

REGULAR CITY COUNCIL MEETING

MAY 9, 2017

5:30 P.M.

COUNCIL CHAMBER, 110 NORTH 8TH STREET
GATESVILLE, TEXAS 76528

AN OPEN MEETING WAS HELD CONCERNING THE FOLLOWING SUBJECTS

1) CALL TO ORDER AT 5:34 P.M. THIS 9th DAY OF MAY, 2017

PRESENT: Mayor Chumley, Council Members, Mitchell, Rainer, Suson, Hitt, Doyle, and Viss

OTHERS PRESENT: City Manager William H. Parry III, City Secretary Wendy Cole, City Attorney Sandy Gately, Don Norman, Liz Reinhardt, Bobby Buster, Donna McLaughlin, Gil Gregory, Brenda Kiphen, Kathy Harte, Robert Rimlinger, Tom Creek, Larry Kennedy, Kim Gore, (arrived at 5:48 pm – departed at 6:00 pm)

2) APPROVAL OF MINUTES FROM PREVIOUS MEETING

Motion by Viss, seconded by Suson, all voting “Aye” to approve Resolution Number 2017-35

RESOLUTION NUMBER 2017-35 - approve Minutes of April 25, 2017 Regular City Council Meeting and Workshop.

3) HEAR VISITORS/CITIZENS FORUM: AT THIS TIME, ANY PERSON WITH BUSINESS BEFORE THE COUNCIL NOT SCHEDULED ON THE AGENDA MAY SPEAK TO THE COUNCIL FOR A MAXIMUM OF THREE (3) MINUTES. NO FORMAL ACTION CAN BE TAKEN ON THESE ITEMS AT THIS MEETING.

Donna McLaughlin of 308 State School Road addressed the Council concerning 307 and 309 State School Road. Ms. McLaughlin stated that when that area was taken into the City about 25 years ago it was determined that nothing could be built anywhere in that area unless it is rezoned. She recommended that City staff check records. Ms. McLaughlin said that a petition had been signed that State School Road would stay as is.

Mayor Gary Chumley said this subject was not an agenda item at this time and no action can be taken tonight. Mayor Chumley also pointed out that the majority of Council is not even aware of any action in that area but could be an agenda item in the future and told Ms. McLaughlin she was welcome to come and speak at that meeting.

City Manager William H. Parry III asked Ms. McLaughlin if she had attended the Planning and Zoning meeting the previous night and she said that no she had not.

4) RECOGNIZE EXITING PLANNING AND ZONING COMMISSION MEMBERS

Mayor Chumley recognized departing Planning and Zoning (P&Z) Commission members Tom Creek, Kathy Harte and Kim Gore. Ms. Gore was not present to accept recognition.

Mayor Chumley thanked all the members for their service to the City of Gatesville:

- Tom Creek: One year and six months
- Kathy Harte: Four years
- Kim Gore: Two years and six months

Mayor Chumley presented Creek and Harte each an engraved paperweight and Gatesville Messenger representative, Larry Kennedy took their picture.

5) HEAR BRIEFING ON MIDYEAR BUDGET REVIEW

City Manager Parry reminded the Council that a mid-year budget review was started last year – while not a City charter requirement – it was felt to be a useful starting point as staff and Council prepare for the Fiscal Year 2018 Budget. Everyone has received a reconciled financial report as of the end of March 2017 which represents the City’s midpoint of the fiscal year.

City Manager Parry reviewed the budget with a power point presentation and discussed the following:

- Briefly compared the current Fiscal Year (FY) with the last four years which showed that the City is currently in the best financial condition than has been in the last five years – but must be judicious in spending based on trends.

- The revenue sources for the City are the General Fund (the chief operating fund for the City) and the Enterprise Fund (the business activities fund).
86% of General Fund Revenues are derived from Sales Tax Allocations, Property Taxes, Franchise Fees and fund the following departments within the City:
Police Department, Volunteer Fire Department, Street Department, City Administration, Library, Code Enforcement, Parks and Recreation, Civic Center, and the Swimming Pool.

82% of Enterprise Fund Revenues are derived from Retail Water Sales, Wholesale Water Sales, and Sewer Charges and fund the following departments:
Water Distribution, Sewer Department, Water Production, Solid Waste Collection (which is a pass – through), Fitness Center, and the Airport.

--- General Fund Review:

Parry explained that the City of Gatesville derives more funds from its sales tax allocations than property taxes which is opposite from most other cities. The 8.25% Sales Tax allocated back to the City from the State is as follows:

State receives 6.25%

County receives ½ cent

City receives 1 ½ cents with the ½ cent being used to buy down property tax rates – voted on in 1987.

So the City sees one cent from every dollar spent within the city limits of Gatesville.

The Franchise Fees are based on a percent of customer bills in exchange for using City right-of-ways for their poles and lines and equal approximately 8.25% of General Fund sources.

The transfer for the Water and Sewer Fund is authorized not to exceed 7% of budget and at the current time the City derives less than 4% from transfers.

- Discussed the expenditures by departments in the 2017 FY Budget with the Police Department consuming the majority of the General Fund at 37.3%, Street Department at 25.8%, Administration at 11.9%, Library at 5.4%, Recreation at 5%, Volunteer Fire Department at 5.1%, and the Municipal Court, Civic Center, and Swimming Pool consuming the remainder percentage.
- The debt service to pay the 2014 General Obligation Bonds for Street Equipment is carried against the Street Department’s budget. The Street Department budget also includes maintenance for the parks and cemeteries, as well as the non-leased and non-emergency vehicles.
- It was noted that there were no capital outlays budgeted in the 2017 FY Budget.

- Detailed Sales Tax Allocation trends and noted that consistently about 42% of total General Funds Revenues come from the City's 1 cent/dollar sales tax allocation from the State. So far this FY has been slightly inconsistent so City Staff will monitor closely anticipating that sales tax will not come up short of the budgeted estimates.
- Detailed Property Taxes. The City is currently at 99% of taxes collected for this year and anticipate to meet the 100% budget projections by the end of FY.
- Detailed General Fund Expenses. At the midway point of the year, the City is at about 70% of its revenues because of the almost 100% collection of property taxes. Discussed unforeseen expenses but were not a major concern. Anticipate meeting budget projections in property taxes and franchise fees.

Enterprise Fund Review:

- Over 1/3 of revenues in the 2017 FY budget come from water sales to the residents of Gatesville, Texas Department of Criminal Justice (TDCJ) and North Fort Hood. ¼ of sales come from the local Water Supply Corporations.
- Bond proceeds from the 2007 Sewer project are paid by Fort Hood to the City and then the City makes the debt service payment – so is depicted as a “pass through” as is sanitation to Waste Management. The City retains 3% of all trash revenues to cover our expenses for billing, processing payments and dealing with resident issues regarding their trash pick up.
- 42% of Enterprise Fund Expenses come from Water Distribution – where the debt service for the 2008 and 2011 and soon the 2017 refunded bonds is carried along with the City's cost for the 5,000 acre feet of water in Belton Lake.
Sewer makes up 28% of expenses with the 1999 and 2007 sewer bonds carried against the Wastewater Treatment Department.
The 1999 Bonds will mature at the end of 2018 which will free up some debt at that time.
- One capital outlay budgeted is the match for the TxDOT Aviation Grant for the rehabilitation of the Airport Runway. \$62,000 is set aside in the budget for this.
- Detailed retail water sales. 34% of Enterprise Fund revenues come from retail water sales. Water sales to TDCJ are up over the past two years.
- Detailed Wholesale water sales to Fort Gates, Flat, Grove, Coryell City, and Mountain. Wholesale water revenues are trending slightly lower than last year.
- Detailed sewer revenues and discussed how sewer charges are calculated, however TDCJ's sewer is metered.
- Projections are that retail and wholesale water sales should balance each other out and that sewer charges should exceed budget projections.

Recap:

- Enterprise Fund Revenue should exceed budget
- Expenses at midyear are tracking within tolerances
- Debt service escrows is up to date
- Fort Hood underpayment for sewer usage in 2015 is being resolved
- Current cash reserve is \$190,000 – should beat the \$250,000 range at the end of FY 2017.
- Texas Commission on Environmental Quality's (TCEQ) recent inspection at the Stillhouse Wastewater Treatment Plant resulted in an observation that the plant has exceeded 90% of permitted capacity for the past eleven months – Action will need to be taken to expand the plant.
- Live Oak/Park Street Infrastructure project is revealing a clear picture of the condition of water and sewer lines. \$400,000 has been set aside for this project – but project could exceed this amount slightly due to street rehabilitation.

Discussed concerns for immediate budget consideration:

- Stillhouse Wastewater Treatment Plant Expansion upgrade estimates is suggested to be in the \$4 million dollar range.
- Cost of funding water rights which will double in 2021.
- Fund balance goal

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- Need a Capital Projects Fund – instead of waiting for a crisis and then solve it.
- Future Capital Outlays funds are needed

Mayor Chumley thanked City Manager Parry for the format and work on the budget review.

Councilmember Mitchell thanked Mr. Parry for staying on top of all of the issues.

Councilmember Hitt expressed his appreciation to Mr. Parry also.

6) CITY MANAGERS REPORT

- During TCEQ's biennial inspection on May 4th, they noted that the Stillhouse WWTP has reached 90% of flow for multiple months. City Staff anticipates a formal notice of violation to follow soon and TCEQ will want to know the City's plan to resolve this issue.
- Live Oak/Park Street Infrastructure Replacement. This project commenced May 1st and is anticipated to last six months.
- Energy Savings Performance Contract. The lighting projects are done. The HVAC roof top replacement plan began May 1st at the Civic Center, Fitness Center, and the Stillhouse WWTP. Anticipate the ground unit replacement to begin at the Library the end of May.
- July 4th fireworks display is planned for Tuesday, July 4th. Local businesses help with funding this event.
- Budget/Financial Report. Noted that as of April 20, 2017 there was a combined balance in the General and Enterprise Funds of \$2,000,156 which is slightly more than what was shown at the end of March. Currently haven't received sales tax allocation for the month and TDCJ water/sewer payments are yet to be received.
- Atmos Gas Rate Review Mechanism (RRM). The Council will be asked to approve a Resolution at the next council meeting agreeing to a settlement between Atmos Mid-Tex Division and the Atmos Texas Municipalities concerning natural gas rate increases.
- Future Agenda Topics. Will move replat of the city gym property and other properties to a future meeting.

City Manager Parry provided a satisfaction survey concerning various topics to the Councilmembers and asked them to return to him by the next Council meeting.

- Senate Bill 2 is still being discussed – this is the bill that caps property tax revenues at 5% as opposed to the 8% for the effective rate.

7) ADJOURN CITY COUNCIL MINUTES AT 6:30 P.M. THIS 9th DAY OF MAY, 2017

ATTEST:

APPROVED:

Wendy Cole
City Secretary

Gary M. Chumley
Mayor

