

The City of West University Place

A Neighborhood City

CITY COUNCIL

Susan Sample, Mayor
Bob Kelly, Mayor Pro Tem
Burt Ballanfant, Councilmember
Brennan Reilly, Councilmember
Mardi Turner, Councilmember

STAFF

M. Christopher Peifer, City Manager
Alan Petrov, City Attorney
Thelma Gilliam, City Secretary

CITY COUNCIL BUDGET WORKSHOP MINUTES

The City Council of the City of West University Place, Texas, met in Budget Workshop on **Saturday, October 1, 2016**, in the Municipal Building, 3800 University, West University Place, Texas beginning at **9:00 a.m.**

Agenda Items were as follows:

Call to Order. Mayor Sample called the meeting to order at 9:05 a.m. in the City Council Chambers. Council and Staff in attendance were: Mayor Pro Tem Kelly, Councilmembers Ballanfant (arrived at 10:05 a.m.), Reilly and Turner, Interim City Manager Peifer, City Secretary Lenz, Executive Staff and Treasurer Renea Dobbs

Notice of the Budget Workshop was duly posted in accordance with the Texas Government Code, Chapter 551.

1. City Finances, Facilities Programs, 2016 Tax Rate & 2017 Budget and Fees

Matters related to city finances, 2016 tax rate, the 2017 Budget and fees, including revenues and expenditures for current and future years for all funds. **Mr. M. Chris Peifer, City Manager**

City Manager Peifer and Finance Director Daugherty presented and stated:

- This is a relatively lean and conservative budget and that staff starts and finishes each year with a zero based budget.
- The big items this year are salary and benefits, which includes a 1 percent Cost of Living Adjustment (COLA) and 2.1 percent pay-for-performance.
- The proposed budget also reestablishes reserves in solid waste and brings the City in compliance in general funds and the water & sewer fund.
- The major increase in addition to the salary benefits is personnel cost for three positions in the police department – two police officers and one emergency dispatcher. He said there are also costs included in the budget for cameras at two intersections in the City for security monitoring.
- The cost for these increases is \$488,000. If the City is looking at cutting the budget to get to the effective rate, a combination of the proposed increases would need to be reduced to \$371,000.
- The two intersections are for the first year of a four-year program to outfit all major entry points into the City with security monitoring.
- There is also a downward trend on sales tax and a 50 percent downward trend on new building permits.
- The City is coming off of a year of wet weather where the City didn't sell as much water as it thought it would and because of that there wasn't the ability to transfer large amounts from the water sewer fund.
- The proposed budget results in roughly a 1 ½ percent rate reduction, which totals a 4 ½ cents reduction in the tax rate over the course of this Council's two-year tenure.

At this time, the City Manager and Finance Director reviewed the budget process and some of the budget highlights:

Overview – Financing Sources:

- The tax rate used to support this proposed budget is \$0.31680 per \$100 value, with \$.18557 supporting Maintenance & Operations and \$0.13123 supporting Debt Service. This is a \$0.01499 decrease in the overall tax rate and \$0.00001 less than the not-to-exceed tax rate of \$0.31681.
- Minor decrease in license, permits and fees continuing the trend of lower expectations for building and contractor permit revenue.
- No proposed increases in water and sewer rates pending the results of the 2016 water & sewer rates study and a pass through increase from the City of Houston early in 2017.
- No proposed increase in solid waste fees.
- Transfers are increased due primarily to the 2016 refunding of the last of the Water/Wastewater Revenue Bonds whereby the services of the refunding bonds is in the Debt Service fund. The Water & Sewer fund transfers funding for its share of those refunding bonds for the Debt Service fund.

Overview – Financing Uses:

- Personnel (service) increases of \$2.00 million
- Operating increases of \$523,918
- Capital outlay increases of \$323,975
- Transfer out increases of \$0.26 million

Overview – Personnel

- 2016 Compensation includes the full year funding of the updates to the compensation plan as approved in the 2016 budget.
- Includes a 1% structure/COLA and salary adjustment on January 1, continuing the compensation policy approved in the 2015 budget as well as an average 2.1% merit increase on anniversary date.
- TMRS funding rate is budgeted at 13.74% for 2017, which is slightly up from 13.01% in 2016. The increase is primarily attributable to the TMRS actuarial assumption changes recommended to the TMRS Board as a result of the required actuarial experience study.
- Increase of three public safety positions totaling \$288,100 in compensation and benefits.

Property Tax Rate Comparisons (based on a \$1,000,000 valuation)

- 2016 Proposed Rate – 0.31680
- 2016 Effective Rate – 0.31119
- 2015 Tax Year Rate – 0.33179

General Fund:

- Fund Sources
 - Tax rate for Maintenance & Operations: \$0.18557 per \$100 valuation, a slight increase from the 2015 rate of \$0.18321
 - Proposed rate vs Effective rate revenue at the certified collection rate of 99.64%:
 - \$305,935 revenue increase due to existing values
 - \$19,855 Revenue increase due to growth in existing values
 - \$3,967 revenue increase due to new values
 - All other sources relatively stable but trending downward
- Highlight of Increases in General Fund:

- Compensation plan updates - \$473,167 and \$581,420 increase in compensation and benefits, respectively. Includes three public safety positions totaling \$288,100 in compensation and benefits.
- Operating expenditure net increase over 2016 budget of \$118,045, primarily due to a net increase of \$167,775 in other equipment. \$200,000 of this net increase is attributable to security cameras at two intersections that are to be determined.

Budget Highlights by Department

- Administration
 - Elimination of Communication Manager position
 - Legal fees: Increase of \$40,000 from \$145,000 to \$185,000
- Finance
 - Additional \$31,400 for medical benefit premium increases for retirees charged from the Employee Benefits fund (city-wide division)
 - Additional \$58,700 for other benefits charged from the Employee Benefits fund
 - Additional \$26,650 in insurance premiums charged by TML for general liability, auto liability, real & personal property, etc.
- Police
 - Additional 208,200 for the addition of two patrol officers
 - Additional \$79,900 for one emergency telecommunications operator
 - Additional \$200,000 (year 1 of 4) for installation of security cameras at designated locations
- Fire
 - Increase in compensation for holiday-on-duty pay. Prior years' budgets did not account for the additional compensation required to be paid for holiday-on-duty hours
- Public Works
 - Added \$25,000 for a new annual maintenance program to address water ponding in the curb line due to shifting caused by trees and soil movement from natural causes
 - Net \$22,500 reduction in other equipment expenses in the facilities maintenance division budget due to the purchase of a lift in 2016
 - Net \$35,000 reduction for consultants' expenses in the planning division budget due to no longer a need for planning consulting associated with the Comprehensive Plan and Subdivision Ordinance that was budgeted in 2016.
- Parks and Recreation
 - Includes estimate for retirement of Parks and Recreation Director
 - Additional \$8,000 for the paver replacement at the entry of the Community Building
 - Additional \$7,000 for a pilot program for three dual Big Belly Solar Trash Compacting Systems at Wier Park
 - Additional \$24,600 decrease in Colonial Park swimming pool maintenance due to items budgeted and completed in 2016

General Debt Service Fund Highlights

- Tax rate for debt \$0.13123 per \$100 valuation, a decrease of \$0.01735 or 11.68% from the 2015 debt tax rate of \$0.14858
- Debt service based on current outstanding debt – any new debt will increase future year's debt service

Water and Sewer Fund Highlights

- No scheduled rate increase
- The City of Houston has notified the City of pending rate increases for water purchases. When a rate notification is received, a rate increase will be proposed to fund the increased cost of water
- Removed \$75,000 for water and sewer rate study budgeted in 2016
- Added \$42,600 for electric service based on 2016 usage
- Added \$30,000 for contract labor

Solid Waste Fund Highlights:

- The 2017 budget reduces the transfer to the general fund for the purpose of restoring the fund balance reserve to 10% of estimated revenues and eliminating the need in 2017 for a rate increase. The reserve was eliminated in the 2014 budget to mitigate the need for a solid waste increase.
- Due to continuing inflationary operations increases, the avoidance of annual rate increases will be difficult to maintain.
- Restoration of the reserve requirement is in agreement with industry budgeting best practices.

Internal Service Funds

- Provides budgetary and accounting controls over Employee Benefits, Vehicle Replacement, Technology Management and Equipment Replacement

Vehicle Replacement Fund Highlights

- Replace/Refurbish vehicles and machinery (\$81,000)

Technology Management Fund Highlights

- Hardware and software maintenance contracts: \$510,580
- Telecommunications/Data/Radio: \$270,000
- Consultants: \$15,000
- High Tech Replacements: \$90,000

Equipment Replacement Fund Highlights

- Underground Storage Tank: \$188,440
- Submersible pumps: \$24,500
- Conflict Monitors – Traffic Signals: \$5,600

Capital Improvement Funds

- Capital Project Fund
 - Animal Control Shelter: \$200,000
- Transportation/Drainage Fund
 - Miscellaneous drainage improvements
- Water & Sewer Capital Projects Fund
 - Lift station renovations #8-12: \$200,000
 - Bissonnet water line replacement: \$250,000
 - WWTP Clarifier replacement (#2 of 2): \$250,000

2017 City Fee Schedule

- No significant overall changes in city fees
- The Fire Department is proposing to replace the ambulance service fee schedule, section F.002, with an expanded schedule to include the Medicare/Medicaid billing rates
- The Public Works Department is proposing the change or addition of the following fees:

- New construction permit (from \$.48 to \$.55)
- Fence or wall permit fee (\$.85 per linear foot; \$30 minimum changed from \$.075 per foot; \$25 minimum)
- Residential House Plumbing and Gas (Changed from \$250 to \$300)
- Replacement Planting Fee per Caliper Inch (New fee for replacement trees when planting on site is not an option)
- Cost of notices (Changed from \$150 to \$200)
- Water Meter Replacement Charges (NEW) – Includes cost for labor and misc. materials
 - Replace damaged ¾" water meter: \$300
 - Replace damaged 1" water meter: \$400
 - Replace damaged 1 ½" water meter: \$900
 - Replace damaged 2" water meter: \$1,000

Mayor Sample recessed the workshop at 10:15 a.m.

Mayor Sample reconvened the workshop at 10:35 a.m.

After the break, each fund was discussed individually, beginning with the General Fund and the transfers out of the Water and Sewer Fund.

Finance Director Daugherty discussed the transfers out, with highlights being as follows:

- The budget for water and sewer overstated revenue for the past couple of years, so this budget fixes the overstatement of revenue and reduces the transfer to the general fund to keep water and sewer fund stable
- Reduced the transfer from the solid waste fund to the general fund to reinstate the solid waste reserve
- The water & sewer transfer to the capital project fund for 2016 is reduced and is eliminated in 2017. After the completion of the water & sewer rate study in late 2016, the transfers will be reviewed for reinstatement
- The transfer estimates were reduced in 2016 in an effort to avoid a water & sewer fund deficit for 2016
- In order to maintain the general fund's funding allocation from 2016, the amount reduced in 2016 was added back in 2017. This allocation transfer to the general fund will be evaluated and continuation and level of participation will be decided after the finalization of the water & sewer rate study

Councilmember Reilly said under the proposed budget, there will be a balance in the equipment replacement fund of \$1.946 million and the total expenditures over the next five years for that fund are \$1.61 million, so the City is currently overfunding that account. He said at the end of 2017, the City will have enough money to pay for every single thing over the next five years and have \$300,000 left over, which is where the City needs to be to get to the effective tax rate. He said he is concerned that taxpayers who have paid taxes over the last 10 years to pay for the City's infrastructure improvements, which is close to being paid off, are now being asked to pay for what will be bought in the next five years.

City Manager Peifer said staff takes a straight-line inflationary factor approach to fund the equipment replacement fund and it would be a policy decision from Council to deviate from staff's methodology.

Councilmember Reilly said he isn't saying that the City shouldn't put money in the equipment replacement fund, but appears to him that it is being overfunded.

Mr. Peifer said as the \$1.9 million over the next five years get expended, the new amortization factor for that same piece of equipment may be half of what it was, so there will be a natural attrition.

Councilmember Reilly said he understands that, but it should be factored in with the budget each year and staff should amortize the costs more equitably. He said the equipment fund jumped from \$55,000 in 2014 to \$866,000 now. Ms. Daugherty said that's because a lot more equipment has been added.

After further discussion regarding the equipment and vehicle replacement funds, Councilmember Reilly then had questions regarding the transfers from the wastewater and solid waste fund. He said last year the City budgeted \$1.5 million to transfer from water and sewer and solid waste into the general fund, but is asking why staff is saying that the actual transfer will end up being \$1,000,000 less. Ms. Daugherty said due to budget presentation errors in prior years for water and sewer, she has to reduce the current year transfer to the general fund, otherwise the City would need a significant tax rate increase to cover the \$1,000,000.

Finance Director Daugherty said a water and sewer rate study is supposed to be completed by the end of this year and once received staff can evaluate the water and sewer fund to see what kind of rate increases the City should have.

Councilmember Reilly said if the water and sewer rate study is going to drive decisions, why is the transfer being made now? Finance Director said because water and sewer for 2016 will be in a deficit and this is to cover the deficit.

Councilmember Reilly said in 2014 \$1.25 million was transferred to the general fund, in 2015 \$1.25 million was transferred, and \$1.2 million was budgeted last year. He asked why the City is going from \$1.25 million to effectively \$400,000 in 2017.

City Manager Peifer said the reason to maintain reserves is that the City is building reserves in both of the funds and maintaining the compliant 10 percent reserve. Finance Director Daugherty said staff is doing the same thing in the solid waste fund. She said staff reduced that transfer to the general fund from \$330,000 to \$59,000.

Councilmember Reilly said since 2014, the City has allocated \$310,000 from the solid waste fund to the general fund and in 2017 staff is dropping it to \$59,000. City Manager Peifer said the good years went away. He said if \$700,000 was taken between then and what is there today, there wouldn't be 10 percent reserve in that account.

Councilmember Reilly said it appears to him that rather than trying to peg that to overhead, staff's pegging it to reserve. Finance Director Daugherty said, yes, staff is using that account to fix the reserve and City Manager Peifer said it is being proposed that it be done in one year in order to accomplish the goal of a 10 percent reserve.

Councilmember Reilly asked staff what is the appropriate amount of overhead allocation. City Manager Peifer responded that staff is hoping to substantiate that amount with the rate study to find out what the market says should be in there and what it should bear.

Councilmember Reilly said it seems staff is "sucking" money from the general fund, at least for this year, to build up the reserves and asked if that is appropriate or is it more appropriate to build that reserve and maintain that reserve based upon the rate study. Finance Director Daugherty said it

makes more sense to increase the rates now to be able to cover the 2016 deficit, but she doesn't think anyone wants to increase the rates that much right now and then have another increase in April.

Councilmember Reilly said the reserve shouldn't be built in one year. Finance Director Daugherty said she would rather do it all in one year and get it out of the way. Councilmember Reilly said if the reserve is built up as part of the rate study and the future rates, then it means that the fund is really self-supporting. Finance Director Daugherty said all she is trying to do is fix the 2016 deficit and not have a huge tax increase for 2017.

Councilmember Reilly said the extent of what staff is doing is setting a number to get a reserve target rather than based upon the actual cost allocation. He said is there a number in between the 1.25 million and \$400,000 that is more justified. Finance Director Daugherty said no there isn't.

Mayor Pro Tem Kelly said he is hearing from residents that they are hurting and they can be helped by letting the reserves drop from 10 percent to 5 percent in order to lower taxes. He said the City doesn't have to build the reserves back up in one year.

Finance Director Daugherty pointed out that the water and sewer fund and the general fund are tied to bond ratings so if the reserves are effected the City's bond rating could potentially be effected.

Councilmember Ballanfant said citizens are interested in what their overall costs are to operate the City. He said the financial data shows that what the City is paying on its debt service is declining rapidly, so what the City has to charge taxpayers and the water rates aren't very big issues for West University Place. He said the City only has a couple of more years to pay the enormous debt service it has been paying for the last 10 or 12 years so it doesn't have to worry about the small amounts and how much is being generated by the sale of water. He said it's an extremely small driver of the City's overall financial capacity.

Councilmember Turner disagreed with Councilmember Ballanfant. She said Bellaire just had to raise their water rates by a large number and she doesn't want to see that happen.

Councilmember Ballanfant said he doesn't think that kind of number is on the table and Councilmember Turner said the City doesn't know yet because the water and sewer rate study has not been done and the City doesn't know what the City of Houston will charge. She said there are two very large unknowns on the water and sewer rate.

Mayor Pro Tem Kelly said that doesn't solve the problem right now. He said to get the City to the effective tax rate, how much is needed. City Manager Peifer said \$371,000.

Mayor Sample asked how much does the budget increase with the added police officers and security cameras. City Manager Peifer responded \$488,000.

At this time Council discussed departmental budgets and funds highlights:

Administration:

- Councilmember Turner asked about the funds for the citizen's academy. City Manager Peifer said it's a placeholder.
- Councilmember Turner asked about the city manager's contingency fund. Finance Director Daugherty responded that in the past, that fund was used for things that came up at the last minute. She said the City Manager has to authorize spending from the fund.

- Councilmember Reilly said he thinks the City Manager's shift to more of an emphasis on merit pay and less of an emphasis on the Cost of Living Adjustment (COLA) is fantastic.

Finance:

No comments.

Police Department

- Councilmember Turner said there are two new officers, but there is also an increase of \$245,000 for overtime. She asked if staff expects the same level of overtime requirements with the two new officers. Chief Walker said he hopes not. He said if fully staffed, the overtime numbers should go down, but staff needs to budget for the overtime just in case. Also, he said, it takes a long to get an officer hired so overtime will be needed in the meantime.
- Councilmember Reilly inquired about the operational costs for security cameras. IT Director McFarland said per GSA prices, the recurring costs can be either software only or software and hardware. The annual cost for software only per intersection will be \$1,000 to \$2,000, but if hardware is included it could be between \$5,000 and \$10,000. In response to how long the cameras last, Mr. McFarland guesstimated an average of 5 to 7 years, but said he is not that familiar with the durability of the equipment.
- In response to Councilmember Reilly's question as to the value of the security cameras to the Police Department, Chief Walker said it would be wonderful to have them at all eight intersections, but it's hard to say the value. He said hopefully when the criminals figured out what the City is doing, they would go somewhere else.
- Councilmember Reilly asked if the cameras would have real time monitoring. Police Chief said they could, but the cost would increase due to having to have a person monitoring the system.
- In response to Councilmember Reilly's question as to whether the Police Chief would rather have the two security cameras or two patrol officers, Chief Walker said officers.
- Councilmember Turner asked how much information has the City received from the cameras at the Rec Center. Chief Walker responded that the City has received suspect information.
- In response to Councilmember Turner's inquiry as to the number of cameras around the City, IT Director McFarland responded that there are 120 cameras inside and outside of City facilities and parking lots.
- Mayor Pro Tem Kelly asked if the two additional police officers would make an immediate impact in the City. Chief Walker said, yes, he could see them making an impact over time. He said he's not saying that if Council approves the positions the City won't have crime issues, but rather it would have more resources to be proactive.
- Mayor Pro Tem Kelly asked if the visual presence of the police tend to have an impact on crime. Chief Walker said he thinks it has an impact on where crime occurs. Mayor Pro Tem Kelly asked Chief Walker if he sees the two additional officers as giving a more active police presence. Chief Walker said they would be assigned duties according to wherever they are needed at the time.
- Councilmember Reilly pointed out that it would be a 21% increase in the budget from 2016 to fund the two officers. He said once fully implemented, the cameras will cost \$150,000 a year and a police officer's budgeted cost is \$104,000 a year, so he asked Chief Walker if he would

rather have all 8 cameras or a third police officer. Chief Walker said a third police officer. He said the two officers would give the City what it needs right now, but he doesn't know what is going to happen next year. He also said cameras are stationary.

- Mayor Pro Tem Kelly asked Chief Walker in what way does he see the cameras benefitting the City, considering the costs. Chief Walker said long-term they will be a deterrent, but initially it will give the City a way to identify criminals and go after them.
- Mayor Pro Kelly asked Chief Walker does he see a uniformed police officer presence superior to anything else – from the standpoint of people feeling protected. Chief Walker responded yes.

Fire Department:

- No comments.

Public Works:

- No comments.

Parks and Recreation:

- Mayor Pro Tem Kelly inquired about the budget costs associated with the Rec Center. Parks and Recreation Director O'Connor stated that the costs include all of the administrative and professional salaries in the Rec division. He said the Center operates 105 hours per week and 362 days a year, so a good portion of the overall Parks and Recreation budget is attributed to that complex.
- Councilmember Reilly said the wages in the Parks department are increasing and asked if there is a vacancy in the department right now. Finance Director Daugherty said, no. She said the 2017 budget includes the accrued leave payment for the scheduled retirement, so it will drop next year.
- Mayor Pro Tem Kelly asked about the cost for the Big Belly trash cans and asked why the City needs such a sophisticated trash can. Assistant Parks and Recreation Director White said the City is doing this as a pilot program to see how they work out. She said there would be a savings on maintenance, because currently park technicians collect trash daily at Wier Park, but the Big Belly systems will alert staff via email once they are full/nearing capacity and staff estimates it will only have to empty the Big Belly cans once per week. Ms. White said she believes it will help with recycling, too.

After discussing the departments, Councilmember Reilly revisited the transfers. He said a lot was talked about for the water & sewer and solid waste transfer amounts, but he said what is the capital project fund versus the capital reserve fund? He said the City used to put monies directly into the capital project fund and now staff tends to put it into the capital reserve fund, so do the funds now flow over into the capital reserve fund?

Finance Director Daugherty said the former Finance Director Walter Thomas moved funds around as needed and she prefers to move the money into the capital reserves because staff doesn't know what projects the City will have all the time.

Councilmember Reilly said if an expense is very significant, presumably the City would want it to go through the rigor of the budgeting process rather than on an ad hoc basis. Finance Director Daugherty said it goes through a rigorous process when it gets approved because anything over \$50,000 has to be approved by Council.

Mayor Pro Tem Kelly confirmed with the Finance Director that the capital reserve fund is a way to set funds aside for pay-as-you-go items instead of issuing debt.

Councilmember Reilly suggested having a threshold target for the capital reserve fund.

City Manager Peifer then reviewed the various funds for Council comments:

Debt Service Fund:

- No comments.

Water/Sewer Fund:

- Councilmember Turner inquired about \$120,000 for beautification. Public Works Director Beach stated that it is actually \$60,000 for fence replacement and security. He said the amount of \$60,000 was inadvertently listed twice.

Solid Waste Fund:

- Transfers to the general fund from this fund were discussed earlier in the workshop.
- Public Works Director Beach stated that green waste will cost less next year because the City doesn't have to utilize the third-party contractor for hauling, which reduces the budget by about \$50,000.

Technology Management Fund:

- Councilmember Reilly confirmed with Finance Director Daugherty that the goal is to build up a reserve in this fund to be dedicated for radios and other technology so that the funds would not have to come from the capital reserve fund.

Equipment Replacement Fund:

- No comments.

Mayor recessed the workshop at 12:55 p.m.

Mayor reconvened the workshop at 1:15 p.m.

Employee Benefits Fund:

- Increase in employee contribution to cover the increased percentage of costs

Final discussions ensued regarding:

- Tax rate
 - Councilmember Turner said she is perfectly comfortable with the proposed rate.
 - Mayor Sample said she is comfortable with the proposed rate considering that two officers and police cameras are being added.
 - Councilmember Reilly said \$371,000 out of \$19.7 million in expenditures is 1.88 percent and thinks that if residents want extra police, the City can fund it especially given recent spikes in crime. He said for him, the cameras are a harder decision, especially because it's being presented with a small amount of time to ask questions, but if Chief Walker says at the end of the day he'd rather have one more police officer than eight security cameras, then he would respect that and say that the cameras aren't obviously a priority for public safety. He said the amount for the cameras could be a source of savings.

- Councilmember Reilly said the City could also realize savings in the \$371,000 from the combination of phasing in the reserves in the water and sewer fund. He said instead of correcting the mistake all in one year funds could be phased in over time.
- Councilmember Reilly said the City should consider capping the capital reserve fund. He said it is fine to have the reserves for emergency projects and uses, but it doesn't have to be so significant that it becomes a slush fund for whatever the City wants to do during the year, especially if the City is going to go to a more targeted fund, like the technology management reserve fund.
- Councilmember Reilly said he would cap the capital reserve fund at \$500,000, which would leave a \$131,000 in savings. He said with the other \$60,000 in savings found by Councilmember Turner, it is a matter of finding another \$120,000 to get to the effective tax rate.
- Mayor Sample said Council gives staff a cost-of-living adjustment because the cost of living goes up. She said the costs of the City also go up and the City has managed to maintain a lot of the costs under the same principal. She said she doesn't think there is a problem with a COLA for employees or for the City, especially when police and other things are being added.
- Councilmember Turner said she is fearful of using the effective rate at the .31119 simply because a precedent is being set of dropping the rate. She said if the City keeps dropping the rate, how long can the City afford to keep doing it?
- Councilmember Reilly said if the City keeps increasing property taxes over time, it will become a problem for seniors. He said keeping the rate at the effective tax rate doesn't mean that the City is cutting the police, the COLA or 2.1 merit raises for employees on average, it means that Council can easily achieve those targets by finding better spending policies for some of the reserve funds without affecting the level of services to the citizens.
- Councilmember Reilly said keeping the taxes at the effective tax rate doesn't mean the tax revenue goes down. He said the overall property tax revenue will still go up by \$600,000 if the rate is kept at the effective rate, because the City is getting new property taxes from new development.
- Councilmember Turner said she questions the statement that the City is having difficulty filling up the houses since it seems that some of the figures received in the last couple of weeks that a number of seniors 65 and over have actually increased more than any other facet of the City's population.
- Mayor Pro Tem Kelly said elected officials owe it to the citizens to save every dime they can save. He said he is for the employees, the fire and police and the salaries. He said Council is just asking staff to see where it can cut approximately \$370,000. He said there will always be money in the budget if the reserve in the water fund is scaled back.
- Councilmember Turner said in the overall tax bill received the County/Tax Assessor, she doesn't think anybody will notice West U's portion of the increase.
- Mayor Sample said she doesn't want to cut salaries and police and fire either, however, at some point it looks a bit like grandstanding. She said she doesn't want to become fiscally imprudent, she doesn't want to endanger the City's bond rating, and she doesn't want to get in a position to have to borrow money. She said she knows there are seniors saying that they don't want to take any more costs on because they feel like they have paid their dues and feel like they should get a free ride now and not have to pay for reserve, which is saying to push it off onto the younger residents and tell them they will pay for it later with a smaller reserve.
- Mayor Sample said she doesn't think the City should be looking at reserves as a way to monkey with figures to reduce the rate. She said she thinks Council needs to be reasonable and not just say it wants to cut \$350,000 and disregard what's prudent and what industry standards are in order for Council to tell the voters it kept it to the effective rate even though it was imprudent.

- o Councilmember Reilly said in 2015, if that Council thought it was prudent to have \$334,000 in the capital reserve fund, then all this council has to do is take the \$60,000 that Mardi found as a mistake in the water and sewer fund (due to the amount being included twice), add it to \$300,000 reduction in the transfer to the capital reserve fund so that Council is exactly where it was in 2015 and that would get Council to the effective tax rate without hurting the general fund reserve or changing the 10 percent reserve for the solid waste fund or for the water and sewer funds.

After discussing the funds, Mayor Kelly said Council is not telling the city manager what to do. He said Council is just giving a policy kind of statement of what Council would like to see the tax rate at and how the city manager gets to that rate is up to him.

City Manager Peifer said staff proposed what it thought was best for the function of the budget and now he is just trying to get direction as to whether Council wants to go with the proposed rate or the effective rate.

Mayor Pro Tem Kelly said the only thing he wants to say is that he doesn't want to see the police department budget touched, so other than that the city manager can go anywhere else within the budget to find the money.

Councilmember Ballanfant said he proposes that the rate change be split down the middle of the effective rate and the proposed rate. In dollar amounts, Councilmember Reilly said it would be finding savings of \$185,000 instead of \$371,000.

City Manager Peifer said cutting out the cameras would get to that amount.

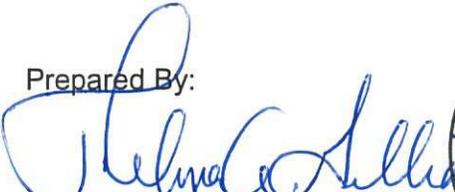
Councilmember Reilly told the city manager that he needs to come back to Council with his proposal for the cost savings.

Finance Director Daugherty said the rate would be 0.3140 if split down the middle.

Councilmember Turner said Councilmember Ballanfant's proposal has merit. She said it's better than rolling it back to 0.31119.

With no further discussion, the meeting adjourned at approximately 2:00 p.m.

Prepared By:


Thelma A. Gilliam, City Secretary



10/24/16
Date Approved