

**Belton City Council Meeting**  
**April 25, 2017 – 5:30 P.M.**

The Belton City Council met in regular session in the Wright Room at the Harris Community Center with the following members present: Mayor Marion Grayson, Mayor Pro Tem David K. Leigh and Councilmembers Craig Pearson, Jerri Gauntt, Dan Kirkley, Paul Sanderford and Guy O'Banion. Staff present included Sam Listi, John Messer, Amy Casey, Erin Smith, Gene Ellis, Chris Brown, Kim Kroll, Paul Romer, Bruce Pritchard, Angellia Points, Matt Bates, Charlotte Walker and Aaron Harris.

The Pledge of Allegiance to the U.S. Flag was led by Director of Internal Services/City Engineer Angellia Points, and the Pledge of Allegiance to the Texas Flag was led by Mayor Marion Grayson. The Invocation was given by Dr. Shawn Shannon, Director of Baptist Student Ministries at the University of Mary Hardin-Baylor.

1. **Call to order.** Mayor Grayson called the meeting to order at 5:35 p.m.
2. **Public Comments.** City Manager Sam Listi said that he, Mayor Grayson, Councilmember Kirkley, and Director of Planning Erin Smith attended a ceremony on Saturday, April 22, 2017, with other Central Texas officials, unveiling Interstate 14 signage and designating the Fort Hood/Central Texas region as a Great American Defense Community.

Aaron Harris, Grants & Special Projects Coordinator, explained that this was his last City Council meeting, as he has taken a job in San Marcos. He thanked the Council and Staff for the opportunities he has had at the City of Belton.

**Consent Agenda**

*Items 3-4 under this section are considered to be routine by the City Council and may be enacted by one motion. If discussion is desired by the Council, any item may be removed from the Consent Agenda prior to voting, at the request of any Councilmember, and it will be considered separately.*

3. **Consider the following:**
  - A. **Minutes of the April 6, 2017, Joint City Council/BEDC Meeting; and**
  - B. **Minutes of the April 11, 2017, City Council Meeting.**
4. **Consider appointments to the following Boards/Commissions:**
  - A. **Planning and Zoning Commission** (appointed Dave Covington)
  - B. **Historic Preservation Commission** (appointed Dorothy Coppin)

Upon a motion by Mayor Pro Tem David K. Leigh, and a second by Councilmember Craig Pearson, the Consent Agenda items were unanimously approved by a vote of 7-0.

**Miscellaneous**

5. **Hold a public hearing and consider an ordinance creating Reinvestment Zone #11 for tax abatement for BELLTEC Industries at 2057 Commerce Street.**

City Manager Sam Listi explained that the purpose of the public hearing is to receive public comments regarding creation of Reinvestment Zone (RZ) Number 11. He said that creation of the Zone allows the Council to consider a request from BELLTEC Industries for tax abatement as an economic development incentive supporting their business expansion in Belton. Existing Tax Abatement RZ #8 adjoins this property to the west, but the BELLTEC property is not included within its boundaries. The creation of RZ #11 will allow consideration of the tax abatement proposal at this time and, when RZ #8 is considered for renewal in late 2018, BELLTEC may be included in it.

The Mayor opened the public hearing.

David Jones of BELLTEC Industries explained that his business was fortunate in that they have not slowed down. He said that they have expanded their business in the past without asking for incentives from the City. They are planning a significant expansion to their business, as well as adding ten new jobs, and they are asking for tax abatement from the City as a way to keep a very heavy manufacturing company in Belton.

Seeing no one else wishing to speak for or against the item, the Mayor closed the public hearing. Mayor Grayson said that she enjoyed helping grow existing businesses in the community. Councilmember O'Banion added that BELLTEC is a very well recognized brand name in the industry. Mayor Pro Tem Leigh said he's seen BELLTEC augers in several states he's visited.

Upon a motion by Councilmember Paul Sanderford, and a second by Councilmember Dan Kirkley, the following captioned ordinance was unanimously approved by a vote of 7-0.

**ORDINANCE NO. 2017-10**

**AN ORDINANCE OF THE CITY OF BELTON, TEXAS, CREATING AN AREA AS TAX ABATEMENT REINVESTMENT ZONE NO. 11 FOR INDUSTRIAL TAX ABATEMENT, ESTABLISHING THE BOUNDARIES THEREOF AND OTHER MATTERS RELATING THERETO; DECLARING FINDINGS OF FACT; PROVIDING A SEVERABILITY CLAUSE; PROVIDING AN EFFECTIVE DATE; AND PROVIDING AN OPEN MEETINGS CLAUSE.**

6. **Consider authorizing a tax abatement agreement with BELLTEC Industries.**



City Manager Sam Listi stated that the City has received an application for tax abatement from BELLTEC Industries. He said that BELLTEC is an existing business that manufactures augers, hydraulic drives, and a variety of other items for industry.

Mr. Listi explained BELLTEC's proposal is to construct a 14,500 square foot building behind the current facility. Their proposal includes:

- \$2.5M investment (\$1.5M building and \$1.0M equipment and machinery)
- \$1.5M real property improvement
- 10 new employees proposed
- Summer 2017 construction with late summer opening

Listi further explained that the tax abatement proposal is for 70% property tax abatement on the \$1.5M in building improvements for five years. This request is eligible according to the criteria for tax abatement outlined in Ordinance 2016-09. An investment of between \$250,000 - \$2,500,000 qualifies the applicant for consideration of abatement of either 70% fixed or a sliding scale, and the applicant has chosen 70% abatement fixed for five (5) years. The investment is also eligible for abatement of Bell County property taxes, and Staff presented this request to Bell County Commissioners on April 19, 2017, with action anticipated on May 8, 2017. BISD is not eligible to participate in property tax abatement, and Clearwater was notified as required, but has declined.

Loss of future ad valorem tax revenue is projected for five (5) years, after which time investment will be on the tax rolls. Fiscal impact to the City is shown below at 70% fixed for five (5) years, based on the City tax rate of \$0.6958 per \$100 valuation, for an investment of \$1,500,000.

- FY 2018: \$6,927.90
- FY 2019: \$6,927.90
- FY 2020: \$6,927.90
- FY 2021: \$6,927.90
- FY 2022: \$6,927.90
- Total \$34,639.50

Mr. Listi said that this is a great opportunity for the City and County to invest in a homegrown company. BELLTEC is the ideal company for tax abatement.

Mayor Pro Tem Leigh clarified that this abatement is only for the new building and not the existing property. Mr. Listi said that is correct. He added that BELLTEC must construct the new building, and it must achieve the proposed value. Additionally, the agreement includes adding ten new jobs.

Councilmember Jerri Gauntt said that this is not giving BELLTEC cash, and it is not saying BELLTEC does not have to pay taxes. She said that the abatement is just a pause that allows them to grow and expand, which is good for Belton.

Upon a motion by Councilmember Dan Kirkley, and a second by Councilmember Craig Pearson, item 6 was unanimously approved by a vote of 7-0.

7. **Consider authorizing a development agreement between the Belton Economic Development Corporation and BELLTEC Industries to support their investment and job creation in Belton.**

BEDC Executive Director Cynthia Hernandez said that BELLTEC Industries is a family-owned business that was established in Belton in 1988. The company designs and manufactures innovative drilling products for industry, utilities and agriculture.

Mrs. Hernandez explained that BELLTEC has experienced steady growth in their operations and sales over the years. The company underwent a small expansion in 2012. With the assistance of BEDC, BELLTEC installed a new sprinkler system, retrofitted their roof, and added 4,500 sf to the facility. Furthermore, the company created three new jobs for a total of 26 full-time employees in 2012.

Today, the company is once again in need of expansion, and is requesting assistance from BEDC. Mrs. Hernandez said that BELLTEC is proposing an investment of \$1.5 million to expand the facility, and an additional \$1 million in equipment. This investment will allow BELLTEC to manufacture a greater variety of drilling products and to pursue new markets. The expansion will entail a 14,500 sf addition to the building and hiring ten new employees, as well as retaining the existing 30 positions. She said the BEDC is proposing a \$200,000 performance based incentive.

2016 property values for BELLTEC Industries as provided by the Bell County Tax Appraisal District reflect \$354,724 in real estate property and \$1,083,209 in personal property (including inventory). Hernandez explained that based on an economic impact analysis conducted for this project, the City of Belton alone will receive \$247,932 in net benefits from the retention and expansion of BELLTEC over the next 10-year period.

Mrs. Hernandez explained that the City of Belton will realize a 16.2% annual average rate of return each year (over the next 10 years) from BEDC's proposed investment in this project. The rate of return on investment calculates the average annual rate of return to the City, treating the total incentive value as the initial investment and the net benefits to the City as the return. Furthermore, the City can expect a payback period of 6.4 years on BEDC's investment in this expansion.

The BEDC Board approved the Development Agreement with BELLTEC Industries on April 4, 2016.

Upon a motion by Councilmember Craig Pearson, and a second by Councilmember Dan Kirkley, item 7 was unanimously approved by a vote of 7-0.

**8. Consider reaffirming the Fund Balance Policy for the City of Belton.**

Director of Finance Brandon Bozon said the purpose of the Fund Balance Policy is to set guidelines for establishing minimums in fund balance, the appropriate use for any funds in excess of the established minimums, and recovery strategies should the City fall below the established minimums. He said the City should maintain adequate levels of unassigned fund balance to mitigate financial risk from unforeseen revenue fluctuations, unanticipated expenditures and similar circumstances.

Bozon said this policy addresses only the budgeted funds that are not considered restricted funds: General Fund, Water & Sewer Fund, and the Drainage Fund. Three of the remaining four budgeted funds are classified as restricted funds:

- Debt Service Fund – taxes pledged for bonded debt
- TIRZ Fund – use of funds restricted by State law
- Hotel/Motel Fund – use of funds restricted by State law

He added that while the Economic Development Fund balance is classified under GASB 54 as unrestricted, the use of those funds is limited by State law.

Mr. Bozon explained that it is the goal of the City to achieve and maintain an unassigned fund balance in the General Fund, the Water & Sewer Fund, and the Drainage Fund equal to 25% of expenditures plus the annual debt service for any fund-supported borrowing from external creditors for the fiscal year. The target of 25% plus debt service is set to ensure the City can remain operational and meet credit obligations in the event of a downturn or disaster.

Fund balances as of October 1, 2016, are:

- General Fund
  - Unassigned Fund Balance \$5,037,278
  - In Excess of Minimum \$1,817,093
- Water & Sewer Fund
  - Unassigned Fund Balance \$5,501,614
  - In Excess of Minimum \$2,749,574
- Drainage Fund
  - Unassigned Fund Balance \$258,157
  - In Excess of Minimum \$167,217



Mr. Bozon said there are no proposed revisions to the policy for 2017.

Upon a motion by Mayor Pro Tem Leigh, and a second by Councilmember Guy O'Banion, item 8 was unanimously approved by a vote of 7-0.

### **Planning and Zoning**

9. **Hold a public hearing and consider amendments to Section 103, Definitions and Section 302, Subdivision Procedures, of the Subdivision Ordinance.**

Director of Planning Erin Smith explained that at the March 28, 2017, City Council meeting, Subdivision Ordinance amendments were discussed, and action was taken by Council to approve them. However, the public hearing was not conducted as required. As a result, this item is being presented at this meeting to hold the public hearing, and allow the public an opportunity to speak with regard to the proposed amendments, prior to final Council action. Mrs. Smith briefly reviewed the proposed amendments.

The Mayor opened the public hearing. Seeing no one wishing to speak for or against the item, the Mayor closed the public hearing.

Upon a motion by Councilmember Paul Sanderford, and a second by Councilmember Dan Kirkley, item 9 was approved by a vote of 5-2 with Councilmembers Gauntt and O'Banion providing the dissenting votes.

### **Work Session**

10. **Receive a presentation and discuss the City's participation in the Texas Municipal Retirement System.**

City Manager Sam Listi explained that this topic was placed on the agenda at the request of members of Council and following discussions among Staff. Director of Finance Brandon Bozon and Assistant City Manager/Chief of Police Gene Ellis presented the item as shown in Exhibit "A".

Mayor Pro Tem Leigh said, "A retirement plan where the employer puts in 10%, and people are contributing 5%, and it is not capped, is pretty much unheard of in the private sector." He added that the public sector has a much better retirement than those in the private sector.

Councilmember Jerri Gauntt said that private employers pay better, and there is more flexibility in the pay structure. Mr. Leigh said that 25-30% participation in a private retirement system is good. He said that most of the younger employees are more interested in how much their take home pay is versus retirement benefits.

Mr. Leigh said that City employees contribute to the TMRS retirement, can contribute to an IRA, and they also have social security retirement. As a tool for recruitment and retention, the City would have better results putting the funds in employees' pockets, and then let those employees who are interested in retirement funding invest it where they want.

Councilmember O'Banion said that some people go to work in government for the stability of the retirement system. He added that there are also employees who are only interested in getting a paycheck.

Councilmember Sanderford said that there is a savings to the City in retaining employees, but he sees the quality of employees at the City today, so he is not sure that there is a problem with recruiting and retaining employees. He said that he is very aware of other budget pressures in Belton in addition to this one.

Councilmember Craig Pearson said that he appreciates City employees and the work that they do. He asked if Department Heads doing exit interviews are finding that they are losing employees due to the 5% versus 7% retirement difference when Belton is compared to other cities. Chief Ellis said that he most often hears pay as the reason for leaving.

City Manager Listi said that this issue represents a challenge which comes up periodically, but he is not aware of an employee who has left specifically because of the 5% TMRS benefit. Mayor Pro Tem Leigh asked if the cities who are shown to have a 7%, 2:1 TMRS retirement plan are also paying more per hour to their employees. He wondered whether those cities have shifted to more of a benefit package rather than a take-home package. City Manager Listi said that he believed the other cities also paid their employees more.

Director of Human Resources Charlotte Walker said the smaller cities are pretty comparable to Belton in pay. She added that Belton is not competitive with the larger cities in pay.

Councilmember Gauntt said that she is aware of a few Belton retirees who retired at a young age, and are now working at the Bell County Sheriff's Department because Bell County's retirement is better. She said that millennials are more savvy about retirement, and they do think about the future. She added that Belton is losing people in recruitment because of the TMRS issue. She said that employees do not feel that they are valued.

Councilmember O'Banion said that Council definitely needs to work on these issues; however, he does not think the Council would be good stewards of taxpayer dollars if Council was to change to a 7%, 2:1 TMRS City at this time. He said Council has to look at funding for street maintenance as well as funding other projects which have been discussed. He added that he thinks the TMRS plan is definitely something that needs to be discussed and considered in order to show employees that Council is doing something. He thinks it is important to at least

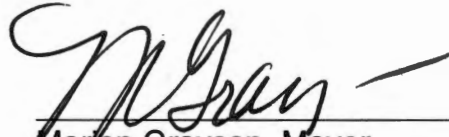
consider a phased approach to give employees the message that Council does value them.

Councilmember Pearson said Council does not want to shortchange the employees. He requested that Council look at the total employee compensation package during budget discussions this year. Mayor Pro Tem Leigh asked that data from exit interviews and employee surveys be included as well.

Director of Human Resources Charlotte Walker said that the retirement plan had more effect on retention than recruitment. Councilmember Sanderford said that Belton will have trouble competing with larger cities for the "rising star" type employees. He added, however, that he wants Belton to be competitive with other similar-sized cities.

City Manager Listi thanked the Council for their input and said that Staff would bring back additional information at a later date. No Council action was required on this item.

There being no further business, the meeting was adjourned at 6:51 p.m.

  
Marlon Grayson, Mayor

ATTEST:

  
Amy M. Casey, City Clerk



# TMRS DISCUSSION

---

# Plan Overview

- TMRS is a hybrid retirement plan
  - TMRS retirement benefit is “cash balance” in nature
  - Not based on a percentage of salary
- Plan Structures
  - Employee contributions of 5%, 6% or 7%
  - Employer match of 1:1, 1.5:1 or 2:1
- Belton’s plan is 5%, 2:1 match

# Market Position

- Belton’s plan structure is middle of the road as far as structure, but behind in the market
- Benefits offered by TMRS cities with a population of 15,000 to 25,000:

Employee Contribution	Match	
	1.5:1	2:1
5%	5.0%	13.3%
6%	0.0%	13.3%
7%	3.3%	65.0%



# Why its important

- Recruitment and Retention
- One of most talked about subjects by tenured employees and Millennials.



# Financial Implications – TMRS Plan Change

- Annual Budget Impact – Incremental Cost

Incremental Cost	7%; 1.5:1	6%; 2:1	7%;2:1
General Fund	\$71,178	\$170,696	\$351,278
Water & Sewer	\$11,487	\$27,548	\$56,691
Drainage Fund	\$1,627	\$3,901	\$8,027
BEDC	\$1,601	\$3,840	\$7,902
<b>Total</b>	<b>\$85,893</b>	<b>\$205,984</b>	<b>\$423,898</b>

- Financial Health Impact – Funded Ratio

Plan Structure	5%; 2:1 (Current)	7%; 1.5:1	6%; 2:1	7%;2:1
Funded Ratio	89.3%	83.7%	82.1%	75.6%
Unfunded Actuarial Liability	\$2,159,243	\$3,508,303	\$3,923,659	\$5,826,366

# Financial Implications – 457b Alternative

100% Participation	1%	2%	3%	4%
General Fund	\$65,906	\$131,812	\$197,717	\$263,623
Water & Sewer Fund	\$10,636	\$21,272	\$31,909	\$42,545
Drainage Fund	\$1,506	\$3,012	\$4,518	\$6,024
BEDC	\$1,483	\$2,965	\$4,448	\$5,930
<b>Total</b>	<b>\$79,531</b>	<b>\$159,061</b>	<b>\$238,592</b>	<b>\$318,122</b>

- Annual Budget Impact City contribution to 457b plan - participation variable

30% Participation	1%	2%	3%	4%
General Fund	\$19,772	\$39,543	\$59,315	\$79,087
Water & Sewer Fund	\$3,191	\$6,382	\$9,573	\$12,763
Drainage Fund	\$452	\$904	\$1,355	\$1,807
BEDC	\$445	\$890	\$1,334	\$1,779
<b>Total</b>	<b>23,859</b>	<b>47,718</b>	<b>\$71,577</b>	<b>\$95,437</b>



# Decision Points

- Priority level
  - Personnel challenges
    - Public safety compensation
    - Health insurance costs
  - Non-personnel challenges
    - Street maintenance
    - Strategic plan elements
- How to proceed
  - TMRS adjustment or 457b contribution
  - Phasing
    - TMRS: Incremental plan changes or incremental contribution rate changes over budget cycles
    - 457b: Target City contribution adopted incrementally over budget cycles