

CARL HARBERT <i>Council Member, Place 1</i>	DAVID RUTLEDGE <i>Mayor</i>	ERIC ANDRUS <i>Council Member, Place 4</i>
KIRK ROCCAFORTE <i>Council Member, Place 2</i>		TERRI GAUTHIER <i>Council Member, Place 5</i>
TAMMI FISETTE <i>Mayor Pro-Tem / Council Member, Place 3</i>		LUCY FIELDS <i>Council Member, Place 6</i>

CITY COUNCIL SPECIAL MEETING MINUTES
CITY OF BRIDGE CITY
Tuesday, July 25, 2017

The City Council of Bridge City met in a special meeting on Tuesday, July 25, 2017, at the City Hall of Bridge City, 260 Rachal, Bridge City, Texas.

1. CALL TO ORDER

Mayor David Rutledge opened the City Council special meeting at 6:25 p.m.

CITY COUNCIL PRESENT:

Mayor David Rutledge
Council Member Carl Harbert
Council Member Kirk Roccaforte
Mayor Pro-Tem Tammi Fisette
Council Member Eric Andrus
Council Member Terri Gauthier
Council Member Lucy Fields

CITY STAFF PRESENT:

City Manager Jerry D. Jones
City Secretary Sherry Tisdale
Finance Director Karen Morgan
Personnel/Purchasing Director Jeanie McDowell
Police Chief Paul T. Davis
Utility Superintendent Mike Lund
Asst. Utility Superintendent Mike Die

2. WORKSHOP

(a) Discussion of the City of Bridge City 2017 - 2018 Fiscal Year Budget

Ms. Morgan had Budgets prepared for Council to view. (Proposed Budget available for viewing at City Hall)

Mr. Jones said they went through a totally different process going through this budget. He had the following explanation:

- Budget is balanced - municipalities are required to have equal revenues and equal expenditures

- Reserves - last year's audit was a clean audit but the auditor did have a write-up about the General Fund reserves being low (\$0) - He said that's not to say the City didn't have any money
 - General Fund Reserves: He said they strive to have a 6 month reserve in the General Fund which would be \$2,226,000 - right now the City has \$78,000 in General Fund reserves
 - Water and Sewer Reserves: for six months would be \$1,302,000 - City has \$1,900,000 in Water and Sewer reserves
 - Lack of General Fund reserves is due to several things - leads back to the storm and having to use all the City monies initially because the Federal government comes in and gives relief but it takes a while to actually start getting money to come in - you have to use the money on hand to get through the initial period
 - Creates a big problem - affects City's bond rating and the City's ability to borrow money
 - Affects City's position when looking at grants available because they look at the City's financial report
 - It's critical that the City gets this money back (in reserves)
 - Once Moody's gets an audit which reports negative in some areas, they have a tendency to rate low - it's extremely hard to get it back the other way
 - Mr. Jones said he and staff sat down to come up with a plan knowing Moody's would hit the City with this before long - every time when audits go out one goes to them - they review it and call us with questions
 - One thing he wants Council to understand when talking about reserves and not having money there and the financial position not where he wants it to be - this doesn't mean the City doesn't have money - there are a lot of funds that are available, if something should happen, that the City can use - part of that is the \$500,000 the Federal government says the City owes them - have gotten \$125,000 back from Dallas group (that's where the \$78,000 in reserves comes from) - all of the money is still in the bank - it hasn't gone to the Federal government
- Street Fund - has \$325,000 in it
- Hotel/Motel Tax - has \$500,000 in it
- 2014 Bonds - still has \$1,025,000 in it
 - portion of this will be used to settle map question with FEMA on flood zones
 - don't know how much it will cost yet but talks are starting
- Reserves - He said they had to come up with a Plan of action that will be put in place to get that reserve position back where it should be - actually started this before Moody's called requesting a conference call and clarification - told them that the City had a plan to offset this and improve the bond rating:
 - Sale of the police station - hopefully it will be sold in the next few months - when it sells this money will go directly into the Reserve account - he hopes the 2017 End of Year balance will be around \$100,000 - now up to \$350,000 (with police

station sale) plus \$78,000, so he said he is getting back to where the City was before Moody's started questioning - even though \$500,000 is not a lot of money it shows an effort to get the reserves back up

- Budget that Council received has less expenditures than last year's budget and that's an extremely hard thing to do so a lot of work went into the balancing - he said they are actually underestimating some revenues and expenses with the idea that at the end of the year the revenues will come in higher than expected which will increase the City's reserve position - at the end of that budget year maybe another \$200,000 could be put in reserves
- In 2019 Budget he plans to do the same thing
- Moody's was really pleased with recovery Bridge City has had - have more houses and businesses than before the storm - they see a constant growth pattern
- Staff will keep a watch to make sure things we are trying to do are working and are moving that position back to a positive position
- Need to continue to try to reduce the FEMA debt so the more we can get it reduced the more can go into this account
- He said they were skeptical on where the City would be on the bond rating after several conversations with Moody's
- Moody's issued an A3 bond rating last week, because of the preparation and conversations, and it's the best bond rating the City has ever had
- Moody sees the steps the City is taking - these steps will secure the reserves and get it back to where it needs to be

Operating Budget - \$7,866,407

- The reduction in the overall budget from last year to this year - in the Operating Fund - is \$47,219 less than 2016-2017 Budget
- Included in this budget is:
 - lowering of tax rate from 0.52 to 0.48315
 - able to do this because of additional growth in the City and the Appraisal District increased a lot of property values
 - 3% increase in salary for all employees (also part of the Police contract)
 - \$25 step position increase - these are Police officers in different classifications and the Water/Sewer people with A, B, and C licenses, chemical spray guys, etc. (Mr. Jones passed out a listing to Council of employee comparison from other cities) - biggest problem the City faces is this is a limited budget - have to make sure the City can operate with the people the City has - City has less people (Police Dept and Water/Sewer Dept) than most cities this size - our employees keep up with the workload and do a really good job - don't want people leaving for \$25 or \$100
 - lower tax rate - increased income by \$46,500
 - \$0.50 base increase in water fees - needed for increased amount of testing and everything that has increased in the water system - brings in \$23,654
 - \$1.00 base increase in sewer fees - brings in \$44,688 - sewer itself is gradually becoming a real problem - there are a lot of things the City has to do and will

have to start devoting money to the needs at the treatment plant - there will be a bond maturing in 2018 - bond is \$1,250,000 - it will be a source if needed because it can be renewed

Future Items to Consider

- Stormwater Digester - EPA/TCEQ signed off on it being built and now it is not good enough because it doesn't treat enough - will have to find a way to incorporate it into the treatment system
- Develop new sources of income: primary income is through sales tax, property tax, and fines and forfeitures - will need to look at alternate sources
- Insurance: pretty decent bids - out of pocket expenses are down - were able to release \$28,000 held to help employees with deductibles
- Discuss streets to repair: 97% of the City's streets are re-done - need to start looking at ones to be put on repair list - go out and ride in the City

Police Association Contract

Initial requests:

- Requested 80 hour shift to go back to 84 hours: *creates a nightmare for Ms. McDowell and accounting people*
- Certification pay - \$25 increase/per month: **agreed to that** - *in budget per month/per category*
- Add new categories to certification pay: *other cities have same ones we have*
- Requested match for Savings account - any additional savings accounts besides Nationwide: *only benefits one or two people - does not benefit everyone in department*
- Shoe allowance: *no one else does it*
- Start negotiations second Tuesday of April - make sure they are ahead of budget: **agreed to that**

Mr. Jones asked if anyone has any questions.

Mayor Pro-Tem Fisetta questioned Mr. Jones about when he mentioned all the accounts where funds were available so the City doesn't really have \$0 - because there is money in all the other account funds. She said when she met with Keri (Michutka - City Auditor) she was told that even though the City has funds in those other accounts the City cannot move the money around. She asked Mr. Jones if she understood him to say that the City can move the funds. Mr. Jones replied no, what he said was if the City has an emergency and this whole City is shut down, he can get those funds. He added - is it proper accounting for municipalities? No. He said would he do it under anything other than extreme circumstance. No...Technically, you can't move those unless there is a disaster. Whatever is in that budget line item is what the City has. Mr. Jones said what he was telling Council is the City is not broke - there is money in there - you just cannot use it for all these other things. Mayor Pro-Tem Fisetta said so this refers back to we're broke - in a roundabout way - unless we have a disaster. Mr. Jones said he didn't understand where Mayor Pro-Tem Fisetta was going. She said she was trying to understand the difference in where the City can move money and where the City can't. Mr. Jones said municipal government is different from private industry in that whatever is set up in

the line item is what can be spent. At the end of the budget year, if there's anything left in any of those accounts - that's the money that goes into reserves. He said he can't transfer money out of those reserve accounts into any of the line item accounts. He stated the City is not broke - the City has money. Money doesn't have to be borrowed to pay bills. He said the City is fine, just doesn't have a big reserve in General Fund reserves. He said we have money - we're not broke.

Council Member Fields asked for clarification about the \$500,000 that FEMA wants back from the City. Has the City reconciled that? Mr. Jones replied \$125,000 has. She asked if the City is looking at that \$375,000 - is that much frozen. Mr. Jones said it's not frozen - it's in that account. She asked if that is money the City can't spend. Mr. Jones said it can be spent, but at some point, it will have to be paid back to FEMA. Mr. Jones said it could be another four or five years, but because of the accounting procedure that the City has to use, if he gets a bill then that money technically is not there anymore as far as writing it down and doing an audit. Mr. Jones said do I still have the money? Yes, I still have the money. Council Member Fields commented if FEMA says they want it and want it now - would the City have to pay? Mr. Jones said we would have to pay it. Council Member Fields said so it's there but it can't be touched in case FEMA asks for it. Mr. Jones said as long as he has the reserve account he could pay it.

Discussion continued on the FEMA funds.

Mr. Jones then went through the Budget (may be viewed at City Hall) with Council.

- **Tab 1:** (Attachment No. 1)
 - Less than 8% increase in revenues tax/wise
 - Calculated rates - reduction in rate from \$0.52000/100 to \$0.48315/100
 - This is based on estimations - have not heard from the County - this is not final
 - May have to adjust budget numbers
 - New construction takes two years to hit the tax roll
 - If property valuation goes up - then taxes will probably go up
 - Increased values

Discussion was held on rollback of rates and proposed legislation being considered at the State level.

- **Tab 4: Budget Authorizing Documents**
 - Ms. Morgan has a written explanation of what a budget is - good information
- **Tab 5: Budget Introduction**
 - Information and some history of City tax rates and budgets
 - Proposed Budget has 3% raise for all employees

Council Member Fields asked - employees have received raises for the last eight years - would there be a point that it will weigh the budget so heavy it's going to hurt the City to give raises. Mr. Jones said he's trying to get salaries to where employees aren't constantly looking at other people's pay, and he thinks the City is getting close to that.

- **Tab 6: Budget Overview**
 - \$8,884,400 - Budgeted property revenues
 - \$8,879,400 - Budgeted Expenditures
 - \$5,000 deficit

Mr. Jones asked Chief Davis to speak to Council about his personnel changes.

Chief Paul Davis said he would like to make a movement in Personnel:

- Last several years he has been tweaking their organization chart
- Developed a plan for better management and flow and increase the efficiency in the department
- Changed Brad Frye to Asst. Chief position and created a Captain position
- Captain Tod McDowell is over dispatchers, Animal Control, purchasing, open records,
- Some things were being done by administrative people that probably shouldn't have been doing
- Patrol/Investigator (other section of PD) - Asst. Chief Frye is in charge of everything else
- Cases are generated in Patrol - those in turn go to Investigation
- He asked Mr. Jones to take current Investigator/Sergeant position to Captain and give him the authority to be over and command Patrol and Investigation side of the house
- Asst. Chief will oversee both parts of the house
- Goal is to create some continuity within these two groups
- Salary wise - informed less than \$4,000 including benefits
- Continue to move the department forward without a huge increase
- Two captains - Tod McDowell and Robert Bergeron
- It is not a promotion - it's a re-classification

Council Member Fields asked Chief Davis if he is closer to getting two additional officers. Chief Davis said he's getting closer. They are wrapping up background investigations now, then they will set up interviews. Mr. Jones said the amount for this personnel change is \$5,000 and it's in the budget.

- **Tab 26: General Fund Contingency - Capital Outlay: \$14,000**
 - Street Department - 20 foot trailer \$6,000
 - Slope Mower Deck \$8,000
- **Tab F - Utility Fund - Capital Outlay: \$46,000**
 - Lawn Equipment \$6,000
 - Paint Filtration System at three wells - \$30,000
 - Sludge Return Pump at Waste Water Treatment Plant - \$10,000

Mr. Jones said this was not an easy budget to prepare or one he likes to prepare. Everything else is the same as last year's budget except for a few reductions.

Council Member Fields asked if this budget would hamper services in the City. Mr. Jones stated that there is nothing in this budget that will hamper any services in any department. Equipment-wise the City is okay.

Council Member Fields asked about the progress of the LUKE (Let Us Know Everything) program. Mr. Jones replied it has started up and is running. Mr. Jones said he received an email from them today asked if City staff had any questions. Staff changes have been made in the Front office at City Hall and the Court Office. He said he would get them to come over and train. It's online and the guys are using it.

Discussion was held on the Regional Sewer Treatment Plant project.

3. ADJOURN

Mayor Rutledge reminded everyone that there would be a budget workshop tomorrow night at 6 p.m. and adjourned the special meeting at 7:58 p.m.

/s/ David Rutledge

David Rutledge, Mayor

ATTEST:

/s/ Sherry Tisdale

Sherry Tisdale, City Secretary