

**City of Odessa Board of Aldermen
Odessa Community Building | 601 W. Main Street
January 28, 2019 | 5:30 pm
Budget Work Session Minutes**

CALL TO ORDER

Mayor Adam Couch called the work session to order at 5:30 p.m.

ROLL CALL

City Clerk Peggy Eoff called the roll.

Mayor Adam Couch	Present		
Alderman Brian Henning	Present	Alderman Mike Stevens	Present
Alderman Steve Wright	Present	Alderman John Carmody	Present
Alderwoman Mickey Starr	Present	Alderman Ray Harves	Present

City Staff present: Nici Wilson-City Administrator, Peggy Eoff-City Clerk, Dawn Jennings-Finance Director, Josh Thompson-Police Chief, Darrin Lamb-Water/Street Superintendent, Kenny Snider-Waste Water Superintendent.

Others present: Hannah Spaar-The Odessan

BUDGET WORK SESSION – FYE 03/31/2020

The budget work session addressed the proposed budget for the General Fund, Transportation Sales Tax Fund, Debt Service Funds, Wastewater Fund and Capital Improvement Plan (Waste Water Only)

General Fund

Wilson noted the highlights in the General Fund:

- The budget includes a three (3) percent salary increase
- K-9 expenses are included in the anticipation of the program commencing
- Revenue projections remain flat for the franchise fees
- Not every department saw a decrease in insurance costs, but the overall costs are down with the switch to Midwest Public Risk
- Purchase of hard plates for the police uniform vest
- The dispatching fees for police and ambulance are combined in this budget
- Fuel and insurance cost increased due to the two additional vehicles in the Police Department.
- Install hand rails at the Community Building

- Alderman Stevens inquired if insurance costs went down, why does the police budget reflect a sixty percent (60%) increase. Wilson noted that the Police budget for last year was for only six (6) months and we are not confident in accuracy of the coverages provided by the previous insurance. Alderman

Stevens and Alderman Wright had further questions on the insurance amounts. Dawn Jennings stated that she would email the board the schedules and insurance documents with the calculations and rates for each department.

- Alderman Wright inquired about the increase in mailing expenses for City Hall. Jennings noted that we are still paying off the Pitney Bowes contract. The revenue to offset that expense was received in the current budget year under our new contract.
- Alderman Stevens asked about the decrease in the incarceration cost for the Police Department. Chief Thompson stated that due to changes in state laws with the approval and implementation of SB 5 and SB 572 and the inability to incarcerate for minor violations, the cost decrease will result.
- Alderman Wright expressed concerns that the budget is showing one hundred thousand less this year than last.
- Alderman Wright inquired why the Ambulance full time salary was down. Wilson stated in lieu of hiring a full time employee the position is being filled with part time employees with the pending merger ballot issue.
- Alderman Stevens asked if we were looking into changing our uniform contract or possibly giving the employees an allowance. Wilson stated that this is in discussion with the departments heads.
- Alderman Wright questioned the medical and dental insurance increase of \$10,000 in the Street Department. Jennings explained that each employee chooses which insurance plan works best for their families, and in addition there is an additional employee in that department from the previous year. Wilson further added that the figures are based on the current plans the employees selected. The insurance year for MPR is a July 1 effective date, therefore the employees will have the opportunity to stay with their same insurance plan or select a new plan during open enrollment later this year. Many employees who have previously selected the high deductible plan with the associated HSA account opted to not select that insurance for the first six months as their deductible will start over on July 1. This one-time situation created some to choose alternate plans that come with a higher monthly premium. That is reflected in these budget projections.
- Alderman Stevens inquired if the insurance rates are going to go up in July, asking if they bid low with the intent of raising them right off the bat; adding if they do, when could we switch insurance company's. Wilson explained that the rates we were provided were for eighteen (18) months.
- Alderman Stevens questioned why the Street Department salary went down when we were giving all employees a three (3) percent raises. Wilson noted that we had an employee leave early in this current budget that was not replaced. That employee has been re-hired though and is included in this year's budget.
**During a follow up email, Dawn Jennings explained to the Mayor and Board that the decrease in salaries in some departments is due to the payout of banked PTO that was done in the current budget.*

Transportation Sales Tax Fund

- Wilson explained the proposed Overlay project
 - E Orchard Street from Johnson Drive to the trailer court \$23,030
 - S Dryer Street from E Dryden Street to E Orchard Street \$16,730
 - 4th Street from W Orchard Street to W Chestnut Street \$36,740
 - 8th Street from W Main Street to W Dryden Street \$24,500
- Chip and Seal
 - S 5th Street from Golf Street to W College Street \$4,744
 - S 5th Street from W Dryden Street to W Mason Street \$3,850
 - W Dryden Street from SW Railroad Street to W Main Street \$25,38/6
 - S 4th Street from W Main Street to W Mason Street \$4,520
 - Cox School Road from MO-Hwy OO to end of asphalt \$12,794
- This is a proposal for the 2019 budget year for street repairs and paving in the event the 9th Street CDBG project does not meet the qualifications or funded within the FYE March 31, 2020 budget. Total cost of chip and seal and overlay would be \$151,794.00.
- Alderman Harves noted he thought there was money left over to do the entrance to the park. Darrin Lamb explained that there was only \$7,000 left over from the walking trail project and he would like to use for overlay of 4th Street to the Park which will cost \$12,950. If there is a break in the weather late spring, they hope to accomplish it.
- Alderman Harves inquired on the status of the 9th Street CDBG grant project. Wilson noted that currently we are short on the required surveys that have to be returned. Staff is working with PTRPC on additional ways to encourage participation.
- Wilson reiterated that if awarded the CDBG grant this fiscal year the funds in the Transportation Sales Tax were allocated by the Board when the authorization was given to apply for the grant. The proposed streets will then be delayed by one year.

Debt Service Fund

- Jennings noted the revenues and expenditures proposed in the Debt Service Fund are strictly connected to the Ritchie Brothers NID.

Capital Improvements Plan (Waste Water Only)

- The five (5) year Capital Improvement plan for the Waste Water Department includes the following:

Waste Water Department 5-Year Capital Improvement Costs

	Land & Buildings	Infrastructure	Fleet	Equipment	Annual Total
2020	\$ 55,000.00	\$ 10,000.00	\$ 23,000.00	\$ -	\$ 88,000.00
2021	\$ 60,000.00				\$ 60,000.00
2022		\$ 40,000.00	\$ 23,000.00		\$ 63,000.00
2023	\$ 100,000.00				\$ 100,000.00
2024	\$ 60,000.00				\$ 60,000.00

2020	
Replace Auto Samplers at SE Plant	\$ 20,000.00
1994 Ford F150 replacement	\$ 23,000.00
I & I Program - Smoke Testing	\$ 10,000.00
SE Plant - automation	\$ 5,000.00
SE Plant - Sludge Storage Area Reconfiguration	\$ 30,000.00
	<u>\$ 88,000.00</u>

2021	
NW Plant - Sludge Storage Area Reconfiguration	\$ 60,000.00
	<u>\$ 60,000.00</u>

2022	
2006 Dodge Ram replacement	\$ 23,000.00
I & I Program - Replace Vented Manhole Covers	\$ 40,000.00
	<u>\$63,000.00</u>

2023	
SW Lagoon Pump Station - Install Trash Bar Screen	\$ 100,000.00
	<u>\$ 100,000.00</u>

2024	
SE Plant - Bar Screen Replacement	\$ 60,000.00
	<u>\$ 60,000.00</u>

- Alderman Wright inquired what an auto sampler was. Superintendent Kenny Snider explained it was part of the treatment process that collects samples for lab testing. The current one was installed in 2007.

- Alderman Wright asked for an explanation to the request for the SE Plant Automation. Snider stated that it would make the wasting sludge process automated. By automating this process, it would free up one person three (3) hours every day.
- In addition, Alderman Wright asked about the SE Plant sludge storage reconfiguration. Snider noted that by adding two end walls would to the current building would keep the rain off and allow the sludge to dry faster.
- Alderman Stevens inquired about the line items under the capital improvement section of the waste water fund budget. Wilson explained that the total amount of capital improvement needs for the year, in the amount of \$88,000, is the sum of the asset replacements and project needs outlined in the waste water fund's portion of the Capital Improvement Plan discussed by Superintendent Snider.
- Wilson added that the waste water department has incurred a significant amount of debt over the last five years. She explained the correlation between the depreciation expense and the need for funding ongoing capital improvements. The majority of the depreciation expense goes to make the debt payments, however there are still capital improvement and asset replacement needs that will require funding to continue proactive improvements that control the overall efficiency of the waste water department. Under the current rate structure there isn't enough revenue to accommodate this. Staff is recommending a flat surcharge added to each connection per month. This amount will need to be reviewed and adjusted annually based on the depreciation schedule and the capital needs. Jennings provided a debt payment and capital improvement analysis in the budget book for review. The proposed monthly surcharge for the FY2019-20 would need to be \$4.58.
- Alderman Wright, Stevens, and Harves had questions and concerns regarding the potential surcharges in coming years. Wilson noted that those estimated amounts are based on current connection counts. Staff continues to work on different ways that could increase the connections to the system, including the idea of utilizing the NW Treatment Plant as a regional sewer treatment facility for surrounding communities. Wilson further noted that unfortunately with different personnel overseeing the project, she nor Jennings are aware of the previous discussions on how it was planned to make the debt payments based on current connection counts and the large amount of debt issued.
- Alderman Wright questioned if we are getting \$88,000 from the capital improvement fund then why is there a transfer from capital improvement in the amount of \$81,571. Wilson explained that there would not be a transfer from the capital improvement fund to pay for the \$88,000 of capital improvement needs. The wastewater fund is an enterprise fund and needs to be self-sustaining. Jennings stated that the transfer is not for capital improvement projects. It is the remaining amount that came from the previous COP refinance that is needed along with the line item "loan proceeds" that will fund the remaining needs for the lagoon closures. When we received it, all of the proceeds were put in the capital improvement fund until the actual amounts were know and could be transferred to the appropriate funds. The proposed budget reflects the revenue projections with the \$4.58 per month/per connection increase. This amount is needed if they choose to fully fund the capital improvement expenditures requested by the department for 2020.

- Alderman Stevens asked why we would charge \$4.58 that would generate \$117,635.77 if we only need \$88,000. Jennings explained that the difference was the amount needed make the debt payment. The amount allocated for depreciation to make the debt payment is not sufficient. Stevens believes that we should work harder to get more people hooked up to the NW Plant.
- Wilson explained that when a revenue bond is passed by the voters, it gives the entity the authority to set the rates at an amount sufficient enough to make the bond payments. Unfortunately, the large amount of bonds issued probably exceeded the amount that could be generated off of a reasonable expected sewer utility rate for the size of the community and connections to the system. Wilson further noted that staff is working to explore additional options, but it won't be a quick or easy process as it takes other entities willing to explore the feasibility of this concept.

ADJOURN

There being no further business to come before the Board of Alderman for the budget work session, Mayor Couch adjourn the meeting at 7:17 pm

Approved:

February 11, 2019

Adam R. Couch
Adam R. Couch, Mayor

Peggy Eoff
Peggy Eoff, City Clerk