

San Angelo City Council Meeting, September 16, 2014

Item 10

Mayor Dwain Morrison: 'Item 10. Consideration of approving a request for permit for the transport and disposal of garbage, trash and debris within the San Angelo city limits and any service that is allowed by state law or city ordinance that does not conflict with the City's contract with Republic Waste Services of Texas (Republic) and the exclusive rights granted by that contract to Republic for J-Bar Solutions and authorize the City Manager to execute any necessary related documents.' Ms. Farmer.

Charlotte Farmer: Please explain to the public what this is so that they will understand, briefly.

Shane Kelton: This is just a permit so that J-Bar Solutions, a waste hauling company, can actually utilize our streets to get to our dump to dump the loads of waste that they have collected from outside the city limits.

Charlotte Farmer: Okay. Because of confusion out there amongst folks, I wanted clarification on the record for those that are watching today. I don't have any other questions, so I'll move to approve.

Council Member: Second.

Mayor Dwain Morrison: Approve and a second. Council comments? Public comments? All in favor please say Aye.

Council Members: Aye.

Mayor Dwain Morrison: Opposed, Ney. Put a, drop a 6-0 on that one.

Item 28

Mayor Dwain Morrison: Item number 28. This one is mine. 'Discussion and possible action regarding the use of one-time Landfill Lease Revenue in the amount of \$3,600,000.' Let me tell you what I would like to do here; and then Miss Tina will tell us what we can do. We have asked our citizens to conserve water; and they have done it. They have done it just royally. And the water rates; the water usage has gone down. We have now about a \$2.3 million dollar deficit in our operating budget of our water department, less funds. That's not the right word, but ...

Tina Bunnell, Finance Director: In the Water Department at the end of August there was a deficit, or a loss, in that fund of about 1.8 million.

Mayor Dwain Morrison: Okay.

Tina Bunnell: So that's the current number, the most current number.

Mayor Dwain Morrison: Okay, so we have picked up a little bit because it was over 2 million.

Tina Bunnell: I think it was close to 2 million last month.

Mayor Dwain Morrison: Yeah, 'cause the summer months, of course, it picks up a little bit.

Tina Bunnell: Yes Sir.

Mayor Dwain Morrison: But anyway, we've got almost a \$2 million deficit in our operating portion of our Water Department. And since we asked our people to conserve, and they did conserve, I do not want to go back and say "Now we need to raise your water rates; because you didn't use water, and your water's gone up. So this \$3.6 million is a one-time fee that we received from Republic. It was a negotiated fee that Shane Kelton brought for us. It's a one-time fee. I propose that we take this \$3.6 million of a fee; that we apply whatever the deficit is in the Water operating; if it's \$1.8 million, let's apply \$1.8 million to it; and let's put the rest of this money in a "citizen's account". I think this money ought to be used for the citizens. I think it ought to be used for things that the citizens want. I don't think it ought to be something that we use for City payroll or for City. I would like to take this money and let the citizen's enjoy it. So I propose that we put, pay off this deficit, bring it up to zero. And put the rest of it in an unassigned fund; and then if we need this, this is something that we as Council members could pull out. Just to give you an example. Last year Carl came to us needing money for the RiverFest he was putting on; and we told him "No. We're not going to give you any money." And we didn't. He ran a deficit but he brought it back. This is a perfect fund. This is something that is for our citizens; it's something that's for the good of our citizenry. This is money that we could pull from; and if we need it for something else, all we have to do is pull it out. It's not lost; it's not hidden, but its money that we have put in an unassigned account for things that we need. It's a savings account; and I've been told not to use the word "rainy day fund" but it is an unassigned fund which is similar to a rainy day fund for things that we might need in the future. That's what I'd like to do with it and I need three people to go with me and say "Yes, that's what we need to do with it."

Tina Bunnell: Okay. I would just like to remind you as well, I know that we discussed this last week with you, that there is also a deficit currently in the landfill fund of negative \$2.3 million. And so I know that you'd want to cover that as well.

Mayor Dwain Morrison: And we have the money in place to cover that because we for the last several years have been building a landfill closure fund. And there is in the excess right now, according to my knowledge, of \$3 million in that fund. That is enough to take care of the deficit we have in the landfill fund. And then the new proposal under the new contract, Republic is responsible for the \$8.4 million that we need to close the landfill. So they're already putting 4, almost \$4 million into the fund...

Tina Bunnell: Right, right...

Mayor Dwain Morrison: ... and they will add to this \$187,000 per year, so that when the landfill is full the money will be there to close it. So, the citizens have already started this fund, they've been saving, so I say take that and apply it to the deficit.

Tina Bunnell: Right. And that is the plan for the landfill. The Trust has not yet been established but we expect that to be established by the end of this month hopefully. What I would propose is that we wait until year end to see where, you know, the water fund, the landfill fund, all of the funds stand, and then make a decision on it.

Mayor Dwain Morrison: I have no problem with that.

Tina Bunnell: And I thought maybe we come back in November to do the water rebate and analyze that. Maybe that would be a good time to discuss the rest of this as well.

Mayor Dwain Morrison: I would like to get a vote on this. That we put this, that we accept the concept. And as far as waiting a month or two to put this into the new budget year, I don't have a problem with that at all, so that we can see how everything lines out. But I'd like to get a vote on this. I don't want the citizens to have to pay for something we asked them to do. And this to me, this one time shot, this is the perfect way that all of our citizens can profit from the deal that Shane negotiated with Republic. So, I'm gonna make a motion that we take this \$3.6 million; that we pay off the deficit in our Water operating; and that we put the rest of it in an unassigned savings account for future citizen needs and that this be done after we enter our new budget year and we know exactly what we need.

Charlotte Farmer: Is there any difference in what I'm about to ask than what you're saying, is if we take these funds and add it to our landfill closure reserve, and at the end of this month, or in October, look at what the final numbers are before we apply it to deficits. I mean, is that saying the same thing, Michael?

Tina Bunnell: Right, well the closure reserve is now being provided for us through the contract. So there will be a Trust set up; at the end of each year we will book the liability to the correct amount for the actuarial values, values excuse me, and then the Trust will be brought up to that same amount. So that will be a wash; an even amount. And so what the Mayor is referring to is this \$3.3 million that you see up here, would be released because before we've had it reserved in the landfill fund balance.

Mayor Dwain Morrison: That landfill budget will take care of itself. That's gonna wash. Don?

Don Vardeman: What were you going to do if the Mayor didn't come up with this? What were you going to do with that million eight?

Tina Bunnell: That would be a question for Shane, and for City management, I believe.

Michael Dane: The million eight that the Mayor refers to is a net loss this year, it's an operating loss. The fund balance in the Water fund exceeded that so what you would be seeing is a significant reduction in the fund balance in the Water fund. And that would be one of the things we'd be talking about as we consider what rates should be, what revenues should be. Should we be selling water, or conserving water? All of that has an impact on that fund, all of that ultimately impacts that fund balance.

Don Vardeman: And don't we have a study on that now?

Michael Dane: Council approved the concept of the study, and I believe the utilities folks are working... have received proposals, but that's as far... you're on that committee.

Tina Bunnell: I am on that committee.

Michael Dane: Why don't you tell us where you're at on that.

Tina Bunnell: We have set up a meeting to review the proposals for next week.

Don Vardeman: Well, and where I'm headed, this rabbit that I'm chasing is, if we can come up with something different, maybe we could have the whole 3.2 instead of taking a million eight of it somewhere down the line, is what I was looking at.

Tina Bunnell: Another solution for the water fund? I'm sorry; I misunderstood your previous question, so, for the water fund... for the \$1.8 million deficit in the water fund, here. Okay.

Michael Dane: Ultimately, it's a good thing to have this money, and try to decide what to do with it. And so, I think from a Staff's perspective, we'd like to get through year end; we'd like to make sure that the Trust gets set up so that that liability is covered. We'd like to, we'd like the dust to somewhat settle

on those revenues and expenditures so we've got a better idea exactly where we end up. In the Water Fund; we should be selling tons of water this time of year however we haven't had that many days over 100 and we've had a little bit of rain, and so we may not have as much recovery this time of year as we'd hoped financially in the Water Fund, but we probably, I'm sure we're going to end up with some kind of a net loss in the Water Fund. It is... Staff did work hard to, Shane and Patrick worked very hard to negotiate a positive deal, and it does create some resource. Whether that stays in the Landfill Fund for future needs there, or is used in the General Fund, or some other fund, for other citizen needs, it's just a good discussion to have because we're talking about resources we have, rather than how are we going to fund something.

Mayor Dwain Morrison: I just know that somebody is gonna have to pay for that deficit. And we can either go back and charge our, everyone in the city that we asked to conserve.

Johnny Silvas: Mayor? Excuse me, I was going to say, I like the concept, I like the idea, I'm going to second your motion. And if we have to wait a couple of months to see how everything pans out, that's fine. If we have to change our idea at the end, so be it. But right now, that's a very good concept to move forward on, so I'm gonna second that and see where that ends up at the end of the year.

Mayor Dwain Morrison: I don't want our citizens to have to pay for it, and this is money that takes care of it. Rodney?

Rodney Fleming: Let's put this in layman's terms. We've got 1.8 million that we're deficit on. How much money is in that fund right now?

Tina Bunnell: What do you mean, how much money?

Rodney Fleming: The fund balance. We're not negative 1.8 million, I mean, it's just down...

Tina Bunnell: That's correct. I think the fund balance is just right over a million dollars right now. I think it's a million 67 thousand, somewhere around there.

Rodney Fleming: So there's money in there, it's just 1.8 million lower than where it should be at.

Michael Dane: That's correct.

Rodney Fleming: So, I want to make sure that the public understands this, because there are some people that are out there that are thinking that there's 10, fifteen million dollars in this account, whatever, and just because we're down this own year, we should be able to fall back on what's left in there. Well, in reality, there's about a million or less in there, correct?

Michael Dane: That's correct.

Rodney Fleming: Okay.

Tina Bunnell: That's right; with an operating budget of 23 million.

Rodney Fleming: Right. I mean, it's scary low, that we would take it down that far.

Mayor Dwain Morrison: It's low. And if we have to pull money out of the capital improvements part of the water to make up this deficit, then we're shooting our self in the foot there. So this deficit has to be made up. And this is the perfect way to make it up. It is money that our citizens don't have to pay and it helps everyone in our city.

Johnny Silvas: Tina, is that million 67 thousand you just mentioned, is that less than we had, I mean, the million eight I know we're in a deficit, is that the difference between what we have now and what we had last year? Or, what is the difference?

Tina Bunnell: The start, the beginning fund balance in that fund for this year was about 3.1 million. So it is down. And that is year to date with encumbrances, that amount that I just told you, at the end of July, so...

Mayor Dwain Morrison: Marty?

Marty Self: Is there a problem with just waiting and putting this back on the agenda after we see where we stand?

Mayor Dwain Morrison: No, but I don't have a problem with putting a ninety day hold on it until we see... I'd like to get it approved. I'd like to get this money earmarked, so the citizen's know that we are conscious that there is a deficit, and we're conscious that we have a way to pay it off, and that we're not going to be going to them to pick up this \$1.8 million. But if we want to put it in there and put a ninety day hold until we see just exactly how our budget year's gonna work; I don't have a problem with that.

Johnny Silvas: It's the same difference.

Mayor Dwain Morrison: It's the same difference. But I'd like to go ahead and earmark this, and we do have a second, so we're gonna have to take a vote on it. I'd like to go ahead and earmark this, and get it in there. You want to put a ninety day hold on it until the first of the year? I don't have a problem one with that. 'Til we know exactly what we're working with and have firm numbers. But I want this money while it's there, before it gets somewhere else.

Marty Self: I don't want it going anywhere right now. I think it's gonna sit there. I just would ... I'm gonna vote against it. I'm all in support of it in theory. I would just rather wait until the end, and see where we stand in case ... we don't have to move 1.8, we could move 1.5, couldn't we? And work with 2.5, and then if we needed some somewhere else, so...

Mayor Dwain Morrison: And that's what we're doin'. It's just we're moving the 3.6 to a fund that would take care, earmarked for the water operating deficit, and the rest of it setting there for a citizen need. So, you know, whether we do it today or whether we do it in ...

Rodney Fleming: It would have to be two funds.

Mayor Dwain Morrison: Yes, it would have to be two funds. An unassigned savings and to pay off the water deficit.

Michael Dane: And our action today will be to direct Staff to bring that back in November for consideration.

Tina Bunnell: Right.

Michael Dane: But to put Staff on notice that you do have an intended use for this.

Mayor Dwain Morrison: I want it earmarked. Further Council?

Tina Bunnell: We can track that.

Rodney Fleming: I'm kind of with Marty on this. I'm kind of nervous about this. It seems like it's the cart before the horse type situation where ... I definitely want us to pay so that the citizens don't have to pick up the tab on the water, because they did do well ... I asked them, and what all of us have asked them to do, to conserve water and therefore we're not selling water, but I wish that we'd wait until November to take any vote on this, and that way we'd have some firm numbers to know exactly how is going to go into that savings account; how much is going to the deficit of this, of our water account.

Mayor Dwain Morrison: Well let me rephrase my motion. I would like to take the \$3.6 million and I would like to apply whatever is necessary at the first of the year to take care of the operating deficit in the water department operating budget and put the rest of it in an unassigned savings account for citizen needs. Will you redo your second?

Johnny Silvas: I'll pull my first second, and second it.

Mayor Dwain Morrison: That way we're not using dollars we're just earmarking the money.

Johnny Silvas: My main thing is getting rid of that deficit. We have the money there, let's wipe the slate clean and start all over.

Mayor Dwain Morrison: I don't want to take a chance on losing this. These are our citizens, and we could lose it if we don't earmark it. That's why I want it earmarked. But I'll take the money, the amounts out, and just say let's use it for these purposes. Is that better Rodney?

Rodney Fleming: Yes Sir.

Mayor Dwain Morrison: Any further, Council? Turner?

Jim Turner: Yes, my name is Jim Turner, and this takes and addresses a short term problem you have now. I think what might also be appropriate at this time is a long term look at using all of the utility revenues, which includes landfill, franchise fees, water, sewer, etcetera, as kind of a first stop fund. If there's a shortfall in water, for example, if they have a profit, a really good year in landfill waste disposal, use that to support the other utilities. Have the utilities kind of grouped together with, if there's a utility problem, we look at all the utility revenue before we have a rate increase. So if landfill is doing great right now, it helps subsidize water. If water is doing better than landfill, it would help that way. And pull that together when you're looking at these rate structures because they all come on the same bill to the rate payer. And it gives you some flexibility and it gives you some stability you don't have, especially if you can have that continuing revenue helping to pay for infrastructure. And a lot them have common infrastructure. And I think that, long term, is a philosophical shift, and maybe even restructuring that needs to be made. All of those different funds now are under the same supervision, and having them supporting each other, officially, by policy, makes a lot of sense. Thank you.

Mayor Dwain Morrison: Thank you, Jim.

Rodney Fleming: I agree with Jim. Actually I think that's a very good idea. And I think we've talked about this recently; about combining departments and making sure we don't have overlap on, especially big vehicles that we talked about ...

Mayor Dwain Morrison: We have. Well Daniel's working on that right now.

Rodney Fleming: Right, big pieces of equipment.

Mayor Dwain Morrison: And I might add that we put this in this fund, you know, it takes four votes to move it. So if the Council finds something they want to ... I mean the money is there, it's unassigned money, it takes four votes to use it, so, it's not lost.

Tina Bunnell: Can I just make one point here. The combination of the negative \$2.3 million in the landfill fund, and the deficit of \$1.8 million in the water fund, exceeds the \$3.6 million, so we still would need to look at other options to do both of those things. So that's why we thought it would be better to come back after year end to kind of see where everything falls.

Mayor Dwain Morrison: Well there's already a motion and a second on the floor so we need to handle this today. I'd like to earmark the money. And then if we find out in three months' time that it's not going to work, then we can amend it. We amend our budget, you know, a dozen times a year, so, if we see that there's a problem, then we'll amend it. But I'd like to earmark this 3.6 while we have the opportunity.

Rodney Fleming: Mayor. We're not putting a dollar amount on it, right?

Mayor Dwain Morrison: No.

Rodney Fleming: Your last motion did not have a dollar amount, correct? Because then when it does come back and we don't have that money...

Tina Bunnell: Then we have to figure out how to allocate it.

Mayor Dwain Morrison: I'm just saying \$3.6 million dollars is the total, but I'm not saying...

Michael Dane: Well, in order to reserve a portion of fund balance or to create a rainy day fund, there is a specific procedure that I think Tina needs to lead us through.

Tina Bunnell: Right.

Michael Dane: And so I think, if this passes, Staff will interpret this as direction at that November meeting to be prepared to walk us through those kinds of things.

Mayor Dwain Morrison: November, December. After we're into the budget and we know what we've got.

Rodney Fleming: If there's some left.

Michael Dane: Well, each April and November we have an ordinance on the books that requires Staff to look at the fund balance in the water fund and to consider whether the rates, the revenue generated warrants, or has created the situation where we can provide a rebate to rate payers. We're gonna do that in November anyway; we'll be discussing results of operations, the net income, or the net loss;

that'd be the perfect time to discuss this opportunity so, if this passes we're interpreting this as a "Be ready to discuss this in November when you talk about the water fund balance."

Mayor Dwain Morrison: And we have some firm figures. Any further comment? I'm going to call for the vote. All in favor of putting this \$3.6 million into a fund that would be a, an unassigned savings and to pay the water deficit, please say Aye.

Council Members: Aye.

Mayor Dwain Morrison: Let's see some hands. That's a 6-0 vote on that. Now make it work, Tina.

Charlotte Farmer: I thought we were riding a dead horse.

Johnny Silvas: Come back and see us in November.