

CITY COUNCIL MINUTES
BUDGET WORKSHOP

KERRVILLE, TEXAS
FEBRUARY 5, 2014

On February 5, 2014, the Kerrville City Council meeting was called to order by Mayor Pratt at 8:30 a.m. in the city hall upstairs conference room, 701 Main Street.

COUNCILMEMBERS PRESENT:

Jack Pratt	Mayor
Carson Conklin	Mayor Pro Tem
Stacie Keeble	Councilmember

COUNCILMEMBERS ABSENT: None

Gene Allen	Councilmember
Justin MacDonald	Councilmember

CITY EXECUTIVE STAFF PRESENT:

Todd Parton	City Manager
Mike Hayes	City Attorney
Kristine Ondrias	Assistant City Manager
Brenda G. Craig	City Secretary
Sandra Yarbrough	Director of Finance
Robert Ojeda	Fire Chief
Kim Meismer	Director of General Operations
Mary Reyes	Administrative Assistant
Ashley Boyle	Special Projects Manager
John Young	Police Chief
Robert Ojeda	Fire Chief

VISITORS PRESENT: List on file in city secretary's office for the required retention period.

DISCUSSION AND DIRECTION TO STAFF REGARDING PROPOSED FISCAL YEAR 2015 BUDGET

Council discussed the City Council Goals and amended the following:

4. Plan, maintain, and upgrade infrastructure to include roads, parks, trails, drainage facilities, and water and wastewater systems.
5. Promote well-coordinated growth of business, recreational, and cultural assets.
7. Engage in constructive relations and conduct ourselves in a professional manner with other governmental agencies mutually beneficial to the citizens of Kerrville.
8. Maintain fiscal sustainability.

The consensus of council was to instruct staff to make the modifications and place the Goals Statement on a future agenda. No changes were recommended for the Vision Statement or the Mission Statement.

Mr. Parton reviewed revenue and expenditures of all funds and noted the property tax revenue was at 83% and sales tax was at 33% of FY2014 budget as of January 31, 2014.

Mr. Parton noted the current contracts with the county would expire September 30, 2014; the city had been building the reserve fund and planning for fiscal sustainability without county participation or providing services into the county. In the event the county decided not to contract with the city for fire and EMS, the city could make up the one year shortfall of \$750,000 in FY2015 from the reserve fund; thereafter, the city's annual budget would be fiscally sustainable without the county contracts or use of the reserve fund. This could be accomplished without cutting services in other departments and would keep fire/EMS at the same operational level with no reduction in staff. The FY2015 budget would require an additional cut of \$.5 million, but that could be achieved through operational savings and increased longevity for equipment replacement by not having to respond in the county. The charge to the county was to recover operational cost; without the contract, the city would not have those costs. Council noted the county was in the process of writing their request for proposal for EMS but was behind the schedule they had proposed. Mr. Parton noted the city was in a position to extend services to the county for one year and may bid on the EMS contract; however, the income should be sufficient to cover the cost to provide the service. The city also had been providing first response fire service to the county for an area equal to the entire city. County discussions did not anticipate fire service from the city; however, the city could cut operational expenditures in the fire department because the service area would be half.

Mr. Parton reviewed core assumptions that would be used to prepare the budget:

- Maintain tax rate at \$0.5625/\$100.
- A 1% increase in property taxes due to anticipated growth.
- Maintains current level of services.
- A 1% increase in water and wastewater revenue due to anticipated growth; no increase in utility rates.
- A 3% increase in sales tax.
- Philosophy not drop below 15% in reserve; unless have a catastrophic event.
- Permitting activity: 45 new residential; 125 residential remodel; and 135 commercial remodel.
- Balance resources to achieve goals and objectives.
- Implement phase 2 of the compensation plan; phase one (public safety employees) was implemented in FY2014.
- Continue to set aside \$.5 million in pay-as-you-go for capital improvements in the utility fund.
- No tax supported debt planned for FY2015.

The consensus of council was to approve the core assumptions as presented.

Council and staff also discussed the following:

-Reviewed the debt modeling schedule and debt capacity and noted the current total outstanding debt in the general fund was \$17.6 million, including 4B tax supported debt; the FY2015 debt payment was \$1,173,500.

-Approximately 32% of utility revenue paid for rate supported debt; FY2015 utility debt service payment was \$3,235,731. Utility rates were sufficient to raise \$13 million to fund major capital projects on pay-as-you-go basis through FY2019. The city had capacity to issue additional debt should critical items become necessary.

-Possibility of constructing effluent reuse ponds. Mr. Parton stated he would not recommend this project unless the rate charged for effluent would recover the cost to provide it, estimated at about \$1.90 per 1,000 gallons; to be competitive, the cost of effluent should be about half the cost of potable water.

-The Freese & Nichols water and wastewater study should be presented to council soon; Mr. Parton recommended starting the design and permit stage now and begin the project when financing was available. Council recommended starting a similar plan for the landfill permit.

-Council reviewed the debt schedule and requested an overlay of the capital projects list with funding sources. Mr. Parton noted the economic improvement corporation was also reviewing their debt schedule and opportunity for leveraging long term debt for projects, e.g. quality of life, boardwalk, and utilities to Village West Industrial Park. Council requested a joint workshop with EIC.

-Target more funding toward street improvements; currently at 6 miles annually and would like to increase to 9-10 miles; would require additional \$750,000 to add another crew and to purchase equipment and materiel; would have to double the current budget to get to 12 miles.

-Mr. Parton noted current staff was maximized out on workload; he would like to have more funding for beautify Kerrville efforts, i.e. clean out sidewalks, etc. Two crews were cut from the parks department several years ago and parks maintenance had been scaled back; completion of the river trail would put more demand on parks and police. Two positions were frozen in the police department to meet budget; he requested these positions be funded.

-What is the city's long range wastewater plan? Discussed the potential of running lines east on Highway 27 and south on Highway 173; did the city want to play a role in extending wastewater service into those areas?

-Buildings at the airport were in need of repair and should be brought up to standards; the buildings were jointly owned with the county; need to look into the cost to rebuild to standards.

Council instructed staff to place the following mid-year capital projects in a budget amendment, and if approved, to begin the projects:

1. Mowing equipment for utilities, streets, and parks departments; \$100,000 general fund and \$100,000 utility fund.
2. UTC (utility construction)/purchasing building design (replacement of existing); \$37,000 general fund and \$113,000 utility fund. He noted that upon the sale of the 800 Junction Highway property, \$700,000 was committed to repay the utility fund.

3. Wastewater building interior finish out. The building was constructed in 2010 but the interior finish out had been deferred due to budget constraints; \$70,000 utility fund.
4. Police department building. Replace leaking roof and replace HVAC equipment; \$120,000 general fund.
5. Vehicle maintenance garage. Roof repair and exterior painting, \$30,000 general fund.
6. UTC/purchasing building construction. \$375,000 general fund; \$1,125,000 utility fund.
7. Lease of maintenance equipment for the golf course: 6 pieces of equipment, \$50,000-60,000 per year for 4-5 years. Salary savings resulting from position vacancies to be repurposed to fund lease of equipment.

ADJOURNMENT. The meeting adjourned at 10:58 a.m.

APPROVED: _____

Jack Pratt, Jr., Mayor

ATTEST:

Brenda G. Craig, City Secretary