

CITY COUNCIL MINUTES
SPECIAL MEETING

KERRVILLE, TEXAS
JANUARY 25, 2013

On January 25, 2013, the Kerrville City Council held a special meeting, budget workshop, at 8:30 a.m. in the city hall upstairs conference room at 701 Main Street.

COUNCILMEMBERS PRESENT:

Jack Pratt	Mayor
Stacie Keeble	Mayor Pro Tem
Carson Conklin	Councilmember
Justin MacDonald	Councilmember

COUNCILMEMBER ABSENT: None

Gene Allen	Councilmember
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CITY STAFF PRESENT:

Todd Parton	City Manager
Mike Hayes	City Attorney
Kristine Ondrias	Assistant City Manager
Brenda G. Craig	City Secretary
Mike Erwin	Director of Finance
Kim Meisner	Director of General Operations
Robert Ojeda	Fire Chief
John Young	Police Chief
Charlie Hastings	Director of Public Works
Stuart Barron	Water/Wastewater Division Manager
Susan Michelson	Municipal Court Clerk
Malcolm Matthews	Director of Parks and Recreation
Laura Bechtel	Director of Library Services

VISITORS PRESENT: None present.

DISCUSSION AND DIRECTION TO STAFF REGARDING PROPOSED FY2014 BUDGET

Mr. Parton described the FY14 budget as a sustainability plan that maintained current system programming, utility rates, tax rate, and met debt requirements, without issuing additional tax supported debt. He reviewed the council's goals and discussed efforts in the past to control expenditures in order to build the reserve fund to 25% and to achieve fiscal sustainability. He noted that interlocal contracts with the county would expire September 30, 2014, and discussions with the county should begin soon; however, the city should plan for fiscal sustainability without county participation.

Mr. Parton reviewed budget projections and noted that deferred utility systems maintenance from prior years resulted in rate increases in FY13 to cover major expenditures. Barring unknown factors, the city should be able to achieve the 20 year capital improvement plan (CIP), as recommended by Freese & Nichols at \$49 million, under the current utility rate structure on a pay-as-you-go basis without

issuing additional debt or a utility rate increase through 2019. The utility fund could not issue additional debt without increasing rates. Council requested staff determine what the rates would have to be to cover such a bond. He noted the 20 year CIP list did not include any annexations; as property is annexed, additional revenue and expenditures will occur. The annual projected growth rate was 1%.

Mr. Erwin noted the total FY14 revenue comprised about \$8 million ad valorem tax and \$5 million sales tax.

Council suggested staff place articles in the chamber newsletter about capital improvement plan projects, and utility rate comparison, and note the city was attempting to catch up with previous neglect and staying within the existing tax rate and utility fees.

Mr. Parton noted the FY14 budget was based on the following assumptions:

- Maintain current level of full time employees for foreseeable future
- 3% employee raises across the board for FY14 and FY2015, and 2% raises thereafter; need to re-implement the step plan
- 1.5% annualized inflation factor on recurring operating costs
- \$1.0 million available for one-time capital
- Over \$20 million water and sewer pay-as-you-go CIP over 10 years.

Mr. Parton noted the following outside key factors may affect the city's budget:

- Economy; he noted that 15% had to be cut from the city's budget in FY11
- Primary commercial/industrial businesses; consider increase in new businesses as well as possible closures and expansions, and tourism and events
- Legislative decisions; need to stay informed on any pending legislation that may affect the city, i.e. water issues, financing, tax reallocation to cities
- Other governmental agencies; particularly county interlocal agreements
- Inflation.

The budget anticipated 1% growth in assessed property valuation and continued sales tax recovery, and included recent annexations and business development. Mr. Erwin noted the main source of the sales tax increase was in manufacturing; tourism remained constant; and retail trade had a slight increase. Sales tax in the downtown area showed 10% growth in 2011-12 and 5% growth in the remainder of the city. New residential building permits continued to drop, down 54.29% in 2012 from 2006. Other building permits activity was down 9.94% from 2006.

Mr. Parton requested council authorize a budget amendment for FY13 to fund an employee compensation study, estimated at \$45,000 for 91 positions, in order to have information in preparation for the FY14 budget. He noted the employee insurance plan had to be modified to meet the FY13 budget, and the city currently paid \$6,800 per employee for health, dental, vision, and life. Ms. Meismer noted that under the Federal Health Care Act, the city's health insurance plan was considered affordable and the city would not incur a fine or penalty. Council requested that the compensation study include all benefits.

Mr. Hastings noted the city's water production supply was 45% surface, 15% ASR, 6% lake, and 34% groundwater. Mr. Barron noted that currently the city was storing all the water that was available; at this time, an additional aquifer storage recovery well was not being requested by staff.

Mr. Hastings noted the current cost per mile of street reconstruction by in-house crews was 40% less than contracting out the construction.

Mr. Erwin noted that Standard and Poors moved the city's debt rating from AA- to AA for the bond issue passed on January 22. S&P looked favorably on the city for raising its utility rates to cover debt before that debt was issued. He opined that before S&P would rate the city AAA, several things would have to occur: city adopt a debt policy, maintain consistent fund balance, and have a larger sustainable employment base. He noted that the city had a low debt rate per capita, and that debt service payments would start to fall off in 2021.

Mr. Parton noted the FY13 budget identified \$600,000 in unexpended capital projects, and discussed the following priorities:

1. Central fire station: construction estimated at \$400,000; renovations discussed were to extend 1800 sq. ft. to accommodate personnel and sleeping quarters, office space, training facility, laundry room, and equipment room. Also, drainage issues should be addressed; during heavy rains the drainage channeled through the truck bays. Central station is the smallest station but housed the most employees and had the most activity. Preparation of construction documents was estimated at \$45,000-50,000.
2. History center: \$5,000-10,000 to address structural issues, elevator shaft did not meet code; estimated \$300,000-500,000 to do all renovation, elevator, structural, and second floor. Plan to submit renovation plan to foundations for grants.
3. Compensation study: discussed earlier.
4. New fire truck: set aside remainder of unexpended funds. The city's only ladder truck was 24 years old; NFPA guidelines specify 15 -20 years for first-line apparatus and up to 20 years for reserve apparatus; reliability issues with a 24 year old truck. Chief Ojeda noted this could, but not probable, affect the city's current ISO rating of 2. Estimated cost to purchase is \$1.2 million; discussed lease-purchase options at 4-6% interest or bank loan purchase at 1-2% at 5-10 years. Staff noted that fire apparatus generally do not qualify for grants.

Council consensus was to instruct staff to prepare a budget amendment for the FY13 budget for the above four projects to be considered at the next meeting.

City executive staff members discussed additional specific requests:

-Chief Young noted a critical part of retaining trained officers was the police department's salary program, and noted salary compression issues between various levels and employees; he asked that the step plan be re-established. Also, he was consistently holding three vacancies plus three unfunded positions

and requested these positions be funded.

-Ms. Michelson asked council to consider funding: 1) Notification program calling system to notify defendants of pending court action, estimated at \$7,000 and proposed to be funded from the technology fund which currently had a balance of \$44,000; 2) Security cameras for municipal court outside and inside, estimated at \$33,000 from the security fund balance of \$54,000. Mr. Parton noted recurring expenses for security system may affect future budgets. The consensus of the council was to consider this in the FY14 budget.

-Chief Ojeda noted issues with retaining trained firefighter/paramedics; the city invested \$20,000 for each firefighter to go through paramedic school and once certified, the person would resign and go elsewhere. He discussed a plan to increase incentive pay to attract paramedics, and a focus on hiring local people who are committed to the community.

Council requested staff provide information on the overall firefighter turnover rate, and the turnover rate of home-grown employees vs. outside hires.

-Chief Ojeda noted 2014 would be the 20th anniversary of the city taking over the EMS operation; since that time, the number of calls had increased 65%. He noted that often times all of the city's ambulances were on call at the same time, and when another EMS call comes in, the city has to decommission one fire unit to respond, taking that fire crew out of service and requiring the city to call in off-duty personnel. The city was depleting the fire service to provide EMS.

-Mr. Matthews noted the Louise Hays Park improvements and river trail projects would put additional demand on utilities and staffing requirements, which may affect future budgets.

-Ms. Bechtel noted the \$200,000 shortfall in the FY13 budget for library services would have to be considered in planning future budgets.

-Mr. Barron noted the water master plan was nearing completion and it may show bottlenecks and issues that will have to be addressed. Mr. Parton noted that additional improvements may be recommended to be added to the CIP.

-Mr. Hastings noted the Allied Waste contract would expire in 2030; currently the city's waste was being transported to a landfill in San Antonio. He noted that the city initiated a landfill permit expansion permit in 2007 that was approximately 50% complete with an estimated \$250,000-300,000 of work remaining, noting the permit would take several years to complete, and environmental laws were becoming more restrictive every year. He recommended the city have a landfill master plan, estimated at \$25,000, which would determine landfill capacity, life of the landfill, post closure expenses, and compare the cost of the city operating the landfill and transfer station versus contracting the service.

ADJOURNMENT. The meeting adjourned at 11:45 a.m.

APPROVED: _____

Jack Pratt, Jr., Mayor

ATTEST:

Brenda G. Craig, City Secretary