STATE OF TEXAS §

April 21, 2015

COUNTY OF GRAYSON §

BE IT REMEMBERED THAT A Called Meeting of the Sherman City Council was begun and held in the City Council Chambers on April 21, 2015.

COUNCIL MEMBERS PRESENT: Mayor Cary Wacker; Deputy Mayor David Plyler. Council Members Davis, Johnson, Sofey, Steele, Watt.

COUNCIL MEMBERS ABSENT: None.

CITY STAFF PRESENT: Robby Hefton, City Manager; Brandon Shelby, City Attorney; Don Keene, Director of Administration and Finance; Mark Gibson, Director of Utilities; Scott Shadden, Development Services Director; Steve Ayers, Director of Community and Support Services; Clay Barnett, Director of Public Works and Engineering; Danny Jones, Interim Fire Chief; Otis Henry, Police Chief; Mary Lawrence, Director of Finance; Kevin Winkler, Parks and Recreation Director; Tammy Davis, Controller; Jim Cross, Assistant Public Works Director; Lisa Whitfield, Engineering and Development Coordinator; Clint Philpott, City Engineer; Steve West, Animal Control Supervisor; Jamie Baggs, Fire Department Division Chief; Tom Brown, Fire Department Division Chief; Dan Wood, Fire Department Division Chief; Patsy Reeves, Administrative Secretary; Pam Cloer, Assistant to the City Manager; Linda Ashby, City Clerk.

PURPOSE: **Call to Order, Quorum Determined, Meeting Declared Open**

Budget Planning
Financial Update and Council Input for 2015-2016 Budget Year

Adjournment

<u>CALL TO ORDER, QUORUM DETERMINED, MEETING DECLARED OPEN</u>
Mayor Wacker called the meeting to order at 12:00 p.m., declared a quorum present, and opened the Called City Council Meeting.

<u>FINANCIAL UPDATE AND COUNCIL INPUT FOR 2015-2016 BUDGET YEAR</u>
Robby Hefton, City Manager, said the purpose of the meeting is to set the stage for the work that the staff has already begun on the budget process for this year, and to make sure the staff is heading in the right direction, based on the Council's direction.

Many things that will be discussed are from the plan that has already been put into place last year. There will be a financial update for things going on this year and how the City ended 2014. There will be a projection of 2015 and a look at 2016. After the financial update, Mr. Hefton will discuss the staff plan and the staff initiatives. Mr. Hefton said he has formerly spoken with each Council Member about the things that are important to them. Some of those are also included today. But the main thing today, will be that the staff has "their marching orders" going forward.

From a financial and operational standpoint, there were some changes and movement of staff. At the end of the meeting, the Council will confirm the dates for the budget workshop and approval and adoption of the budget.

Financial Update

Mary Lawrence, Director of Finance, presented the financial update. The General Fund ended the year up $1.7 million above the ending balance in 2013, almost entirely due to sales tax. She called this the "Panda Effect." The City received about $1.4 million more sales tax revenue than what was budgeted. Since there was other construction in Sherman at the time, there is no way to determine how much of the sales tax could be attributed to Panda Energy. There were hundreds of workers that were staying at Sherman hotels, eating at the restaurants, and shopping at the stores. Even with this indicator, an underlying growth can still be seen that is not related to Panda Energy.

Expenses for 2014 were also down slightly compared to budget and there were some open positions in the Police Department. The ending reserves for FY 2014 were $8.9 million, up to about 106 days.

In the Utility Fund, reserves were down about $1.2 million, including a $1.1 million transfer from the Utility Fund to the General Fund. Revenues were up compared to budget and actual expenses were below budget. Ending reserves were at $5.4 million, or 89 days.

In the Solid Waste Fund, ending reserves for 2014 were at almost $1.7 million and revenues were up a little. A portion of this was construction related, but there were some ongoing increases that should continue. Ending reserves were at 107 days.

The Capital Improvement Program fund balances at September 30, 2014 were $700,000 in the General Improvement Fund and $2 million in the Utility Improvement Fund. Most of the General Improvement Fund balances are encumbered for projects that were budgeted in 2014, but were not completed. Most of the Utility Improvement Fund balances are also encumbered for projects such as the Gallagher Tank Repainting and Repair Project, which is budgeted at $1 million.

Ms. Lawrence outlined the specific line items for the General Fund with actual amounts for 2014. The Panda Effect was obvious in the sales tax line item and she said less was budgeted for 2015. The difference in the property tax revenue from 2014 to 2015 is mostly due to the rate increase. About $600,000 is attributed to the 2.4 cent tax rate increase, however there is some new value growth. She said about one-third of the growth between 2014 and 2015 is new value of Panda Energy added to the tax roll.

She said the transfer from the Utility Fund to the General Fund will be about $1.1 million lower next year and is non-recurring. Ms. Lawrence explained that, this year instead of basing the projected expenditures for 2015 on what had been budgeted, the staff looked at what had actually been spent for the last three years, and then averaged that amount. This amount was then adjusted for known things that were going on. She said hopefully this would give a more realistic picture of the actual amounts.

She said of the $2,984,000 projected for transfers out, $1.5 million is street sales tax revenue that is being moved from the General Fund to the General CIP Fund and will be used for the projects this summer.

The projected fund balance in the General Fund at the end of 2015 is projected to be about 97 days.

Ms. Lawrence displayed property tax collections revenue, excluding the Tax Increment Financing Zones, both with and without Panda Energy. The project was about two-thirds complete in 2015 and they decided to start their tax abatement. The City received about $400,000 total revenue from Panda in 2015. In 2016, the abatement goes down but they will have the full value on the roll. The abatement ends in 2020 and the full value of Panda Energy will be on the tax roll in 2020. It is projected to be at least $1 million.

The chart also shows the effect of the tax rate increase from 2014 to 2015. Very little of this increase is other new property added to the tax roll.

Ms. Lawrence explained the sales tax history saying from 2009 to 2013 was before Panda Energy. There was a sharp increase from Panda Energy and the numbers now appear to be decreasing. However, she said Panda money was one-time, and there is still a nice increase anyway. She said Sherman has had growth without Panda.

Hotels don't send in their tax receipts until the end of April, however she said two of the big hotels have already sent theirs in. The staff compared these hotel tax receipts for the first calendar quarter of 2015 with their receipts for the first calendar quarter of 2014, and one hotel's receipts had declined 10% and the other declined about 20%. Since it appears that something is decreasing, the staff slowed down the end of the year projections.

For the Utility Fund, the water revenue in 2014 came in about what was budgeted. For 2015 there is an increase, mainly due to Panda Energy. The City expects to receive $900,000 to $1 million annually in water revenue just from Panda Energy. Without Panda, the growth in water revenue is pretty flat. She added that the water revenue number can "swing" several hundred thousand dollars either way, depending on a wet versus dry summer.

Ms. Lawrence said the debt service in the Utility Fund was budgeted at almost $5.2 million for 2015, and the actual should be at almost $4.7 million. In addition to the $4.6 million for 2016, there will also be a part of the debt from the Water Treatment Plant Expansion. That project will cost $20 million and the debt service will be $1.2 million to $1.5 million. With this amount added, the City will be at about $6 million for debt service on known projects by 2017. That amount does not include the new water tower or any other projects that are needed. The debt service expenditure will increase in both the 2016 and 2017 budget.

The ending balance in the Utility Fund will be at about 119 days at the end of the current year.

In the Solid Waste Fund, as in all funds, the vehicle usage expenditure is expected to be down a lot. When the budget was built, gasoline was $3.50 per gallon and was expected to increase. Instead it dropped to $2.00 per gallon. Therefore there were some savings in all the funds, but the Solid Waste Fund has really benefited from those savings.

The Solid Waste Fund is expected to end reserves at about 73 days.

The staff has assessed the fleet replacement in the Solid Waste Fund and looked at the condition of the fleet and the lifecycle of the fleet. A pro-active plan has been developed for replacing the fleet. Ongoing that plan indicates that the City needs to spend about $850,000 annually.

From 2008 to 2012, the City was not replacing fleet at that level. Fleet replacement in 2015 was a "catch up" year. In 2016 and 2017 the City is getting closer to that ongoing funding level. At the current rate, the City is not at that funding level. To maintain the fleet, the staff will propose a modest rate increase to keep the level of funding for the solid waste fleet.

Mr. Hefton added that the staff doesn't know exactly what the rates will look like for the Solid Waste Fund, but he said it would not be a 20% rate hike. There will probably be a modest increase in both the residential and commercial solid waste program. He added that, during the economic downturn, the staff put off capital spending in both rolling stock and in capital projects. This is a symptom of the staff doing the best they could with what they had.

Council Member Johnson asked if this was just in the Solid Waste Fund or in all the funds. Mr. Hefton said this proposal was just in the Solid Waste Fund. Proportionally, solid waste is very capital intensive and very equipment intensive. Overall the City is in better shape from a fleet standpoint, in the Utility Fund and the General Fund. Fleet for the General Fund is also less expensive than the equipment needed for the Solid Waste Fund. Mr. Hefton said there was no other significant rate increase in the other funds and the staff plans to "hold the line" knowing that the street sales tax will be coming up this year.

Council Member Watt said there was a 119 day reserve in the Utility Fund and since Mr. Hefton's personal comfort zone is around 75 days, would it be possible to transfer some of the money to fleet and delay the rate increase. Mr. Hefton said the staff might possibly be able to do that and will look at that scenario. However, they don't have a view of the budget yet in any of the funds for 2016. That is still being developed.

He added that the debt service line item will be significantly different in a year or two, than it is today. There will be $1.5 million in expenses on the Water Treatment Plant Expansion alone, that aren't showing up now. Mr. Hefton said $1.5 million is about 23 days of reserves. If the City does nothing to the finances, the balance of reserves will decrease with the additional expenses coming on line.

The staff will look at the General Fund and the Utility Fund, but the Solid Waste Fund is about where it needs to be, in terms of reserves. The other two funds are higher than normal, however it doesn't take into account transferring any money for capital projects that will need to be accomplished. Hopefully there will be a major project for the Loy Lake Rebuild that will be partially funded by street sales tax, partially funded by TIF dollars, and partially funded by General Fund dollars. There are projects that are already scheduled to do, that the City has no funding for other than the fund balances.

He added that if they needed to forgo a rate increase in the Solid Waste Fund for 2016, the staff will bring back some options for the Council to discuss at the June budget work session. Mayor Wacker said the Council will discuss options, but last year they started looking at some of the big projects that have been put off for so long, and made a philosophical decision to stop doing the short term fix of the transfer between funds and build up the reserves so some of the critical projects could be done.

Critical Issues

Just like last year, Mr. Hefton said the staff went through a process to determine critical needs from a staff and operational standpoint, that are coming in 2016 and beyond. Priorities were identified as high, medium, and lower priorities in terms of things that are most critical. Projects that were most critical for last year were the Water Treatment Plant expansion, staffing and compensation issues, capital and CIP funding, stormwater management, and the Fire Station maintenance and relocation.

Those priorities were updated and items that had moved up to a higher priority this year were added. These include street maintenance and sidewalks; water system improvements, including the above-ground storage tanks; substandard structures; Wastewater Treatment Plant improvements; F.M. 1417 development; the development ordinances; and a public information officer. He could not guarantee that there would be funding for all the priorities, but they are high priorities to the staff and if funding can be found, they will be proposed to the Council.

The staff made some system improvements and upgrades to Incode. The City Engineer position has also been filled. The Council also approved a plan to replace the City's telephone system at last night's meeting. That project had already been identified as important, but it became more important, and will ultimately save the City $60,000 annually in operating costs.

Of those projects identified last year, the Water Treatment Plant expansion is ongoing and the Pilot Program is underway. The project is on schedule and bonds have been issued for the engineering and design work. Bonds will probably be issued in late 2015 or early 2016 for the $20 million.

Compensation and staffing are ongoing issues. Some adjustments were made in 2015, especially for patrol and how the City was recruiting. There will be an update on the success of that program either at the budget workshop or prior to the workshop.

There was no action taken in 2015 on stormwater management and planning. There may be some grant opportunities or some smaller steps that could be taken in 2016, such as property acquisition or developing ordinances related to floodwater management, that could move the issue forward.

The City is in the process of site location for Fire Station No. 6 on the north side of Sherman. The staff expects to have made major steps for that project and hopefully have the land under contract or purchased by the end of the fiscal year.

Capital, capital maintenance, fleet, and funding will continue to be a major focus not only this fiscal year, but for several years to come.

Mr. Hefton said the staff always looks at the operating budget for one year, but the CIP funds will be provided as well. The staff will also continue to make progress on the critical issues that were discussed. He introduced the critical issues for 2016.

He said the Street Sales Tax has been in place for seven years. In 2007, the first year it was presented to voters, it passed by a three-to-one margin. Four years later the voters passed the Street Sales Tax by a nine-to-one margin. Mr. Hefton said there is widespread support in the community for Street Sales Tax and it is an excellent program because it places the responsibility for maintenance of the streets on the people who use it. That is, people within the City and people who come to Sherman to use our services. From a retail standpoint, over half of the sales tax revenue comes from those outside of Sherman. Mr. Hefton said it just makes sense to have those people help maintain the street infrastructure.

The Street Sales Tax issue will come up for consideration again in November 2015. It is a four year program and can only be used for streets that exist at the time of the election. The City generates a little over $1 million annually from this revenue source. At the end of the eight year period, the City will have completed dozens of miles of mill and overlay and over 100 miles of chip seal and other improvements to help maintain the streets. Those funds were also used to help with the downtown area, Sherman Commons, and other areas of the City. Mr. Hefton said it is vital that the City continue this source of funding for the streets.

Other items that are staff priorities for 2016 include compensation, benefits and staffing for employees. Mr. Hefton said the City is in the service industry and two-thirds or more of the costs in the General Fund are people costs. He felt it would always be important to keep up with the market and to take care of the employees. He would also like to consider hiring a public information officer and a city planner for 2016 if funding it available.

Mr. Hefton said F.M. 1417 development from S.H. 56 north to U.S. Hwy 82 or maybe Plainview Road is also a critical issue. The new Wal-Mart will be open by the end of 2015 and their presence on F.M. 1417 is already driving activity. The staff feels like they have a “short window” to help manage and direct the growth that will occur on F.M. 1417. If the City is not proactive in managing that growth, Mr. Hefton said it will be managed for us, perhaps in ways that we don’t like. Much of the staff’s attention will be focused on the issue in 2016, and there may be dollars attached as they start to consider developer's ordinances for the area. There is already an overlay ordinance for F.M. 1417 that is helpful, but considerations need to be made about encouraging the right type of development.

As for transportation, Mr. Hefton said there are very few opportunities between U.S. Hwy 82 and S.H. 56 to ensure that there is good arterial transportation from S.H. 289 and the western boundary of Sherman into F.M. 1417 and even the center of the City. There is a limited opportunity to help drive the transportation corridor in the area. Mr. Hefton said there are many aspects to managing the growth on F.M. 1417, which will need to be considered.

Other staff priorities include the capital improvement plan and fleet funding that was discussed earlier.

A year or two ago, Mr. Hefton said there was a presentation about the results of the Stormwater Management Study that recommended projects that totaled about $55 million. Many of those projects initially related to things like the purchase of property within the floodplain. FEMA's objective, since they make repairs and improvements to properties in the floodway, is to provide grant funding to purchase property in the floodplain so that when floods happen they can mitigate the damage that occurs. Mr. Hefton said there might be an opportunity for the City to use a little of their money and a lot of FEMA's money to purchase property in the floodplain and the floodway.

He said there might also be some development ordinances that could be considered, especially those concerning detention. The City should consider whether they need to focus on a regional detention effort or continue with on-site detention. There are some items concerning stormwater management that Mr. Hefton felt could be considered during the upcoming fiscal year.

Council Member Watt said the City doesn't have any program in place to communicate or educate the citizens if they are in flood areas. Mr. Hefton said there is not a dedicated communication or education plan in place, nor is there funding for such a plan. In the future, the City should consider if there needs to be a stormwater management fee that would provide annual funding for such education programs. He did not feel that 2016 was the right time for that, because he felt the Street Sales Tax was the most important current issue.

Mr. Hefton added that there are things that the City can do that won't commit them to annual outlays. He added that part of the reserve funds in the General Fund could be set aside as matching funds for any projects that might require a percentage match with FEMA for purchase of property. The staff will continue to look at ongoing ways to improve conditions and educate the public and mitigate damage that has happened in the past. The City can't stop flooding, but they can help mitigate the damage and encourage people not to build in the floodplain or to make flooding worse.

Council Member Watt said he is glad the City is taking steps, even if they are small steps. Mr. Hefton said the City could do all $55 million worth of the FEMA projects and still not be where they need to be with flooding. For the next fiscal year, he said the staff will try to do what they can with the money available, but not initiate a stormwater management fee. Council Member Sofey confirmed that the City would have to spend about $200,000 to even begin the process and fund the study. Mr. Hefton said they should also be prepared to implement the plan if the study is done. Council Member Sofey felt that the stormwater fee would be needed at some point, to have an ongoing source of revenue for the plan.

Mr. Hefton said he thought that maybe 2017 would be the year that the City starts the process of the Stormwater Management Fee Study, when there might be better funding to commit to an ongoing revenue source such as the stormwater management fee. The study itself will take six to 12 months to complete.

Mr. Hefton said he felt the City could do a better job with code enforcement and substandard structures than in the past. The City hasn't been able to dedicate a lot of funding to the issue in the past. He felt the City might use some of the fund balance in the General Fund as well as the Community Development Block Grant. The CDBG funding does limit where projects can be done to target areas, which are generally on the east side of town. He felt combining CDBG funding sources with other creative ways to address substandard structures, would allow the City to accomplish more.

He said the City of Gainesville has a program where they partner with private entities to reclaim the antique wood, ornamental architecture, windows, doors, and fixtures, that are within the house that has a value to resell. By doing that, they have been able to significantly reduce the cost of demolishing the houses. This has allowed them to demolish about 200 houses in a two year period. Currently it is done on a voluntary basis.

Sherman's process is dictated by law that requires a certain number of notices and specific time between notices, and due process for the individuals and the property owners. The process takes months before the City can even get close to demolishing a house. Mr. Hefton said these are all unoccupied structures and not houses that need to be rehabilitated.

He felt there were other ways that funding could be used for substandard structures that are more palatable to property owners. These should be on a volunteer basis and allow the City to move more quickly and to be more successful.

Mr. Hefton said the City may also want to change the process for communicating with property owners and tenants on the structures that are occupied. He felt the changes would not be too expensive and may identify a different funding source to make a greater impact for the City. By the summer, Mr. Hefton said he would like to have a list of structures and properties identified so if the Council approves the plan and funding is available for 2016, the staff will be ready to start the program.

Mr. Hefton said there is a dedicated funding source with downtown tax increment financing funds for the downtown sidewalks. The TIF program generates about $60,000 annually. For the past few years, that funding has been earmarked for the Sitescape Plan that was completed two or three years ago. The City paid $300,000 to $400,000 of the TIF funds for the project, and the TxDOT grant completed the project. The project ended up being about a 50-50 split. The City depleted all the downtown TIF funds with the previous streetscape project.

Beginning in 2015 and in 2016, the City will have the additional $50,000 or $60,000 annually that can be used for a project. The staff believes that downtown sidewalks would be a good use for the funds. The project must be in the Central Business District, which goes over to U.S. Hwy 75 and up to Travis Street. He felt a "noticeable" difference could be made, starting around the Courthouse Square and moving up Travis Street.

Mr. Hefton said the goal of the Loy Lake Road Rebuild is to finish what was started. There is a nice wide, six-lane bridge that will be completed soon. The City's part of the project, which connects the bridge, south to Sara Swamy Drive, will be open at the same time. That road will be a nice, four-lane, divided median, concrete curb and gutter road with sidewalk. It then narrows back down from Sara Swamy Drive to U.S. Hwy 82. The City wants to complete that part of Loy Lake Road to complete the project. That portion of the road will cost over $2 million. The project is a perfect use of TIF funds, however they will not pay the total cost of the project. Hopefully, Street Sales Tax money can also be used for the project.

Mr. Hefton said for the most part, the City already has the right-of-way for the project and the utility poles are already set many feet from the curb. He said there might be a small right-of-way acquisition that would still be needed. The Street Sales Tax can be used for anything within the street right-of-way and on a street that existed prior to the election. Money can also be used from the General Fund fund balance.

Mr. Hefton addressed space utilization for City facilities and said the goal is to better use the space that is available. There has been some remodeling at City Hall, and the cost was a few thousand dollars because the internal staff was used. The staff would like to do that in several City buildings to better utilize the available space and there will be some funding in 2016 for that project.

Updating the development ordinances was discussed in regards to F.M. 1417, however Mr. Hefton said the City needs to look at that citywide as well, and could include items such as regional detention, updating along F.M. 1417, or any other growth corridors. He said there were some issues with large lot development to the west that presents some unique challenges. The needs of citizens living on a quarter of an acre in town are different from those living on one to five acres in town. The staff has identified some issues in ordinances that already exist such as animal ordinances. The staff needs to take a more comprehensive look at the needs of the citizens.

There are several big utility issues including the Water Treatment Plant expansion, a new above-ground storage tank, as well as major projects at the Wastewater Treatment Plant. Utility issues will continue to be a priority.

The staff has also discussed a solid waste rate adjustment that will be an alternative for discussion at the budget work session. He said these are the "high profile" issues but there are other operational items that are part of the normal process for budget development.

Council Priorities

Mr. Hefton also presented a list of priorities that he has heard the Council Members discuss over the last few months. At the end of the meeting he would like to know if the City Council feels the staff is "headed in the right direction."

The City has the Downtown Grant Program that has been in place for several years and has been very successful over the past few years. Lately all the money that has been allocated for the program has been spent. He outlined several of the projects that have been funded through that program. During the budget workshop, Mr. Hefton said he will need to know the level of funding that the City Council would like to budget for that program.

The Council has also indicated they want stepped up code enforcement and cleanup along S.H. 56, which could be tied to the code enforcement and substandard structures. The staff would like to continue with a more aggressive approach over the next year.

Mr. Hefton said about three years ago there was money earmarked for a project to improve the kitchen in the Municipal Ballroom. The Ballroom is a great facility, however it doesn't have a full service kitchen, partly because the building is 90 years old and installing a grease trap and other things required by the code, would be a challenge. Money can be budgeted in the Hotel/Motel Tax Fund for some improvements to the Ballroom. There are ample reserves in that fund for this type of project.

Improved safety along Grand Avenue is a concern and needs to be addressed. Mr. Hefton said he did not have a plan for that today, but it could include crosswalk lighting and/or flashing lights. He said the staff will work with Austin College to address these safety issues.

Issues concerning the development ordinances include regional detention versus on-site detention, a F.M. 1417 overlay, enhancements to the multi-family architectural standards to make sure the City is getting the type of development they want, and some funding alternatives as it relates to development. These funding alternatives could include fees in lieu of on-site detention, impact fees, or pro-rata fees.

Council Member Steele verified that regional detention would allow developers to use their property instead of building an on-site detention pond such as the one behind Wal-Mart near Town Center. Mr. Hefton said Dean Gilbert Lake is a regional flood control structure that helps manage the flow of water downstream. Developers could pay a fee instead of constructing on-site detention ponds and that fee would be used to construct regional detention ponds that could be better placed. He said these are more practical and effective.

Mr. Hefton presented a list of "marching orders" for the FY 2016 Budget development. Council Members agreed that the following list was items they would like to see addressed in the budget.

- Pursue Street Sales Tax Reauthorization
- Stormwater – Investigate leveraging FEMA grant money for projects
- Fire Station – Site 6 location and/or purchase
- Staffing/Compensation – PIO and City Planner positions, employee pay adjustment
- F.M. 1417 Development/Management
- Downtown Sidewalks
- Loy Lake Road Rebuild
- Solid Waste Rate Adjustment – At least discussing as an alternative
- Downtown Incentive Program Continuation – At some level
- Step Up Code Enforcement/Cleanup along S.H. 56
- Improvements to Ballroom – Especially kitchen
- Traffic and Pedestrian Safety Enhancements along Grand Avenue
- Development Ordinances
- Stepped-up Code Enforcement for Substandard Structures – Additional money and a change in approach

Mr. Hefton asked what items the staff missed that the Council Members would like to see addressed in the budget.

Council Member Watt said when you continue to add money to employee salary and compensation, you create a "compression" for the police and fire employees. He asked if the staff planned to look at that issue. Mr. Hefton said that issue is citywide but does seem to be more pronounced in the Police and Fire Departments. The structure provided by Civil Service already puts that in place where you change one and it affects the others in terms of keeping the appropriate amount of separation among the ranks.

Mr. Hefton said for the non Civil Service employees there is more of an opportunity to provide a uniform change. Police and Fire might want to say they focused more on entry-level salaries in FY 2015 to help with recruiting, next fiscal year they might look at a different section of employees. He wanted to allow the Police and Fire Chief to look at what best suits their needs for compensation.

Mr. Hefton said in the General Fund, every 1% pay increase equates to about $150,000 to $170,000. He assured the City Council the staff would not be proposing a 5% pay increase. However, he did want to do something for the employees while the City was experiencing a good financial picture.

Council Member Davis asked about health insurance for employees. Mr. Hefton said so far this year, the claims have been better than last year. Last year there was about $5 million in claims. This year it looks like it will be in the $4.6 million range. The City has a history of building up contributions to fund the health insurance through the General Fund, the Utility Fund, and the Solid Waste Fund. He felt the City is appropriately funded in those major funds to cover the healthcare costs. He said there might be a “market adjustment” of 2% or 3% increase, but he did not feel that the City would need to add a large amount to the fund to help the claims. In fact, this year looks like it leveled off a little bit. Mr. Hefton said because of the Affordable Care Act, the City is limited to some of the things that they can do. Previously the City could have cut benefits and increased premiums, but they don’t have that ability anymore. The City is allowed a certain percentage of increase or change in benefits without triggering some unwanted consequences.

He added that the staff will manage the plan as best they can, but there may be a point in time where some of the increase must be passed to employees. But because of the Affordable Care Act, the employees are protected in the amount the City can increase the premiums or decrease the benefits. He said he didn’t expect any changes to the insurance, however that is the single largest cost to the City, besides the actual paychecks.

Mayor Wacker asked if there were any wellness programs or options that the City could consider. She asked the staff to review these options to help manage the costs.

Mr. Hefton said the staff should be done with the budget internally within the next four to five weeks. They will be preparing the presentations through the end of May for the budget work shop, which is scheduled for June 25 and 26. The other budget dates will be governed by the budget work shop date, State law, and the City’s Charter. Final action on the Tax Rate Ordinance is scheduled for September 8. He said the Appraisal District’s preliminary numbers should be available by the end of May, however the City does their own analysis to determine the values and property tax.

Mr. Hefton said about 10 years ago, one of the major industries overpaid sales tax by about $1.5 million to $2 million. Instead of writing a check to pay the overpayment back to the Comptroller, the City financed the repayment interest free over a 10 year period. That repayment will stop in December 2015. That has amounted to between $180,000 to $190,000 that has been withheld from the City on an annual basis. Therefore the impact for 2016 will be about $150,000 and beyond 2016 will be a known $200,000 a year, more that the City will be getting than they are now. Even if the sales tax base stays flat, this will help the City.

ADJOURNMENT

There being no further business to come before the City Council, motion was duly made and approved to adjourn the Called Meeting at 1:20 p.m.

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MAYOR

ATTEST

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CITY CLERK