



**CITY COUNCIL RETREAT MINUTES
CITY OF ODESSA, TEXAS
JULY 11, 2009**

On July 11, 2009, a retreat meeting of the Odessa City Council was held at 7:00 a.m., at MCM Grande Hotel Fun Dome, 6201 E. Business 20, Odessa, Texas.

Members present: Mayor Larry L. Melton, Councilmembers Bill Cleaver, James B. Goates, Royce Bodiford, Dean Combs, and Benjamin Velasquez.

Others present: Richard Morton, City Manager; Larry Long, City Attorney; James Zentner, Assistant City Manager; Michael Marrero, Assistant City Manager; Matt Squyres, Director of Public Works; and Fara Corrales, Deputy City Secretary.

A quorum being present, the following proceedings were held:

Review proposed FY 2009-10 Budget. Mr. Morton stated that the property tax rate has dropped. Odessa's tax base is not the smallest but compared to other cities Odessa is in a good area. Compared to Midland, Odessa is doing well. There is a possible 18% decline on tax and a 21% drop in the next two months for the year ahead. There is a concern about next year, possibly a 10-15% tax revenue drop. The worst case scenario is a \$1.6 million shortfall. Mayor Melton asked if the city would break even in June and July months. Mr. Zentner stated that compared to this year it would break even. There was a 20% reduction in August and September over last year and a 10-15% reduction from May to October. Mr. Morton stated that this year was okay and that the concern was for next year.

Mr. Morton proposed \$1.3 million to department supplemental requests and \$1.3 million to the road construction program. The ongoing supplemental is the first area that would be cut. An additional \$122,200 will be added to the seal coat fund. Mayor Melton asked if the \$122,200 was not added to the seal coat fund, if it would reduce the amount of streets repaired. Mr. Squyres stated that \$122,200 can be used on 55-60 miles of streets a year. Mr. Morton suggested making cut-offs up front or delay the items if sales tax was not available. Mayor Melton asked if it were possible to work backwards and approve if the funds were available. Mr. Morton stated that it was possible. Councilmember Combs suggested to bid out this year. Contractors could be willing to lock in for the year. Mr. Squyres stated that it was possible to bid out earlier in the year.

Mr. Morton stated that there was not going to be a raise for employees or a one-time payment. Councilmember Goates mentioned that no entities were getting raises and that Midland County is cutting employees. TxDOT is giving a 3% raise. Mayor Melton mentioned that Ector County is not giving a raise. Councilmember Cleaver asked if CDBG allows raises and Mr. Marrero stated yes. It was asked how many approximate vacancies there were throughout the city. Mr. Morton stated that there were 68 vacancies and 20 were police officers. When general employment is down, the city's vacancies get filled. The overtime in the Police Department cuts down. Councilmember Combs asked if the \$1.6 million was taken out would it lower amounts. Mr. Morton stated that it does not lower. Mr. Morton asked if they keep the budget at \$19,191,000 or budget lower. Councilmember Goates stated that the city doesn't show consistency if we don't lower. Mayor Melton stated that the worst case was a 15% reduction but it would work out in the long run. Mr. Morton stated that Midland was making cuts, one being a \$1 million cut in street paving. Midland shows grants as a reduction. Odessa isn't spending as much but it's not showing as a cut. The sales tax is estimated down at \$1.6 million. Odessa's budget is thinner



and more efficient. Councilmember Velasquez questioned the decline in sales tax revenue in June 2008 to the present. Mr. Zentner stated that the 13% decline in June was based on April sales.

Mr. Morton thanked the Council for their input on the a budget with immediate cuts. Councilmember Combs stated to prioritize the \$1.3 million if good through the year. Mr. Morton stated that it would be put towards the streets. There are \$481,000 in one- time funds. Building Services and Parks Department are the only departments with changes. Two vehicles won't be given. There is a one-time deal of \$118,000 to Odessa Fire Department and \$160,000 to Odessa Police Department. Public Works had a request to replace street signs, two traffic signals and \$1.2 million for reconstruction. Councilmember Velasquez asked about the prisoner transport module. Mr. Morton stated that an old ambulance would be converted for prisoner transport so officers are not taken off the streets. Councilmember Combs asked if the \$480,000 can go towards street construction. Mr. Morton stated it could. Councilmember Goates stated that the \$30,000 be from the \$1.3 million taken out. Mr. Zentner stated that it will be taken out from the trucks and it would even out.

The Water and Sewer Fund was discussed. In revenues, there is a 3% rate increase built in and a 5% increase in raw water. A drop in interest earnings could be a possible 8% increase in water fees. The city needs hot weather and an increase in interest rates. Without the two, the 3% rate increase is a gamble. The fund balance could draw down. Councilmember Goates stated that the CRMWD 5% rate increase might not happen. Mr. Morton stated that it can be tweaked if there isn't the 5%.

Solid Waste Fund. There are more expenses than revenues. There is a 6% rate increase to keep out of the red. Without the rate increase, it is down \$400,000. There is a positive fund balance without an increase. Movement will be tracked to make route improvements. Councilmember Velasquez asked if the city considered owning a landfill. Mr. Squyres stated that the city would have to acquire the same acreage. At 400 acres and \$2 million a year for the liner, it's difficult to compete. Councilmember Velasquez asked if the county rentals were a profit. Councilmember Goates stated that it was a good revenue source.

Storm Water Fund. Mr. Morton stated that this is a federally mandated program and the city has only met minimum standards. Mr. Squyres stated that the programs are to set a minimum on storm water education. Mr. Morton asked what the penalties were if the city did nothing for another year. Mr. Squyres stated there could be a notice of deficiencies, move into enforcement, and possible fines. It can become negotiable. Mr. Morton stated to implement \$0.50 fee or \$1.85 fee per customer and move the street sweeping from the General Fund to the Storm Water Fund, reducing the tax rate to 1.25%. Councilmember Goates asked where the money went when collected. Mr. Squyres stated that they hire to keep the streets up-to-date. They collect and keep the funds. Mayor Melton suggested that the issue not be ignored another year. Councilmember Combs stated the \$1.85 reduced the tax rate by a penny and a quarter. Councilmember Bodiford stated that the utility bill would jump up. It's either a lower tax rate or a higher fee. Councilmember Cleaver and Councilmember Bodiford agreed to the \$0.50 stormwater fee. Councilmember Velasquez and Councilmember Goates wanted more time to think about options.

There was a short break at 8:28 a.m.

Equipment Services Fund. Revenues are from charges to other departments. A list of equipment replaced was included in the budget overview. The changes in revenues and expenditures was reviewed. There was a discussion on the conversion to natural gas for city vehicles. Councilmember Combs asked with equipment replacement at \$4.8 million how much capital dollars expenditures through fund. Mr. Zentner stated that he



would check. Councilmember Combs stated to develop an internal rate for each piece of equipment and charge the department an hourly rate. The life span on a regular truck gets 7-10 years, 3 years on police vehicles and a 7-8 year turnover on solid waste vehicles. Mr. Morton stated that the life of a vehicle is not necessarily the end after a certain amount of years. Some vehicles can get another year.

Risk Management Fund. Mr. Morton stated that Darrell Wells is doing a good job. There is a large deficit but it has come down. Mayor Melton asked if the retirees benefits changed and how many people are on the retirement plan. Mr. Zentner stated that a report gives actual numbers with retiree benefits. There are 300-400 people on the retirement plan. The rates are getting high and some people are backing out. About 60-70% of retirees choose to stay. Premiums kick in when there is a family on the plan. An employee is 100% covered. The City is self-insured. The city has contracts with doctors that keep cost from escalating when others increase. Councilmember Combs asked about the \$600,000 medical claims. There were several big claims and fees were up by 7%. Expenditures for claims are proposed at \$4,489,859 but may come down. The actual number is known during the audit.

Golf Course Fund. Mr. Morton stated that the fund was better on revenues and the expenditures were higher than budgeted. It was asked if the golf committee had discussed adjusting the rates. Mr. Marrero reported that the committee had not expressed interest on increasing rates. Odessa rates are the same as Hogan and higher than Sunset. Mayor Melton directed that the golf committee to review the rates and bring recommendations for a rate increase. The storm water fund and golf fund have questions pending. Mr. Zentner stated that answers were needed by August. Mayor Melton suggested that the golf committee hold a special meeting next week to discuss the rates. These issues should be discussed at the July 28 council briefing.

Mr. Morton only funded one supplemental item from golf, unless Council decides to fund another. The Convention and Visitors Fund will be reviewed at the council meeting. The Commemorative Air Force asked for \$100,000. Midland will only fund \$50,000. Mayor Melton thanked everyone for attending. All unanswered questions are going to be discussed at the July 28 Council meeting. Councilmember Bodiford asked if anyone has spoken to outside agencies' executive directors. Council cannot exceed the maximum 1/7 in Hotel/Motel tax funds to outside agencies but can award less. Councilmember Bodiford asked if the non-profit and profit organizations can request hotel/motel funds. Mr. Long stated that the State dictates allowable expenses.

There was no other business, the meeting adjourned at 9:25 a.m.

ATTEST:

APPROVED:

Fara Corrales
Deputy City Secretary

Larry L. Melton
Mayor