

MINUTES: CITY COUNCIL MEETING

August 4, 2014

PRESENT: Mayor Thomas Muir, Councilman Billy Ezell, Councilman Russell Martin, Councilman Scott Stephens and Councilman Allen Chick

ABSENT: Councilman Gary Bilyeu

OTHERS

PRESENT: Mike Brice City Manager, Cheryl Price Deputy City Secretary, Megan Piercy, Brian Witlatch with AEP.

1. Call Meeting to Order, Invocation, Pledge of Allegiance.

Mayor Muir called the meeting to order at 7:00 p.m. Councilman Stephens led the Invocation followed by Councilman Chick leading the Pledge of Allegiance.

2. Citizens Input:

(Citizens are allowed 3 minutes to speak. The City Council is unable to respond or to discuss any issues brought up during this section).

None.

CONSENT AGENDA

**3. a) Approval of Minutes: July 7, 2014 - Work Session
July 7, 2014 - City Council**

b) Disbursements

c) Approve Resolution #R08-05-14 - Adopting the City of Sanger Investment Policy.

Councilman Ezell made a Motion to approve the Consent Agenda as presented. Motion was seconded by Councilman Martin. Motion carried unanimously (4-0, Councilman Bilyeu Absent)

4. Consider any Items Removed From Consent Agenda.

REGULAR AGENDA

5. Discuss, Consider and Possibly Act on Extending the Contract With AEP Energy Partners for the Purchase of Wholesale Electric Power.

Mike Brice City Manger noted that Brian Witlatch from AEP flew in from Ohio to be here to answer any questions. Currently the contract runs through 2019 and AEP is willing to extend the contract two more years to May of 2021. The price of natural gas is currently low and lets them lock in at a low rate. There are several issues going on in the world right now (With what is going on in Ukraine and the fact that Ukraine controls all of Europe's natural gas - talks of the possibility of closing all of the Coal plants and converting to natural gas) These and other things could bring up the price of gas. It may be at an all time low right now and a good time to lock in the rate. AEP's risk management had some concern with locking a price in that far out at 100% of our need. Their concern was what if our need drops off for some reason. They want to lock it in at 85% of our load. If we do not take the 85%, it would be resold on the market and if there was a price difference between what we bought it for now and what we sold it for then we would be responsible for the difference. However, only the incremental

value of whatever was below the 85%. Mike noted his concern with that was what if we had had a storm and lost part of our load for 10 days, power lines down etc. We could conceivably drop to 60 or 70% of our load until it was restored. We also put a clause in the contract that the 85% loss has to be more than 40 days. So, if we had a short-term event it would not affect us. He noted perhaps as we get closer to 2019 we may go back to 100% and Brian affirmed that might be a possibility. He invited Brian Witlatch to the podium to answer any technical questions the Council may have. Discussion and questions ensued between Brian Witlatch, the Mayor and Councilmembers.

A Motion was made by Councilman Ezell, seconded by Councilman Stephens Extending the Contract with AEP Energy Partners for the Purchase of Wholesale Electric Power as presented in the Agenda. The motion carried unanimously (4-0, Councilman Bilyeu Absent)

6. Discuss Proposed Budget.

City Manager Mike Brice summarized the budget. Discussion ensued between the Mayor and Councilmembers. He noted he would summarize for both items 6 and 7. He noted the hand-outs: a memo regarding the budget changes, and a chart that Cheryl Davenport did on the Property Tax to try to simplify it from the 15 pages we received from the tax office to two pages. There was about a 4% overall increase in the valuation. We were predicting an overall increase of about 5% and budgeted a 3% increase. Even though it was a little below what we thought it would be, it was still more than what we budgeted. Right now, our rate is 66.5 cents per hundred valuation. This is the rate we have had for the last couple of years. It puts us over the effective rate for this year. The effective rate is the same amount of money that we raised last year. The Rollback Rate this year is .697253 so that gives us a little room in between where we are now and the Rollback Rate. Having looked at that and looking at our rate for this year we would like to recommend is a 2% increase which is about a 1-1/2 cent increase which would get us up to 67.95 cents per hundred. Half a penny goes towards the interest and sinking rate because that pays for lease payments on the street equipment. We are basically raising the interest and sinking rate 1/2 penny and we are raising the M & O rate a penny. That generates about another \$40,000 for us. He noted he would like to take that \$40,000 and \$20,000 that was under budgeted in the property tax and put \$60,000 more into street maintenance. This is in addition to the \$350,000 we put in Capital Improvements for streets. Right now we only have \$40,000 budgeted for street maintenance and that is for patching pot holes and fixing concrete cracks, etc. and \$40,000 does not go very far when you are fixing concrete patches. What prompted it is we just completed the repairs on 10th Street and Acker and noticed how quickly we went through the money budgeted. Concrete is more expensive and Asphalt does go a little further but is getting more expensive. Having more money budgeted would extend the opportunity to fix more streets.

Mike Brice City Manager noted the other part is the health insurance. We received preliminary numbers and are still in negotiation on the final numbers. We are looking at a significant increase in health insurance. The original budget was going from \$650 to \$675 per month per employee to help with the increase. This may not be enough. We sat down with Wellspring and did some brainstorming on other ideas to get the premium prices down on the employee. There are a couple of things they are looking at such as looking at companies other than Aetna, not that we want to change but we can take those numbers back to Aetna and use it for leverage. The other suggestion to help cut the employees portion of the cost is Wellspring's commissions come out of the premiums. We pay the premiums to Aetna and Aetna sends Wellspring their

commission, so the Employees and the City are paying the commission through the premiums. Suggested is that we carve the commission out of the premium and go to a flat fee schedule instead of a commission. Commissions are based on the price of the insurance; so, if the rates go up 20% Wellspring's commission goes up 20%. If we go with a flat fee schedule, it will be the same for the next 5 years. The City will pay the flat fee directly and it will not be added into the employee's rates. Another item is adding long-term disability insurance for employees. With the above additions, we will stay at \$650.00 for employee insurance to help pay the flat fee and the long-term disability insurance. This will give employees a little more savings of about \$40.00 over the extra \$25.00 they would have received and they are getting an added benefit. There was brief discussion regarding disability insurance, insurance and self-insured plans.

This item was discussion only, no action taken on this item.

7. **Discuss Tax Rate, Take Record Vote on Tax Rate and Schedule Two Public Hearings on Tax Rate and Approve Resolution #R08-06-14 - Establishing Date, Time, and Place for Public Hearings on Budget and Tax Rate.**

See Item #6 for additional summary/discussion on budget and tax rate. City Manager Mike Brice explained that we discuss the proposed tax rate tonight and have two public hearings for anyone that would like to speak. On the 15th of September we will vote on the the tax rate and the budget. Mike noted the 30th is the deadline.

A motion was made by Councilman Martin to approve Resolution #R08-06-14 establishing the date time and place for the public hearings on the proposed FY 2014-2015 budget and the proposed increase in tax rate increase from the current 0.665 per hundred to a 2% increase to 0.6795 per hundred. The first Public Hearing to be held on August 18th, 2014 at 7:00 PM and the second Public Hearing to be held on September 2, 2014 at 7:00 PM. Councilmember Ezell seconded motion. The motion carried unanimously (4-0, Councilman Bilyeu Absent).

A record vote was called on the 2% proposed tax rate increase from 0.665 per hundred to 0.6795 per hundred.

Voted in Favor:

Councilman Ezell
Councilman Martin
Councilman Stephens
Councilman Chick

Voted Against:

None

Absent:

Councilman Bilyeu

8. **INFORMATION ITEMS:**

- a) Financial and Investment Report for June 2014
- b) All American Dogs Report – June 2014

14. **Adjourn.**

Mayor Muir adjourned the meeting at 7:53 p.m.