MINUTES OF THE
HENDERSON CITY COUNCIL
Budget Workshop

July 29, 2025

CALL TO ORDER: *The Mayor will call the meeting to order, declare a quorum if present, and declare notices legally posted pursuant to Open Meetings Act.*

Mayor Pace called the meeting to order at 3 p.m.
Council members present were Michael Searcy, Greg Jackson, Melissa Morton, Gina Juarez and Stephen Strong who entered the meeting at 3:08 p.m.

Staff members present were City Manager Jay Abercrombie, City Secretary Cheryl Jimerson, City Attorney Russell Brown, Chief of Police Chad Taylor, Fire Chief Sonny Yabarra, Director of Operations Davis Brown, Director of Public Services Kirk Kimbrell, Director of Utilities Randy Boyd, Director of Utility Infrastructure and Delivery David Hortman, Finance Director Karen Arnall, Animal Center Director Charissa Pool, Civic Center Manager Stephanie Kimbrel,l and Executive Leadership Assistant/HR Specialist Hillary Faulkner.

INVOCATION AND PLEDGE OF ALLEGIANCE:

Council Member Greg Jackson gave the invocation, Police Chief Chad Taylor led the Pledges.

CITIZENS COMMENTS

1. Comments this evening are limited to the items listed on the agenda for the Budget Workshop. The next available comments on other items will be at the Regular Council Meeting, held on the third Tuesday of each month, (August 19, 2025).

There were no citizens' comments.

COUNCIL BUSINESS – REGULAR SESSION

2. Open the 2025-2026 budget workshop. (Mayor Pace)

Mayor Pace opened a public hearing at 3:06 on the proposed 2025-2026 budget.

City Manager Jay Abercrombie led the workshop starting with:
General Account Overview
After many hours and hard work by our staff, it is my honor to present the proposed 2025-2026 budget for your review and discussion. Our Finance/Budget Team and Directors have been working diligently since April to put together every number in this proposal. The countless hours of hard work over these last four months are greatly appreciated.
Listed below are a few items to share that are related to the overall budget as a whole:

General Fund

- Sales Tax revenue proposed is the same number as the current 2024-2025 budget.
- Property Tax revenue shows flat in the current proposal while we wait for the tax rate worksheet to be completed in conjunction with the Rusk County Tax office.
- An increase in wages is not included in this current proposal. However, numbers for "Cost of Living" increases are available for your review and discussion when desired.
- No change in healthcare insurance provider is needed this year as the renewal with Blue Cross Blue Shield came in as a very low increase. Our Strategic Insight Team has met and selected a plan that will decrease the premium but give a short increase in deductibles.
- Capital line items in most departments are continuing to show money for the replacement of computers on a rotation basis each year.

Water and Wastewater Fund

- Revenue in Water and Wastewater shows an increase due to projections of a small rate increase or rate structure change. This would only be effective after a rate-study is complete with a recommendation from the committee.
- Capital line items in most departments are still showing money for the replacement of computers on a rotation basis

each year.
General Fund Revenue
Sales Tax projection remains flat. This has slowed some this year, so we are feeling more confident with this number compared to an increase in past years.
Franchise Fees
Cable and Telephone continue to go down due to decreased usage of this technology.
Permits & Inspections
Holding at this number again. We are starting to see the market move a little and construction starting.
Current Tax
This is property tax. This number is similar to last year's number. Certified numbers are now in, and a proposed tax rate will be calculated next week that will solidify this number. It will increase slightly, which will allow a little more revenue.
Garbage and Trash
This is what we collect from customers for solid waste service on utility bills. The expenditure portion to Republic Services is in Department 25 under Contract Sanitation Services.
Water Sewer Debt & Mgt.
This is a transfer payment from the water/sewer fund in lieu of taxes and for administrative services provided by those assets in the General Fund. Water and Wastewater does not own any buildings other than at the plants. It also does not have its own admin services such as Finance, HR, Executive Administrative Personnel, Accounts Payable, and Payroll Services. These functions are done by the staff of the General Fund. The percentage of these salaries and benefits was given by use to calculate this number. Some salaries that would be split are already fully taken from water and wastewater.
Royalty & Oil Revenue
Lease activity has slowed currently, so we are showing this as a decrease. This could change depending on the market and the needs of area exploration.
HISD – Liaison Officer
This is the amount paid by HISD as reimbursement for the school resource officers and all related equipment. The amount reimbursed is approximately 75% of all costs.
Finance – 08
Clerical
This is the Accounts Payable position that now includes supervisory functions related to other administrations in Public Services, Community Development, Municipal Court, and Utility Billing.
Appraisal District
This line shows an increase due to a notice from the Appraisal District for their services.
Audit
Our annual audit costs have decreased due to not needing the separate audit for COVID Funding.
Communications
This line item includes desk phones, the internet, etc. Over the past couple of years, we have been working to get the best number by department related to this cost, so there have been some fluctuations at each department level, as you may see throughout the budget. We believe we are closer to the correct number at this point. This continues to have some movement between departments.
Administration - 10
Clerical
This increase is related to the City Secretary's salary increase after her Municipal Clerk Certification.
HEDCO
All HEDCO-related expenditures are related to salary, retirement and insurance for staff. All expenditures shown here are reimbursed back in the revenue portion of the General Fund budget.
Municipal Court – 11
Data Processing
This line-item deals with copy machine-type leases and was not budgeted correctly in the current budget. This increase shows the adjustment to correct the line item.
Community Development – 12
Labor
This increase is due to more planning and plating-related activities being resumed by staff in the department.
Public Services – 14
Overtime
This line item has been a little under budget for these crews as they work on festivals and other events. This increase will solve that problem and keep us within budget.

Fire Department – 15
Labor
1 additional firefighter proposed. This would square up all three shifts with seven-member crews.
Overtime
Last year, this was not budgeted corrected and didn't calculate the COLA raise properly in overtime.
Police Department – 16
Labor
This reduction is due to the move of the fleet and facilities position to take on a full city role. This salary is now moved to the Water and Wastewater fund as part of the balancing related to those services taken from the General Fund.
Capital
$220k includes 2 patrol vehicles fully outfitted
Parks Division – 18
No major changes – Some vehicles and equipment shown in Equipment Replacement Fund
Community Center Division – 19
Capital (Last Year)
$15k to update and install audio/video-related equipment in the Community Center main room for a better opportunity for rental.
Animal Center – 20
Labor
1 admin position proposed
Part Time
This includes a $2 per hour rate increase to stay competitive.
Transfer to Equipment Replacement
This is for payment to equipment replacement for new animal control vehicle.
Capital
This $2k is to replace 2 computers.

Street & Drainage Fund
The revenue from the electric franchise and other fees for street use is what produces revenue for this fund. Normally, budgeted street repairs and maintenance are the main expenses here. When we have bond money designated for streets, it shows in this fund as well. Currently, no more bond money is available for this proposed budget now that the current project is nearing completion.
Street Materials
There is $200,000 proposed for streets for this budget cycle. This could possibly change depending on the tax rate.

General Construction Fund
This fund is used to fund projects that are usually construction-related to facilities or improvements to assets across the city. The fund's revenue comes from the landfill gate proceeds received through the solid waste contract currently with Republic Services.
This year's proposed budget includes projects related to:
Code Enforcement
Turf Management for Parks and Cemeteries
10% Grant Match for generator project at the Municipal Services
Complex
Pickleball Court **project has a total cost of $300,000. The city is proposing to put 100,000 into this project and fundraising for the balance. Council Member Gina Juarez commented on maybe the city putting half the cost in the budget and fundraising for the other half.**
Downtown Wi-Fi

Equipment Replacement Fund
This fund is used as an internal way for departments to "finance" some larger dollar expenditure items into multiple payments over a 3–5-year period. This allows for more flexibility within their annual budget for normal operations. Most of the time, this is used for the purchase of vehicles and larger equipment.
This year's purchases include replacement vehicles for the Public Services Director, replacement trucks for Public Services, Parks and Code. Also, a zero-turn mower for parks.

Tourism Division
This fund's revenue generally consists of Hotel/Motel Occupancy Tax and Civic Center rental fees.

This is where the syrup festival revenue will also be found. These monies are what is used to fund all tourism efforts and the expenditure related to the operation of the Civic Center.
Expenditure here includes salary and related benefits for the Tourism and Main Street Coordinator. This department also includes all promotional-related items and the Syrup Festival expenditures.
Civic Center Division
This is the expenditure department for operations related to the Civic Center.
Part Time
This shows an increase in hours and rate for part-time associates.
Car Allowance
This allowance is not needed in this department any longer.
Equipment Maintenance
This line item has been emptied and moved to the Communications line item.
Capital
Main Street Fund
This fund is a separate fund that the Main Street Board works with for downtown and Main Street projects. The City usually funds a small portion ($17k) into this fund and the remaining revenues are through any fund-raising event the Main Street Board does.
Expenses include all items related to Main Street, including some training and memberships related to being a Main Street City.
Façade grants for downtown buildings come from this fund as well, which is all overseen by the Main Street and Preservation Boards.

Water/Sewer Fund
Revenue
Water and sewer charges are shown to be a 10% increase due to the predicted rate and/or tier structure changes. We are close to the data being finished to do the long-awaited Rate Study by an appointed committee. Their recommendation will come to the Council for approval.
Just a quick reminder about water and sewer rate changes over the past several years. Last year's increase in rate would be the first increase since the 2020-2021 budget cycle. In the 2019-2020 budget year, there was an approval of a 10% increase across the board in water and sewer rates. The next year (2020-2021) we introduced the usage tier system which corrected the fund and leveled the budget revenue to match the amount needed to treat and deliver clean water and treat wastewater. During the next three budget periods, no change was made to the rates or rate structure. However, there have been significant changes to the cost of operations. As everyone is aware, the cost of just about everything has increased significantly and our water and sewer operations aren't sheltered from that increased expense.
Our focus on delivery, true cost, and revenue/billing audits over the next year will put us on a path of small changes to rates each year as needed instead of large jumps when it's almost too late. The Utility Division should be run as a business and is truly a separate entity from the general funds that use property and sales tax for revenue.
Water/Sewer Line Maintenance – 30
Labor
This is where the full City Fleet and Facilities position is now funded. (Transfer from General Fund PD)
Certificate Pay
This increase is due to several of our crew members testing and receiving new licenses and certifications.
General Fund Management Fee
This is the line item where the Water/Sewer fund reimburses the General Fund for all the building and facility use along with the administration and finance oversight. The number is derived from the percentage of salaries and benefits from positions in the General Fund that help with the business in the Water Sewer Fund.
Capital

Water/Sewer Debt Service
This shows the payments needed in this budget year for each of the bonds or notes related to the Water/Sewer Fund.
Water Office-35
This department includes the operations and personnel in the billing and meter reading portion of the business. No major changes.
Water Production Division – 37
Chemicals
The cost of chemicals continues to increase. In the past years, some of these have been bought in bulk to stock up before prices increased. This is reflected in a higher expenditure number over the past couple of years.
Capital

Wastewater Treatment Division
Supervision
This is a salary increase proposed for the Wastewater Treatment Operator.
Capital

Water/Sewer Construction Fund
This fund is the same as the General Construction Fund on the General Fund side. It's a separate fund for construction-related projects for facilities and assets within the Water/Sewer Fund areas. Its revenue comes just from transfers from the other Water/Sewer Departments within the fund.
This year's projects include water and sewer line replacements, various pumps, tanks, and filters. $119,750 is also earmarked for the purchase of a trailer-mounted generator that can be moved from well sites or lift stations as needed with power outages or other related needs.

Cemetery Fund
This fund is operated under the discretion of the Cemetery Board for certain projects that arise. It's generally funded by burial fees and plot sales.

3. Close the 2025-2026 budget workshop. (Mayor Pace)

Council Member Michael Searcy made a motion to close the public hearing, duly seconded by Council Member Stephen Strong. The vote was unanimous.

ADJOURNMENT

4. Adjourn

Council Member Melissa Morton made a motion to adjourn at 4:15 p.m., duly seconded by Council Member Greg Jackson. The vote was unanimous.

ATTEST:
Cheryl Jimerson
Cheryl Jimerson, City Secretary

APPROVED:
Henry Pace
Henry Pace, Mayor