

TOWN OF WELLTON

Minutes of the SEPTEMBER 24, 2013 Special Council Meeting

Mayor James L. Deermer called the special work session to order at 6:00PM on Tuesday, September 24, 2013, led the Pledge of Allegiance and gave the invocation. Roll Call was taken.

Council Members Present: Mayor James L. Deermer, Vice Mayor Cecilia C. McCollough, Councilman Vickie Bornt and Councilman Lisa Jameson.

Council Members Absent: Councilman Alejandro M. Bejarano.

Staff Present: Public Works Director Joe Grant, Finance Director Ana Flores and Fire Chief Mark Rivera.

Guests Present: Juell and Vera Barker.

Call to the public: No written requests were received, so bypassed Call to Public and moved to Discussion and Action Items.

1. Discussion regarding possible sales tax rate increase

Finance Director Ana Flores discussed town financial requirements/shortfalls and options for consideration. She presented a 5-page worksheet (copy attached) that showed what projected collections are anticipated through June 2014 with a 2% sales tax increase. She also explained what the shortfalls for the town would be without the sales tax increase, the town would have an overall projected deficit of \$258,000 and would have to look at cutting things in the approved budget such as capital improvements and equipment purchases. The elimination of these two line items would leave the town with a deficit of \$79,988.

The following is a list of areas that could be considered to be eliminated from the budget:

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|---|----------|
| • Unfilled position (street employee) | \$46,000 |
| • Unfilled position (public works) | \$46,000 |
| • Inmate worker program contract | \$20,000 |
| • Travel and Training | \$19,750 |
| • Staff reductions | |
| • Furloughs (holiday) | \$4,900 |
| • Medical insurance (employee co-pay) | \$7,300 |
| • Swimming pool – reduce hours or close | |
| • Reducing alley clean-up program | |
| • Increasing fees (water, trash, golf, permits, cemetery) | |

Options to increase revenues:

- Wellton does not have a franchise fee and, at this time, it is not known if it's feasible. A franchise fee is imposed on utility companies, which is then passed on to the customers.
- Imposing a property tax, which is anticipated would not be well-accepted.

Finance Director Flores reviewed the results of the survey on the proposed sales tax increase. There was a brief discussion on what seemed to be contradiction by those filling out the survey on questions 2 and 3 (not wanting to do it by ordinance, and not do it by election). Overall, there was

about a 30% response to the survey. There were a number of comments provided by respondents on a variety of topics.

In talking actual and estimated tax revenue projections for the proposed tax increase Finance Director Flores went on to explain that:

- Collections for FY 2012/2013: \$631,229
(reflected in Financial Statement, page 3)
- Year-to-date collected: \$604,101
- June (not shown on the financial statement): \$27,028

If the 2% option is approved, the Town could anticipate additional revenues of \$505,000 for a full year, however, with the time required to pass the increase and implement it by the State, the Town would see only 6 months of actual revenues in the first year of implementation (or \$352,341).

The option of 1.5%, looking at an estimated 6-month collection would collect \$189,000, and the 1% option would provide \$126,000 revenues for 6 months.

Councilman Jameson expressed concerns about the indigent and poor population who would be severely impacted by any tax increase. It was noted by Finance Director Flores, however, that those using food stamps are exempt from the tax.

Finance Director Flores also indicated that she did not expect to see people make a change in their shopping habits. This is a trend being experienced in many areas. The problem for the town is that costs are going up, our infrastructure is getting old and in need of replacement; the easiest way to address these is to have the council approve a tax increase by ordinance.

Comment provided by Mr. Barker: For the council to make a reasonably accurate decision, he believes that there needs to be a review of trends for at least 2 years prior, along with a projection for the first planned year, and projection for the second planned year. Does the Town need a band aid fix for a year (such as by closing the swimming pool for a year) or are there requirements in the out years that need additional efforts (such as pursuing a franchise fee on a utility). If history tells you that you have a problem in the future, you need a different attack. The information for one year is good but it doesn't tell you where you are headed.

Comment provided by Chief Rivera: As a citizen, he loves the Town of Wellton; he grew up here and has generations of family here. He commented that just up until May, there was already a 1% tax in place and that went away so theoretically, requesting a 2% increase is only seeking an additional 1% from what people were already used to paying. He explained that he understood that the economy here is low but wondered what would affect the people more. If water and trash fees were raised, it affects the people in that they aren't budgeted to pay for that increase. The tax increase doesn't affect those that are using food stamps. He compared his experiences with his participation on the school board and the challenges he has had to deal with on it. He believes the lesser of the two evils is to raise the sales tax.

Mayor Deermmer expressed his opinion that many of the returning winter visitors will be the source of increased revenues through the tax increase.

Vice Mayor McCollough asked whether the Town receives any of the tax collected on cable bills. Finance Director Flores said that the Town does receive a minimal amount of franchise fee from the

cable company. The contract is due to expire in 5 years. She added that to institute a franchise fee requires voter approval.

Finance Director Flores proceeded to explain the process and timeframes for implementing an increase (contained in attached worksheet). This will be on the agenda for October 1. Other things to be determined and/or considered are the longevity of tax increase and the upcoming equipment replacements.

Councilman Bornt indicated that with the shortfalls and lack of quick-fixes or other options, that, unfortunately, a tax increase is the best option available to meet the coming year's shortfall.

Councilman Jameson indicated her concern over the Town of Wellton having the highest sales tax in the state and the adverse impact that presents in trying to attract new businesses to come here. This increase will hurt the businesses that are operating in Wellton. An increase will affect everyone in Wellton. She expressed her concern that the council should have been more proactive in addressing the issue earlier on so that there would have been more time to research the issue and avoid the rush to act now.

Finance Director Flores indicated that short-term activities (last three years) that generated income included the construction of the new Border Patrol Station and the new courthouse and those sources have now ended. Wellton still continues to be one of the more affordable places to live. Other towns' residents pay franchise fees, Wellton doesn't.

Councilman Jameson indicated that there is an income disparity in Wellton; many can go shop elsewhere but there are those that don't have that capability and must do their shopping in Wellton.

Mayor Deermer asked what the bare minimum was to get the Town through. Mr. Grant indicated that if the capital improvements and equipment were not funded, then a 1% increase would cover the remaining shortfall and provide a cushion of about \$42,000. The Town is faced with coming up with revenues or making cuts. Discussion followed on impact of cuts. Finance Director Flores indicated that if the sales tax increase is not approved, then additional meetings will be required to determine what cuts will be implemented.

Vice Mayor McCollough recommended that ordinances be prepared for each of the suggested percentage increases (2%, 1.5%, and 1%) for the October 1 meeting. Ordinance should include a sunset clause of 3 years (2016).

Finance Director Flores will contact the Town Attorney to assist in writing up the ordinance(s). If approved on the timeline estimated, could anticipate seeing first revenues from increase in February (from January payments).

Future Agenda Items:

- Interim Town Manager position
- Sales tax increase proposal
- Update on job vacancy postings

Other Reports:

- Mayor Deermer called Don Engler about miscellaneous items sent for his review. Mr. Engler reviewed Mr. Ellis's counter proposal to his contract for the Police Chief position.

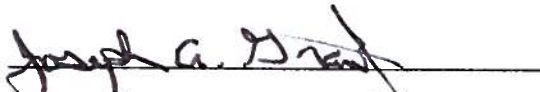
Mr. Engler indicated that there are 5 items in it that are not in the best interest of the town. Two mentioned had to do with Town being solely responsible if Mr. Ellis were to accidentally injure anyone, and if he were to decide to leave, then the town would be required to pay him 1 year of severance pay (the Town's contract indicated 6 months). Mr. Engler is to itemize those and return to Town Council for discussion/action. Mayor Deermer also requested that a letter of entering an agreement be prepared by Mr. Engler's office to be sent to Mr. Ellis. However, the agreement letter will not be signed or sent until the 5 items of concern in Mr. Ellis' counter contract are resolved.

Adjournment: Motion made by Vice Mayor McCollough and seconded by Councilman Bornt to adjourn. Meeting was adjourned at 6:45PM.



James D. Deermer, Mayor

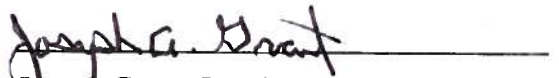
ATTEST:



Joseph Grant, Interim Town Manager

CERTIFICATION:

I hereby certify that the forgoing minutes are a true and correct copy of the special work session held September 24, 2013 and the meeting was duly called and posted and that a quorum was present.



Joseph Grant, Interim Town Manager