

**MINUTES OF THE SPECIAL
JOINT WORK STUDY SESSION
HELD BY THE MOORE CITY COUNCIL
THE MOORE PUBLIC WORKS AUTHORITY
MOORE ECONOMIC DEVELOPMENT AUTHORITY
AND MOORE RISK MANAGEMENT BOARD
APRIL 22, 2008 – 6:30 P.M.**

The City Council of the City of Moore met at Moore City Hall in the upstairs conference room, 301 North Broadway, Moore, Oklahoma on April 22, 2008 at 6:30 p.m. with Mayor Glenn Lewis presiding.

*David Roberts
Councilman, Ward I*

*Robert Krows
Councilman, Ward I*

*Kathy McMillan
Councilwoman, Ward II*

*Janie Milum
Councilwoman, Ward II*

*Shelia Haworth
Councilwoman, Ward III*

*Terry Cavnar
Councilman, Ward III*

PRESENT: Krows (arrived 6:36 p.m.), McMillan, Haworth, Cavnar (arrived 6:34 p.m.), Roberts (arrived 6:38 p.m.), Milum, Lewis
ABSENT: None

Agenda Item Number 2 being:

DISCUSS THE PROPOSED 2008-2009 FISCAL YEAR BUDGET.

Steve Eddy, City Manager, stated that he had previously met with each council person individually and would briefly go over the highlights of the proposed budget. Mr. Eddy advised that cost issues involved with a proposed recycling program would be discussed, and Paul Smith was in attendance to talk about financing for the wastewater treatment plant project. Mr. Eddy thanked everyone present for their contribution on the budget preparation. He advised that the total budget was in the amount of \$62.8 million compared to last year's budget of \$55 million. The major increase was due to the \$14 million note for construction of new public safety buildings. The following information was discussed:

REVENUES:

- Moore Risk Management revenues reflected a 6.26% increase. Mr. Eddy advised that the primary sources of revenues were premiums paid by the City and employees, and a transfer from the MPWA to help balance the fund.
- There was a projected increase for Moore Public Works Authority revenues of 6.26%. The primary sources of revenues were utilities, water, sanitary sewer, and sanitation fees.
- City General Fund was up 11.61%. Sales tax represents the biggest revenue and showed a projected increase of 7.05%.
- The Shops at Moore projected revenue was shown as a separate line item in order to track the money to determine the amount of a rebate to Moore Sorrento, LLC per the contract. The first required rebate payment was scheduled for May 2009.

- Budgeted Fund Balance in the General Fund was \$472,774 and zero in MPWA. Mr. Eddy stated that this was the first time during his tenure as city manager that this has occurred. He advised that capital expenditures and revenues would be monitored closely next fiscal year before authorizing the purchase of large capital items. He noted that there was more than \$600,000 in capital outlay items that remain unfunded. Mr. Eddy advised that he hoped to bring the items back for consideration later in the fiscal year.

PERSONNEL:

- Personnel costs have increased dramatically over the past two to three years primarily due to the increase in newly approved fire and police positions. Mr. Eddy indicated that there were 330.25 authorized positions that include four new police officer positions funded for six months of the year. Six firefighter positions have been hired for the new fire station and will begin work May 19, 2008. Another hiring process to hire six additional firefighters would begin soon to start work July 2009.

There is one dispatcher position, one part-time Planning Intern and one part-time summer clerical position in Code Enforcement.

- Police and Fire wages are set under contract to reflect last year's salaries for comparable positions in Oklahoma City.
- Negotiations have begun with the AFSCME union; however a contract had not yet been approved. A cost-of-living increase plus steps were included in the budget.
- Mr. Eddy proposed giving approximately 17 employees ineligible to join the AFSCME union and not considered management positions the same COLA plus step increases as AFSCME union members.
- Management employees would also receive COLA plus steps.

MPWA:

- Proposed a 6.5% increase in health insurance premiums due to just under \$3 million in health care costs this year.
- Actuarial report estimated 5% projected increase in health claims and 1.5% increase in excess insurance premiums and third-party administrator fees.

MEDA:

- Funded through a transfer from the General Fund to the Moore Economic Development Authority.
- Budgeted items included the following:

\$84,000 for Inside Moore/Business Spotlight cable television shows.
\$35,700 for special projects
\$10,000 for Health Department building planning
\$11,925 for Oklahoma City Partnership dues
\$30,000 for legal fees to form Redevelopment Authority for Old Town.

Deidre Ebrey, Economic Development Director, was asked to discuss the formation of a Redevelopment Authority for Old Town. Ms. Ebrey stated that the Old Town merchants hold monthly meetings attended by Councilwomen McMillan and Milum and approximately 25 to 30 merchants. They were asked in a survey if monies were available what would they spend it on. Most of them answered facade renovation or aesthetic improvements. Ms. Ebrey contacted Bartlesville and El Reno who both referred her to an attorney Dan McNamara who started the Main Street Program with the Department of Commerce. Cities

make application to the program and one to two cities are chosen every year to receive design assistance and refurbishing of the old town areas. She advised that there were some restrictions involved with the program and, unfortunately, the City of Moore did not qualify for assistance through the Main Street Program. However, she felt the City could do something similar through the Neighborhood Redevelopment Act and the Local Development Act. Ms. Ebrey indicated that it could be done through an existing public trust such as the Moore Economic Development Authority or a newly created public trust. The proposed attorney fees would be used to determine whether the City used MEDA or set up a new Trust, to determine the legal description of the area to be included in Old Town, and to develop the program and/or project. The attorney would also determine whether it would be project based or program based. She added that an example of a program would be a "SLAP" program or Signage, Lighting, and Awning Program. This type of project would offer design, engineering or architectural assistance. She stated that the funds would be considered a monthly retainer on an annual basis for an attorney to set up the program and run it.

Mayor Lewis asked what the area would encompass. Ms. Ebrey stated that restrictions would be attached and it would likely be commercial only; although there was a possibility of including residential property as well. Mayor Lewis wanted to know if the City could recoup some of the expense through sales tax generated by the businesses in Old Town. She advised that commercial businesses located in Old Town are not so much retail as service providers such as insurance, banking, salons, etc. The City would never be able to recoup the expense that way. The program could be set up based on sales tax, property tax, a combination of both, or it could be made a grant.

Councilman Cavnar asked how many merchants own their buildings. Ms. Ebrey estimated that less than 5% of the merchants that attend the meetings own their own buildings.

Mr. Eddy continued:

MPWA:

- \$2 million transfer to General Fund.
- \$1.5 million transfer to Moore Risk Management
- \$1.6 million set aside for purchase of Oklahoma City water
- \$1.52 million debt service for wastewater treatment plant improvements. Financial Advisor Paul Smith will talk in more detail about this item.
- \$1.2 million set aside for landfill fees/Allied Waste contract representing tipping fees.
- \$2.5 million for Veolia contract reflects an increase of 3.3%.
- \$800,000 for R-Account (operating account for maintenance and repairs of utilities) reflects an increase of 6.67%.

PUBLIC SAFETY FUND:

- \$3 million in projected sales tax revenue
- \$13.5 million proceeds from 2007 financing for construction.
- \$7 million for construction of new fire stations
- \$2.6 million proposed equipment for police, fire and emergency management
- Four new police cars, two fire trucks, emergency management command post
- \$1,954,000 for engineering, architectural and construction management services.

Mr. Eddy indicated that there was a \$1.5 million contingency fund; however, the City would still be \$7 to \$8 million short on costs for the police station. He stated that this shortage may have to be funded through a short term loan. Mr. Eddy mentioned several debt service projects that would be paying off in May 2009 that could be a potential revenue source. Mr. Eddy noted that this would option would be reviewed by Paul Smith.

CITY GENERAL FUND:

- \$472,774 Budgeted Fund Balance
- \$422,734 transfer to MEDA
- \$200,000 contingency account
- \$87,000 transfer to Special Revenue Fund for CDBG
- \$250,000 increase in Street Department for materials and residential street budget

MAJOR CAPITAL PROJECTS/EQUIPMENT:

- \$350,000 for library roof replacement. Mr. Eddy stated that architects were still working on the designs and specifications. He advised that he hoped to put the item out to bid shortly in order to have the roof completed by summer.
- \$250,000 for water line replacement
- \$99,000 water well rehab for arsenic
- \$108,800 sewer manhole rehabilitation
- \$187,000 rear load sanitation truck
- \$125,000 terminator truck
- \$44,500 computer network equipment
- \$61,160 police equipment
- \$58,498 equipment at the library
- \$415,000 Buck Thomas Park football field, parking, basketball court renovation, Fairmoore Park tennis court renovation using hotel/motel tax.
- \$45,000 – Summit Ridge Park
- \$174,000 – CDBG Project
- \$100,000 Traffic Impact Fee Account
- \$109,218 9-1-1 System Maintenance

Total \$12,571,217 (Including Public Safety)

UNFUNDED CAPITAL OUTLAY:

- \$203,000 – Emergency Management
- \$123,500 – Fire Department
- \$295,376 – Public Works
- \$40,000 – Parks Maintenance
- \$60,000 – Library

Total \$628,000 (updated figure)

Mr. Eddy felt that it was a good budget, although he was being more cautious than in years past. He mentioned that the revenue outlook was good and that he anticipated seeing more than the estimated 7% increase; however, the cost of operations were continuing to rise.

Mr. Eddy ended his presentation and asked for comments or questions. Mayor Lewis asked for an update on the wastewater treatment plant. Mr. Eddy asked for Paul Smith to go over a report for Projected Cash Flow for the MPWA to show how the City intended to repay the \$29 million that the City planned to borrow from the Oklahoma Water Resources Board.

Paul Smith stated that the proposed \$29 million wastewater treatment plant proposal would likely be bid out in the spring of 2009. The projected debt service would be slightly lower than \$2 million a year for 20 years with a 3 ¼% interest rate.

Mr. Smith indicated that the City was able to recapture the old utility debt paid off in 2005-2006. Approximately \$1 million was used to pay for Oklahoma City water rather than to invest in additional well field development. This left approximately \$1.5 million a year that was used for various capital expenses without incurring any debt.

Mr. Smith noted that the MPWA equipment lease should be removed from the debt service items and placed in sales tax revenue. The City would nearly have the capacity without any adjustment to utility rates to absorb the entire cost using the existing \$1.5 million that was set aside in the budget, along with the utility rated debt that would pay off within the next year. He cautioned that the EPA would require the wastewater treatment plant to be completed in a timely manner. That would immediately correct the environmental problem in totality; however, once that has been completed the EPA would likely start to regulate inflow and infiltration. He suggested that the City should be mindful of that and not use up all of its financial resources. He also warned that because the proposed plant would be heavily energy driven, it would also be more costly to operate.

Mr. Smith was asked how much of a rate increase would be necessary. He stated that the City could raise utility rates .35 cents per 1,000 gallons to raise \$500,000 out of the \$2.3 million of new needs. Mr. Eddy indicated that he originally thought it would be around \$3 to \$5 surcharge on each utility account. Mr. Smith advised that if the City intended to raise all of the money it would likely be \$5 to \$6 per month on sewer. The trick would be to determine how much of a rate increase to implement. Since effluent can not be metered into the sewer system rates have to be based on water metering. Sewer averaging is based on the three lowest months of the year. Councilman Cavnar asked what the average increase per month for each residence. Mr. Smith stated that it would depend on what it is to be accomplished. A five to ten cent increase would be sufficient but the MPWA would no longer have the capacity to assist with anything else. He commented that the real question was how much revenue out of the \$2.4 million would need to be raised through a rate increase. If the intent is to raise \$400,000 through a sewer rate increase it would take a rate increase of .35 cents per 1,000. Mr. Eddy advised that the average sewer use is 6,000 gallons resulting in a monthly rate increase of \$2.10. Mr. Smith stated that to raise a million dollars would take a little more than twice that amount. He added that Council could include a phase in schedule.

Councilwoman Haworth asked how long had it been since there had been a rate increase. Jim Corbett, Finance Director, indicated that there is a rate escalator for water and sewer of .5 cents per 1,000 every April based on consumption usage. Apart from that approximately three to four years previously there was a \$1.75 increase on the sewer surcharge to pay for the eastside sewer improvements. At that time the developer impact fee was imposed which is used to pay for a \$5 million note that will be paying off within two to three years.

Mr. Smith stated that the turnaround in the City's finances has been unprecedented within the state. The reduction of debt, the sales tax increase, economic development, and population growth have all gone in the right direction for as strong as it can for a long period of time. He added that the existing infrastructure supported it without too much additional headache. Mr. Smith commented that he would hate to see the City lose more ground than was absolutely necessary in terms of being fiscally responsible. Councilwoman Haworth asked what the maximum increase he would recommend. Mr. Smith felt that politically Council could have 25% to 50% of the money could be funded through utility rate increases. A \$2 to \$3 dollar a month increase per month across the board could generate approximately \$1 million, which would put the City in pretty good shape. Jim Corbett felt that a \$3 increase would generate approximately \$585,000 a year in revenue. Mr. Eddy indicated that Mr. Corbett was calculating this figure based on the number of existing utility accounts; however, Mr. Smith's calculations were adding it onto the base in terms of consumption. It could be done either way. A one time surcharge is easier for people to understand, a smaller increase in the base rate per 1,000 is less conspicuous. Robert

Pistole, Veolia Water Project Manager, felt that the latter option was fairer because the more you use the more you pay.

Mr. Eddy stated that if the Council assumes the \$1.5 million in budget would be set aside for debt service, and assume another \$500,000 on the debt service, and another \$300,000 to \$500,000 in additional operating costs, we could back into a rate increase that would cover those expenses. He suggested that staff could work up two or three scenarios based on a surcharge amount and/or a consumption based rate on sewer or water or a combination. The financing wouldn't have to be done for another year.

Councilman Krows asked if the action could be done by Council or if it would require a vote of the citizens. Mr. Eddy indicated that the City Council would have to approve a rate increase in public session. Mr. Smith asked that the Council keep in mind that although the actual incurrence of debt would not occur for a year, the engineer has done a lot of work in preparation of the project, environmental documents were prepared, application would have to be made to the Oklahoma Water Resources Board and wait for approval. In approximately six months a resolution could be submitted for Council's approval outlining which option the Council chose and setting the effective date. Mr. Eddy stated that the City was in good shape with some of the debt rolling off but he didn't feel it would be good to scavenge all of that, particularly when the City would be incurring \$30 million of new debt.

Councilman Cavnar felt that it would be reasonable for the City to ask the citizens to pay for half the cost of the improvements.

Mr. Eddy indicated that in terms of the rate structure another discussion should be held regarding a recycling program. If a program was implemented it would compel a rate increase on the sanitation side of approximately \$3.00 a month for every utility payer. Some time ago the City asked Allied Waste to give a projected cost for a recycling program and they estimated \$2.50 per residential home per month for an 18 gallon recycling bin for a weekly pickup. Oklahoma City and Norman have recycling programs and they pick up plastic, newspapers, aluminum, cardboard or anything recyclable. There have been a lot of interest from new residents who move from cities who already offer a recycling program and expect us to offer the same thing. Mr. Eddy advised that the fact is a recycling program does not come close to paying for itself. That is why every citizen must pay \$2.50 to \$3.00 a month to pay for the 25% that might use the service. Everyone would get a recycling bin but it would not be mandatory that they use it.

Mayor Lewis suggested placing the item on the next election ballot for consideration by the citizens. Mr. Eddy advised that a survey taken several years ago indicated that a majority of the citizens were willing to pay some more per month for a recycling program. Richard Sandefur, Public Works Director, advised that a new resident stated that if the City recycled he would not need to rent an additional cart at \$4.75 per month for his extra trash.

Mr. Eddy advised that a proposal for upgrades to the sanitation system would be presented to the City Council for consideration. This would allow additional large item pickups other than the one free one currently offered by the City. A second truck is running through all of the routes to pick up yard waste among other things. This is an inefficient process and some changes will be recommended.

Mr. Eddy indicated that if the City Council opted to implement a recycling program they would be faced with raising the utility bills \$3.00 a month for recycling and raising the sewer rate by \$2 to \$4 a month. Mayor Lewis felt that the City must fund the wastewater treatment plant improvements but since the recycling program was optional and would affect everyone it should be put to a vote of the people. He then asked the City Council for their thoughts regarding a recycling program. Councilwoman McMillan and Councilman Cavnar felt it was necessary and Councilwoman Haworth suggested putting it on the presidential election ballot for consideration by the citizenry in order to get a fair representation of the

desires of the people. Mr. Eddy was hoping to put a general obligation bond issue on the same election ballot.

Mr. Eddy indicated that recycling could be bid out subject to revenue availability or Council approval. There are approximately three to four companies that could possibly bid on the item. Councilman Cavnar indicated that he felt a recycling program should be implemented and the only question would be whether Council approved it or it went before a vote of the people.

Mr. Eddy inquired whether it was Council's wish to place on item on a future agenda to authorize going out to bid for recycling. There was a consensus of the Council to place the item on the agenda for future consideration. In the meantime Mr. Smith would work on options for funding of the wastewater treatment plant.

Agenda Item Number 3 being:

ADJOURNMENT

Councilwoman Haworth moved to adjourn the special joint work study session, second by Councilwoman McMillan. Motion carried unanimously.

Ayes: Krows, McMillan, Haworth, Cavnar, Roberts, Milum, Lewis
Nays: None

The meeting was adjourned at 7:46 p.m.

TRANSCRIBED BY:

RHONDA BAXTER, Executive Assistant

RECORDED BY:

JIM CORBETT, City Clerk

FOR:

SHELIA HAWORTH, MPWA Secretary

FOR:

ROBERT KROWS, MEDA Secretary

These minutes passed and approved as noted this ____ day of _____, 2008.

ATTEST:

JIM CORBETT, JR., City Clerk