 30 miles on the vehicle.

Councilmember Casey Olson asked the Chief how many vehicles total does he have now.

Chief Solomon stated that he has 1 vehicle with 95,000 miles on it and another with 101,000 miles on it, while they are old, he would not take them off the fleet but use them for citizen patrol. Last year he had asked about going in for a lease agreement, but the city council kicked that idea out. He went on to say he has requested three vehicles; one will not do.

Councilmember Casey Olson said he was confused as he heard that there were 6 running but 10 vehicles total and 15 people.

Ms. Carl informed the city council there is an organization called Government Capital where they offer a loan/lease payment program whereby the three vehicles could be purchased under their program.

Chief Solomon agreed and stated that was what he bought to council last year, but the idea was kicked out.

Councilmember Casey Olson asked the chief if he could get by with two vehicles rather than the three, he requested.

Chief Solomon responded that he could make do and make it work, and for the next year look and bring back more details on Government Capital lease purchase.

Councilmember Casey Olson asked what the Investigation and Testing Fees were.

Chief Solomon responded that these are recurring fees for Forensic data search such as cell phones, traffic evidence, and crime scene preservation and investigation.

Councilmember Casey Olson inquired about the line item for Tyler Public Safety and the Weapons and ammunition.

Chief Solomon first addressed the Tyler fees, stating that was for the Brazos Ticket writers, and the case system along with it. The weapons he trades in gets as much as he can on the trade for the purchase of the new and explained that the tasers are obsolete now so that is a whole new upgrade.

Police Department cuts for a total of **\$93,500**.

Public Works

Mr. Muckleroy said that he knew of three areas he could safely cut out of the budget with street repairs being one of them, only the minor like crack sealing etc. could cut **\$10,000**.

Councilmember Sara Countryman asked what the community building repairs were.

Mr. Muckleroy responded for sure the new AC and then repairs as they come up.

Councilmember Casey Olson asked Mr. Muckleroy about equipment repairs and what he could cut there.

Mr. Muckleroy provided the council with an explanation and agreed he could cut, but only **\$2,000**.

Councilmember Sara Countryman asked about the supplies line item.

Mr. Muckleroy informed the council he could cut **\$1500**.

Councilmember Sara Countryman asked about the parks maintenance and noted that last budget there was a \$100,000 requested and almost closing out the fiscal year an expense of \$22,000, so it seems a cut could happen there.

Mr. Muckleroy agreed and cut **\$60,000**.

Public Works Department cuts for a total of **\$73,500**.

Court Department

Councilmember Casey Olson inquired what was the consultant line item for.

Ms. Kimberly Duckett responded that this was for a consultant for the conversion from Incode 9 to Incode 10 and a consultant for their Skip trace.

No cuts from the Court Department.

Open discussion

Ms. Carl informed the city council that there could be an increase in the INS rate once the final forecast of the tax rate in order to sustain the debt.

Mr. Palmer informed the council that he will be continuing to have individual meetings with council, and he will be posting a budget workshop form 4-6 on the 22nd of August.

Councilmember Casey Olson inquired about the Debt Service; don't we have payment to make.

Ms. Carl agreed and stated that yes payments on the existing debts which are:

- General Obligation Bond 2015
- Tax Revenue Certificates 2017 A & B
- General Obligation Bond 2021
- Tax Notes 2022

Mayor Byron Sanford Adjourned the budget workshop

Adjourned at 5:00 P.M.

Submitted by: Nici Browe, TRMC
City Secretary

Date Approved: _____

Byron Sanford, Mayor