

**MINUTES**  
**SPECIAL MEETING**  
**MINERAL WELLS CITY COUNCIL**  
**CITY HALL ANNEX**  
**July 28, 2016 - 6:00 pm**

City Councilmembers present were Mayor Mike Allen, Mayor Pro-Tem John Upham, Councilmembers Clif Wright, Brian Thomas, Thomas Lively, Tammy Underwood, and Wayne Johnson. A quorum of City Councilmembers was present.

Staff members present were City Manager Lance Howerton, Police Chief Dean Sullivan, Fire Chief Mike Pool, Finance Director John Moran, Public Works Director Kelly Jones, and City Clerk Juanita Formby. City Attorney George Gault was absent.

Mayor Allen called the meeting to order, Councilman Brian Reagan gave the invocation, and the Pledges of Allegiance to the U.S. and Texas were recited.

Mr. Howerton presented to the Council and those present the City Manager's proposed 2016-2017 annual budget for the City of Mineral Wells. Mr. Howerton reiterated, as he had reported at this time in 2015, that the economic downturn in the oil and gas industry has had a ripple effect that significantly impacts the City of Mineral Wells. To give some background to the newer Councilmembers, he gave a brief history of revenue decline dating back to 2007-2008, caused by the downturn in Barnett-Shale gas and oil exploration. Later, the loss of Corrections Corporation of America meant the loss of a number of jobs in town, negatively impacting sales tax revenue. CCA was also the City's largest water and sewer customer, and their loss was also a loss in water and sewer revenue. Even later, the closure of Baker Hughes and NOV, Inc. meant more of the same; job loss, loss of sales tax revenue, loss of water and sewer revenue. This was compounded by an error made by the Texas State Comptroller in the distribution of sales tax, requiring the City to reimburse \$74,000 annually in sales tax receipts. These major closures of industry came after the 4B sales tax reallocation which was approved by voters in support of the Baker Hotel Project, which resulted in about \$300k in sales tax revenue being lifted from the General Fund. All of the above results in an annual loss in sales tax of some \$700k-\$800k which will be on-going for the foreseeable term. Ad valorem tax base has declined. Mr. Howerton said that the overall loss of revenue to the City is about \$1 million a year, which is about 10% of the City's budget. All of this significantly impacts the City's ability to sustain a level of services. In the face of all this, the City has avoided attempting to close the gap with ad valorem tax increases. Nevertheless, staff has attempted to craft a budget which address revenue decline while continuing to provide appropriate services, without significantly increasing the tax burden on citizens.

Mr. Howerton talked about revenues and expenditures in the General Fund. To defray the revenue shortfalls, staff is recommended adoption of a tax rate of \$.56000 per \$100 valuation which is slightly above the effective rate and about 3 cents over the current rate. Other revenues in the General Fund will be about the same as last year, but will include a transfer from the Interest and Sinking Fund. The I&S fund is used for the retirement of debt, and the City has no debt at this time. On the expenditure side, the City will honor the previously adopted pay and compensation plan with a step increase for City employees. An unfortunate increase is expected in health insurance premiums, and it is becoming apparent that the City must look at other options as this expense is continuing to spiral out of control. General Fund expenditures will include purchase of patrol cars for the Police Department, SCBA's for the Fire Department, one Firefighter/EMT position to be funded through grant proceeds, seal coating of MH 379, traffic control improvements at the intersection of MLK Jr Street and S.E. 25<sup>th</sup> Avenue, and completion of roof repairs to City facilities (funding through insurance proceeds).

In the Water/Sewer Fund, Mr. Howerton discussed the on-going impact the recent severe drought is having on water sales revenues. The drought has ended, but staff thought it prudent to keep water conservation measures in place, knowing that in Texas drought is always a possibility. This conserves water, but also reduces revenues. Even when usage is down, overhead for producing water remains the same. Staff is therefore recommending a 4% increase in water rates, resulting in an average monthly increase to water customers of about \$1.39. Expenditures in the Water Fund include the step pay increase and health insurance increase as discussed earlier, also a new mower for Willow Creek Wastewater Treatment Plant, controller replacement at Pollard Creek Wastewater Treatment Plant, rebuilding/rehab of a raw water pump (Brazos Pump Station) and one clarifier (Hilltop Water Treatment Plant), purchase of a used five-ton crane in Facility Maintenance and a large scanner printer for GIS mapping in Public Works Admin. Only one capital project is contemplated; water/sewer extensions on Ellis White Road to support the American Precision Ammunition project. Insurance proceeds are pegged for the storm damage repairs to City facilities in the Water Fund, as well.

The Airport Fund will also see step pay and health insurance premium increases. Capital projects in this fund will include modifications to the Downing Hangar and purchase of a tractor through a lease/purchase arrangement. Also roof repair to Airport facilities funded through insurance proceeds.

Mr. Howerton reminded the Council that we are still pursuing economic development projects such as the Baker Hotel, American Precision Ammunition, and Unmanned Aerial Systems, in an attempt to create jobs for the community and offset some of the downturn. He fielded several questions from the Council regarding library expenditures and the wisdom/possibility of a higher tax increase to move the community

forward. Following the discussion, Mr. Reagan moved and Mr. Upham seconded to set dates for public hearings on the proposed budget for August 9, 2016. Additional public hearings are indicated in the calendar for the proposed budget on August 23, 2016 and September 6, 2016, all to be held at 6:00 pm. Motion carried 7-0.

There was no further business to be considered, and the meeting was adjourned at 6:56 pm.

/s/ Mike Allen, Mayor

ATTEST:

/s/ Juanita Formby, City Clerk

APPROVED: 08-02-2016