

CITY OF CASTLE HILLS
SPECIAL CITY COUNCIL MEETING
MINUTES OF AUGUST 27, 2009

A special meeting of the City Council of the City of Castle Hills was held at 5:00 p.m. on Thursday, August 27, 2009, in the Community Room at City Hall, 209 Lemonwood Drive, Castle Hills, Texas.

I. OPENING

- A. QUORUM - Present and composing a quorum of the City Council were Mayor Marcy Harper, Douglas Gregory, Steve McGuire, Tom Davis, and Marcella Huff. Bruce Smiley-Kaliff was absent.

Staff present was Interim City Manager Rita Hoyl, City Secretary Linda Gill, Fire Chief Jerry Riedel, and Police Chief Donny Davis. Public Works Director Rick Harada, and Court Administrator Wendy Reyes.

ANNOUNCEMENTS - None

III. REPORTS - None

IV. BUDGET WORKSHOP

PRESENTATION AND DISCUSSION OF THE PRELIMINARY FY
2010 BUDGET FOR THE CITY OF CASTLE HILLS.

Interim City Manager Rita Hoyl introduced Jenni Whitaker with Wortham Insurance, who is the city's insurance agent. She said that the increase in group health insurance was much higher than anticipated, and Ms. Whitaker was there to explain the different options.

Ms. Whitaker said that the group insurance quote from Aetna increased 49%. She said that is a large increase, and what it means to the city is an increase of \$172,000 per year. Ms. Whitaker said that she contacted other carriers; but due to the ongoing claims, no other carriers offered to quote. She said Wortham has a good relationship with Aetna, and she managed to get the quote from Aetna lowered to a 37% increase.

Ms. Whitaker indicated the different carriers that were contacted for quotes and the responses received. Most carriers did not want to quote at all based

on the history of the loss ratios. She said that, currently, employees have three plans to choose from. Ms. Whitaker suggested offering the employees one plan, and Aetna has offered another 1% discount if the city goes to one plan. She compared two alternate plans, one with a \$1,500 deductible and the other with a \$2,500 deductible, which would increase the city's cost \$67,356 (23.4%) and \$82,506 (19.1%) respectively. The cost assumes that the city's contribution would be 100% of the employee premiums. She said both are excellent plans. Ms. Whitaker gave examples of different contribution strategies for each plan, compared to the current plans, and discussed the impact of higher deductions for employees who pay for dependent coverage.

Ms. Whitaker commented that most cities pay the employee's insurance, and employees pay for dependents. Some cities allow employees to buy up to a more expensive plan with a lower deductible. Since the majority of the city's employees are choosing to buy up to the HMO; which has no deductible, she proposed going to the \$1,500 deductible plan this year and moving to the \$2,500 deductible plan next year.

Responding to a question from Councilman Gregory, Ms. Whitaker said that she could not say what the government mandate for health care will be, but it will not affect these rates.

Council members discussed the impact of the higher deductibles to employees and the increase in deductions for dependents. Councilman Davis remarked that the council has to worry about the effect on employees. He said that it doesn't matter how great a plan it is if he cannot afford to put his dependents on it. Council member Huff agreed, saying that they have to worry about the cost to the city; but there is no way they can ever forget how it hits the employees in their pocket. She said that is what makes it so hard. Fire Chief Riedel pointed out that the increase in insurance coupled with the prospect of no cost of living increase would be a double whammy to employees.

Ms. Whitaker offered several strategies for consideration that would lower the city's cost without raising the employees out of pocket to an unaffordable amount. She suggested that they could take the highest contribution that employees have right now on the HMO, and make that the new employee contribution amount. Then have the city absorb the difference in that amount and the new premium amounts for the \$1,500 deductible plan. Council member Huff said that could also be considered as a phase-in to the higher deductible. Councilman Davis said he thought it was going to be really insulting to not give the employees a raise and ask for a contribution.

Mayor Harper commented that the higher deductibles may be price prohibitive to some employees and cause them to avoid going to the doctor when they need to. Typically, Ms. Whitaker said, the average employee spends between \$1 and \$500 per year on medical expenses. Only 10% commonly exceed their deductible. She indicated that, since the city has not had deductibles in the past, it is difficult to gauge how many might meet their deductibles.

Council members thanked Ms. Whitaker for her presentation and said they found it very helpful.

Ms. Hoyl said that the latest budget reflects a \$100,000 deficit, instead of the \$68,000 deficit proposed in the August 11th presentation. She said it will actually be higher, due to the information just presented on the insurance.

In addition, she said that BexarMet is proposing to increase collection fees by 6%, which is a 25% rate increase by BexarMet. Ms. Hoyl indicated that she had spoken with SAWS about collecting the fees; but since SAWS does not bill all residents in the city for sewer, that would not work. She then contacted CPS Energy who does service everyone in the city. They bill garbage fees for San Antonio, and they will call her back. Ms. Hoyl said to do the billing with city staff would require hiring another person and would cost \$27,000 or more.

Ms. Hoyl pointed out that she reduced the restitution income by \$1,500 because it is way under budget in 2009. Report fees were reduced by 1,000 for the same reason. She said that she increased newspaper publications \$2,000 in administrative expenses due to increased costs of publications required by law.

Police training expenses were reduced by \$9,000 that was included for SWAT training. She referred council members to a memo from the police chief regarding options to call on San Antonio SWAT, join with Bexar County, or possibly join with Randolph Area Metro SWAT. Chief Davis expanded on the memo and answered questions for council members. Council member Huff expressed concern that they were making decisions that they may regret later. She stressed that the council should make a list of priorities so that they make sound decisions that they won't regret. Council members Gregory and McGuire voiced agreement, but Councilman McGuire said they also needed to cut \$150,000 from the city budget. He recounted what other area cities are doing to trim budgets.

Mr. McGuire proposed that some city services be cut back. He said the city has real problems. Councilman Davis agreed that the city has problems, but he said that he thought it was rather arrogant to think they were going to balance the budget this year when it took five years to get in this mess because the council did not raise taxes and were not prudent. He said it was not fair to take services away from residents because it wasn't their fault. Mayor Harper questioned what services they would even cut.

Councilman Davis said the budget could not be balanced in one year. He said it is dangerous to balance it on the backs of employees and residents. Councilman Gregory said he took exception to Councilman Davis's comments about raising taxes. He said property tax values were going up at an enormous rate, which in turn raised taxes. Councilman McGuire said that they needed some kind of roadmap to balance the budget in the next two years. Councilman Gregory said that you could not sell the next council what this council wants.

Mayor Harper directed the meeting back to the budget at hand. Ms. Hoyl confirmed with the council to delete the \$9,000 for SWAT from the budget. She then noted that she lowered the gas, oil, and tire expense \$5,000 for the Fire Department and \$1,500 for the Street Department because they were both coming in under budget in 2009. She said that \$5,000 was added for recycling fees and \$10,000 for a 10% increase in landfill fees.

Ms. Hoyl said that, under Capital Expenditures, \$25,000 was being transferred into the account for future purchase of a rescue vehicle, which will be supported by EMT and Revenue Rescue fees initiated in 2009.

Ms. Hoyl mentioned that there were no salary adjustments or COLA, except for the Fire, Police, and Public Works department heads. TMRS was at 12.28%. Proposed health insurance cost remained to be adjusted.

Ms. Hoyl suggested amendments to the 2009 budget for purchase of a propane tank (\$750) that is now being leased. She mentioned repairs needed for West Avenue (\$10,000) and repaving of the city hall parking lot (\$19,497-\$36,290).

As an aside, Ms. Hoyl asked for the council's consideration of remodeling the court office for safety and security reasons. She said she and the court administrator have a preliminary proposal, but will move forward only with the council's direction. Ms. Reyes explained that the relocation of the court would cut down on congestion in the administrative offices and ensure better security for residents and employees. It has been necessary to call a

police officer more than once in the last month due to unruly behavior of court customers. She said that the Court Security Fund and Court Technology Fund would pay for the cost.

Ms. Hoyl concluded her presentation and asked for any questions. Councilman Gregory said that Ms. Hoyl's presentation of the budget was very well done and understandable.

V. ADJOURNMENT

Mayor Harper adjourned the workshop at 6:45 p.m.

These Minutes were approved on the 8th day of September, 2009.

APPROVED:

Marcy Harper, Mayor

ATTEST

Linda Gill, City Secretary