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KENNEDALE CITY COUNCIL MINUTES

SPECIAL MEETING | August 11, 2017
CITY HALL COUNCIL CHAMBERS, 405 MUNICIPAL DRIVE
REGULAR SESSION - 8:30 AM

I. CALL TO ORDER

Mayor Brian Johnson called the meeting to order at 8:37 a.m.

II. ROLL CALL

Present: Mayor Brian Johnson; Rockie Gilley (Place 1); Sandra Lee (Place 3); Mayor Pro Tem Jan Joplin (Place 5); **Absent:** Kelly Turner (Place 4), Liz Carrington (Place 2)

Staff: *City Manager George Campbell, City Secretary & Communications Coordinator Leslie Galloway, Finance Director Brady Olsen, HR Director Kelly Cooper, Community Development Director Rachel Roberts, Police Chief Tommy Williams, Fire Chief Mike McMurray, Public Works Director Larry Ledbetter, Library Director Amanda King, EDC Director Jack Thompson*

III. WORK SESSION

A. Presentation and discussion of the City Manager's FY2017-18 budget proposal

City Manager George Campbell advised Council that the FY17-18 Budget must be adopted before October 1, and that there would be additional work sessions and a Public Hearing in the meantime. He added that, while drafting this budget proposal, he and staff considered expressed needs of residents and the policy considerations expressed by Council; that the proposal included a very limited number of new programs, but did provide Council with a prioritized list of items that department heads identified as ways to better serve residents.

Finance Director Brady Olsen provided the following as a working agenda for his presentation:

- Overview of the Budget Process
- Major Assumptions and Highlights
- Funds Overview
- Five-Year Projections
- Review Funds
- New Program Requests
- Next Steps

Director of Finance Brady Olsen stated that the Proposed FY17-18 Budget was based on strategic planning documents, Council direction, and best practices. He added that staff had approached the process with 'fresh eyes', aiming to reduce expenditures whenever possible.

Major Assumptions and Highlights that Shaped this Budget

- Two-Cent Property Tax Increase
- 2% Cost of Living Adjustment for all Employees
- Projected 15% Increase to Health Insurance Cost
- Changing Administrative Charges to a Cost Basis (Rather than Revenue-Based)
- Elimination of Most Cash-Funded Capital Projects
- ~$4 Million Certificate of Obligation (CO) Issuance

In response to questions about the issuance of a CO, Olsen stated that the overall bond rating is AA-, and this proposed debt would not affect that rating, as it is not paid from the General Fund.

Major Assumptions and Highlights: Water and Sewer Fund

- Reduce Base Sewer Charge from $45 to $36
- Less Aggressive Tier System for Water Rates
- Reduced Base Charge on Lines 1" and Greater
- Increase to the Stormwater Fee from $3.50 to $4.00
- Lower Franchise Fee to Street Fund from 9% to 5%
- One-time Transfers
- Use Remaining EDC Bond Capital Funds to Pay Debt Service for EDC
- Using Park Dedication Revenues to Cover Portion of Park Maintenance Costs

Olsen stated that the stormwater fee was adopted about a decade ago, with the intention of the cost increasing by $0.50 annually, but that had not been carried out.

Mayor Pro Tem Jan Joplin stated that she would prefer to find a way to not spend into the reserves for the upcoming fiscal year.

General Fund

- Revenue is projected to increase $250,000 to $6.45 million
- Expenses are projected to increase $177,000 to $6.67 million
- Property Valuation up over 6% (includes new construction and increased appraisals)
- Proposed $0.02 tax rate increase: median home ($225,000 value) = ~$45/year
- Sales tax expected to increase by 5% over the previous budget
- Fewer grant-funded projects in FY2017-18
- Permits expected to fall from past actuals with subdivisions built out
- General expenditures are up by 3%, with most departments increasing by 1-5%; the City Secretary budget decreased by 6%

Olsen pointed out that personnel costs are almost 70% of the $6.67 million.

Mayor Pro Tem Jan Joplin stated that there were lots of line decreases and she appreciated that effort by staff. Mayor Johnson added that he knew staff had done this because of direction from Council and he was also appreciative.

Water and Sewer Fund

- Revenues to decline $512,000 to $4.48 million
- Expenditures to decline $570,000 to $4.25 million
- Lowering sewer base rate, less aggressive tier structure for water rates
- Removed most capital spending (proposing CO bond for needed projects)
- Reduced Street Franchise Fee to from 9% to 5%

Olsen stated that staff understood that Council wanted to lower the base rate – specifically sewer – and that, under this structure, customers would be paying more for what they're using, rather than so much through the initial base rate. He added that this was the lowest that staff could get the rates while still maintaining the financial integrity of the fund.

Mayor Pro Tem Joplin stated that these presented rates are very close to what she originally wanted. She and Councilmember Gilley thanked Olsen for his work on this contentious issue.

Mayor Brian Johnson pointed out that, clearly, Olsen and City Manager George Campbell had heard Council and worked towards those stated goals.

Olsen pointed out that the majority of costs in the Water Fund are categorized as sundry. During the last fiscal year, staff made the decision to pump more from our wells, to minimize purchase of water from the City of Fort Worth, which does mean increased costs for pump maintenance, electricity, and fees to TRWD for pumping from the aquifer, but overall, this shift resulted in a savings of about $100,000.

Public Works Director Larry Ledbetter stated that the requested Vactor truck and additional employee would greatly benefit the wastewater infrastructure by allowing routine cleaning of the pipes, increasing flow and reducing backups – leading to overall better quality of service.

Street Fund

- Reduction of Water and Sewer franchise fee from 9% to 5%
  limits programming, which includes street and park maintenance
- Using Park Dedication fund to cover park maintenance
- $83,000 deficit, lowering Fund Balance to 19% (still within 18 to 25% policy range)

Olsen noted that bonds can only be used for new construction, not maintenance.

Stormwater Fund

- Proposed fee increase from $3.50 to $4.00
- Funding capital projects through debt (proposed CO issuance), rather than cash

Olsen stated that the stormwater fund was in a positive balance.

Mayor Brian Johnson asked about the flooding on 3rd Street, specifically.

Economic Development Corporation (EDC)

- Greatly reduce expenditures throughout
  (limiting mainly to paying debt and maintaining TownCenter rental spaces)

TIF/TIRZ

- Limiting expenditures in the coming year

Olsen noted that the TIF is receiving some income from the participating entities, that is being used to repay their debt to the other funds (about $13,000, annually).

Mayor Johnson noted that as more development occurs in the area, money will come in faster. In response to Mayor Pro Tem Jan Joplin's question about the EDC's land holdings, EDC

Executive Director Jack Thompson stated that marketing land held by the EDC is an ongoing program. He added that two leases had recently been signed in TownCenter.

In response to Councilmember Rockie Gilley's question about Red's Roadhouse, Thompson stated that if the EDC sold that property, the money would go to the Bloxom Foundation (as they donated it to the EDC for use), but in the meantime, the EDC receives the rental money. He added that only properties used for a City function were exempt from property tax, and that Red's Roadhouse would not be exempt. He also stated that the tenants paid for all the building improvements and that their move to offering it as an event venue had been quite successful.

In response to Mayor Johnson's question about TownCenter, Thompson stated that a Municipal Management District (MMD) is one way of encouraging development in an area that has been historically ignored. He added that the MMD pays for the improvements like the parking lot, TownCenter Park, and the Chamber building, and an MDD rate is included in tenants' monthly rent payments to pay for those improvements and to provide ongoing maintenance. Thompson noted that it is a standard public-private partnership situation, and that the EDC owns the dirt, the parking lot in front of TownCenter Park, the Chamber building, and the Dollar General Building (Building 1). He noted that Hughes Commercial owns the other buildings, and they have the right to purchase Building 1 – which will be more likely to happen once it's fully leased. Thompson added that there are three sites left in TownCenter to be developed.

In response to Mayor Pro Tem Jan Joplin's question regarding the hotel land near QT, Thompson stated that the contract is currently being processed by the title company.

Capital Replacement

- Using funds from 2016 Note to purchase Ambulance

Finance Director Brady Olsen stated that the majority of the remaining funds from this note (part of the Capital Replacement Fund) would be used for an ambulance. Fire Chief Mike McMurray stated that the current front-line ambulance would be moved to the reserve slot.

Street Improvement Fund

- Projecting $83,000 deficit, despite reducing expenditures by close to $300,000
- Reduced transfer fees are affecting this fund

Administrative Charges

- Changing from a revenue basis to a cost basis
- Meant to cover actual time use/costs from General Fund
- Affects Water Fund and EDC
- Without this transfer, General Fund would be subsidizing these activities

Proposed 2018 Certificate of Obligation Issuance *(Funded by Streets, Stormwater and Water & Sewer)*

- **Water & Wastewater:** Northern Arlington Interconnect; 12-inch Waterline along Bolen; VS 1000PRWL Easement Machine; Vactor 2100 Plus Truck; Village Creek Sewer Line; and Alternate Eden Road Connection
- **Stormwater:** Beacon Hill reinforced pipe and end treatments; 3rd Street drainage, Valley

Lane erosion repair and TxDOT match, Pennsylvania Avenue gabion wall

- **Streets, Water, and Sewer Project:** Kennedale Parkway to Mansfield Cardinal

Public Works Director Larry Ledbetter noted that the 16" line in this issue that needs to be looped, which causes water quality issues and requires excess flushing of the line. He added that the wasterwater line would be a new addition.

Ledbetter stated that the Bolen Road project is to loop the line in the Oak Crest neighborhood, which would keep that area from losing water if there were a line failure, and that it would also improve service delivery overall. He noted that it is in the Master Plan.

In response to Councilmember Gilley's question about the Village Creek Sewer Line, Ledbetter stated that this extension was part of the development agreement on the southwest part of town.

Ledbetter noted that the Northern Arlington Interconnect would be to tie into Arlington's system near the entrance sign on Little Road, which would allow the implementation of the potential contract to purchase water from the City of Arlington. Ledbetter added that even if the City were purchasing from both Fort Worth and Arlington, the wells would be maintained, at least for the next decade, as a back-up supply. City Manager George Campbell stated that there could be a time when it would no longer be economical to operate the wells.

New Program Requests (Included in the Proposed Budget)

- Engineering of Rehabilitation of the Water Tower (Engineering Costs Only): $100,000
- Fire Personal Day (moving from 12- to a full 24-hour shift off): $6,725 (annually)
- iPads and data plans for Mayor and Councilmembers: $900 + $4,800 (annually)
- AV Equipment to record and upload (not live-stream) Council meetings: $10,7000
- Vactor Truck Operator (addition of staff to clean sewer lines): $60,000 (annually)
- Splash Pad Gun Replacement: $9,118

Public Works Director Larry Ledbetter stated that the full cost of rehabilitating the elevated water tower by resurfacing the interior would likely costs around $680,000, including the currently budgeted $100,000 for engineering.

Finance Director Brady Olsen noted that there were three additional levels of prioritized requests that were not funded in this proposed budget, the first of which appears below.

New Program Requests Submitted, but not included (first level of priority only)

- Active Shooter Equipment (Police): $17,250
- Records Management Service (City Secretary): $9,100
- Concrete Crack Sealing Program for preventative maintenance (Streets): $25,000
- Patrol Officer (Police): $64,928 (annually)
- Adult Collection Update (Library): $17,400
- My Sidewalk Information Mapping (Planning/Dev): $6,000
- Automation of Circulation Services (self-checkout kiosk) (Library): ($29,161)
- Reclassify Fire EMS Lieutenant to Captain; Currently no Captain: $10,869 (annually)
- Arts Funding Grant (Mayor/Council): $3,000

Upcoming Meetings

- **August 17** Work Session at 6:30 p.m.
- **August 21** Regular meeting at 7:00 p.m. with Work Session at 5:30 p.m.
- **September 7** Special Session: Public Hearings on Budget & Tax Rate at 5:30 p.m.
- **September 14** Special Session: Public Hearing on Tax Rate at 5:30 p.m.
- **September 18** Adopt Budget at Regular Meeting at 7:00 p.m. with Work Session at 5:30 p.m.

B. Review Effective & Rollback Tax Rate Summary

IV. REGULAR SESSION

V. DECISION ITEMS

A. Discuss and consider approval of Resolution 513 of the City Council of the City of Kennedale, Texas, approving the placement of a proposal on the September 18, 2017 City Council Public Meeting agenda to adopt a 2017 tax rate that may exceed the lower of the rollback rate or the effective tax rate; calling public hearings on September 7, 2017 and September 14, 2017 (if necessary)

Finance Director Brady Olsen noted that even if the rate remains steady, there will have to be two public hearings because of new construction adding tax revenue. By adopting this resolution, Council has the leeway to adopt a rate change at the September 18 meeting, but does not obligate them to do so.

Motion To Approve Resolution 513, approving the placement of a proposal on the September 18, 2017 City Council Public Meeting agenda to adopt a 2017 tax rate that may exceed the rollback rate; calling public hearings on September 7, 2017 and September 14, 2017.
Action Approve, **Moved By** Jan Joplin, **Seconded By** Sandra Lee.
Motion passed Unanimously.

VI. ADJOURNMENT

Motion To adjourn. **Action** Adjourn, **Moved By** Jan Joplin, **Seconded By** Sandra Lee.
Motion passed Unanimously.

Mayor Brian Johnson adjourned the meeting at 12:37 p.m.

CITY OF KENNEDALE SEAL TARRANT COUNTY, TEXAS

APPROVED:

BRIAN JOHNSON, MAYOR

ATTEST:

LESLIE GALLOWAY, CITY SECRETARY