

CITY COUNCIL MINUTES
REGULAR MEETING

KERRVILLE, TEXAS
SEPTEMBER 9, 2014

On September 9, 2014, the Kerrville City Council meeting was called to order at 6:00 p.m. by Mayor Pratt in the city hall council chambers at 701 Main Street. The invocation was offered by City Secretary Brenda Craig, followed by the Pledge of Allegiance led by Police Chief John Young.

COUNCILMEMBERS PRESENT:

Jack Pratt	Mayor
Gene Allen	Mayor Pro Tem
Carson Conklin	Councilmember
Stacie Keeble	Councilmember
Gary F. Stork	Councilmember

COUNCILMEMBER ABSENT: None

CITY CORE STAFF PRESENT:

Todd Parton	City Manager
Mike Hayes	City Attorney
Kristine Day	Deputy City Manager
Brenda G. Craig	City Secretary
Sandra Yarbrough	Director of Finance
Ashlea Boyle	Special Projects Manager
John Young	Police Chief
Jason Lutz	Senior Planner

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

1. VISITORS/CITIZENS FORUM:

1A. Jacques Dubose, American Red Cross, said he was excited to be located in Kerrville and would like to partnership with the community in various aspects.

2. CONSENT AGENDA:

Mr. Allen moved to approve consent agenda items 2A through 2K; Mr. Conklin seconded the motion, and it passed 5-0:

2A. Minutes of the city council regular meeting held August 12, 2014.

2B. Ratification of an emergency expenditures in the amount of \$52,136.00 made in accordance with state law and City policy for necessary repairs to the city's aquifer storage recovery well No. 1.

2C. Agreement between the City of Kerrville, Texas and the Kerrville Convention and Visitors Bureau, Inc. for the use of hotel occupancy tax funds for purchase, installation, and operation of digital sign in the CVB office parking lot to promote tourism.

2D. Purchase of Tymco street sweeper through Buy Board, in the amount of \$199,755.00.

2E. Economic development grant agreement between Hill Country District Junior Livestock Show Association (HCDJLSA) and the City of Kerrville, Texas Economic Improvement Corporation (arena and pens) in the amount of \$35,588.

2F. Project funding agreement between the City of Kerrville, Texas Economic Improvement Corporation and the City of Kerrville, Texas for improvements to the city's Louise Hays and Lehmann & Monroe Parks in an amount not to exceed \$600,000.00.

2G. Resolution No. 30-2014 amending the City of Kerrville fee schedule by revising fees charged for various services and uses provided or offered by the city.

2H. Professional services agreement with Freese and Nichols, Inc. for design of a river trail along the north side of the Guadalupe River from the Riverside Nature Center to the west property line of the city's Lowry Park located on Guadalupe Street, in an amount not to exceed \$67,000.00.

2I. Professional services agreement with Freese and Nichols, Inc. for a routing study and topographic survey for a river trail along the north side of the Guadalupe River from Lowry Park to Guadalupe Park, in an amount not to exceed \$75,000.00.

2J. Request for proposals (RFP) for bank depository contract.

2K. Construction contract with Alsay Inc. for completion of the aquifer storage recovery well No. 3 in an amount not to exceed \$120,040.00 and execution of additional change orders as necessary not to exceed a total contract amount of \$138,046.00.

END OF CONSENT AGENDA

2G. Resolution No. 30-2014 amending the City of Kerrville fee schedule by revising fees charged for various services and uses provided or offered by the city.

The following person spoke:

1. Carolyn Lipscomb asked if fees increased. Council noted there were no changes to fees except the fee for police escorts for funerals.

3. PUBLIC HEARING:

3A. Second public hearing to set the 2014 ad valorem tax rate.

Mr. Parton recommended the tax rate remain the same at \$0.5625. He noted the FY2015 budget was based on the current tax rate and expenditures to provide the current level of service and programs and was fiscally sustainable for at least the next five years. He noted the city had made substantial cuts in order to balance the budget in 2010, including the elimination of 15% of employee positions and deferring capital improvements, street maintenance, and vehicle replacement; the city was slowly beginning to catch up to the 2010 level of service. The existing tax rate would raise an additional \$330,000 above the previous budget forecast that the original budget was based on, and exceeded the effective tax rate by 4.67% due to the increase in property appraisals.

Council also discussed the following issues:

- Adopting the current tax rate was in effect raising taxes because Kerr Central Appraisal District's (KCAD) 2014 appraisals would increase property values approximately \$70 million.

- Consider lowering the tax rate a nominal amount instead of finding more ways to spend additional revenue.
- The original budget presented to council, prior to the additional \$330,000, included three additional crew members. Mr. Parton noted the original budget included three positions in the parks department to assist the street department with right of way maintenance, mowing, drainage and utility site maintenance, and additional parks maintenance. The additional \$330,000 would provide funding for three additional personnel in the street department; however, those positions would only be filled if the city received a grant to purchase additional street equipment. Mr. Parton proposed looking at the tax rate in 2017 if revenue continued to increase.
- Building a reserve fund in 2015 for the fire department in anticipation of continuation of the funding agreement with the county in order to be able to meet the obligation to provide fire and EMS services.
- Behind in street construction and maintenance and significant deferred capital replacement; vehicle replacement had been deferred since FY2010.
- 142 miles of streets in the city; have been paving six miles per year; life expectancy of a street was about 6 years, at this rate, a street might be paved every 25-26 years. Mr. Parton noted the pavement management program identified a minimum of 12 miles per year just to stay even.
- How did staff plan to implement a citizens' survey? Mr. Parton proposed to contact a survey company to conduct a community survey to look at what citizens wanted and then build a program and priorities based on the survey.
- Possibility of implementing a Medical Intensive Care Unit (MICU) ambulance? Mr. Parton noted insufficient funds at this time; however, the fire chief would be evaluating operations and making recommendations for future budgets; he estimated the cost at \$650,000 to fund expenses and additional crew to operate the MICU ambulance annually and it must be fiscally sustainable in future years.
- Several positions were frozen in the police department in 2010. Mr. Parton noted the proposed budget would unfreeze two positions; one position would remain frozen.

Mayor Pratt opened the public hearing at 6:20 p.m.; and the following person spoke:

1. Carolyn Lipscomb encouraged council to adopt the current tax rate and catch up on things that had been cut, maintenance and repairs, and the list of capital projects. Council asked if her taxes were frozen; Ms. Lipscomb replied yes.

No one else spoke and Mayor Pratt closed the public hearing at 6:22 p.m.

4. ORDINANCES, FIRST READING:

4A. Ordinance No. 2014-15, adopting the annual budget for the City of Kerrville, Texas, Fiscal Year 2015; providing appropriations for each City department and fund; containing a cumulative clause; and containing a savings and severability clause. Mayor Pratt read the ordinance by title only.

Mr. Parton gave a general overview of the proposed FY2015 budget:

- Maintained current tax rate of \$0.5625.

- Total revenue for all funds was \$46.2 million; expenditures were \$45.2 million.
- General fund expenditures were \$24.3 million, included maintaining the current level of service and proposed enhanced services: unfreezing two positions in the police department, increasing staff and supplies for street maintenance, adding a three member maintenance crew, and replacing 5-6 vehicles.
- Allocated \$600,000 in a reserve fund for fire department operations.
- Implemented step plans for police and fire employees and a 3% average merit increase for other employees.
- Continued to build reserves for fiscal sustainability.
- Maintained current utility rates.
- Water and sewer fund expenditures of \$9.9 million.
- \$11 million in pay as you go capital in water and sewer fund through FY2020, incorporated the integrated water and wastewater capital plans, and Phase I of the water reuse project.

If council voted to reduce the tax rate, Mr. Parton stated he would recommend a reduction in equipment replacement by at least one vehicle; he noted that some vehicles were 20 years old and without vehicles staff could not get the job done and vehicle maintenance would continue to increase.

Council also discussed the following issues:

- By keeping the current tax rate council was raising taxes. Council should make a very modest tax rate adjustment and cut vehicle replacement. If the tax rate was lowered this year, they would not vote to increase it next year.
- If the tax rate is lowered this year and taxes go down, in future years when the city has to raise the tax rate, properties with frozen taxes would not increase and those persons whose taxes are not frozen would have to bear a higher tax burden to make up for those whose taxes were frozen; properties with frozen taxes can go down but cannot go up.
- Some councilmembers' taxes were frozen and it would be unfair to vote to lower their taxes now and then when taxes had to be raised in the future, an additional burden would be placed on other taxpayers to make up for their frozen taxes; councilmembers would benefit personally, but as a whole the citizens of Kerrville would not. A lower rate now could result in a higher rate for young families in the future.
- The city had undergone substantial budget cuts in 2010 and let many staff go; council could not predict what would happen in 2015 with economy, appraisals, sales tax, etc. Council should not lower the rate at this time, should use the additional revenues to catch up on many things that were cut in 2010 such as maintenance.
- Some of the cuts made in 2010 were needed and Mr. Parton restructured the organization to be effective with fewer staff; council should continue to manage the city in a fiscally conservative and responsible manner and continue to work toward lowering the tax rate to provide some relief to the taxpayers.
- Should continue to work toward the FY2010 level of service and catch up on infrastructure upgrades and street repairs; the city was not near that level yet.
- The proposed budget reflected responsible spending of funds and benefited

the entire community.

- A tax rate reduction cannot be achieved without cutting programs.
- Since 2010 councils have built up the reserve funds and steadily increased staff to provide the same level of service as in 2010; this was responsible use of tax dollars and not wasteful spending.
- The city fought Kerr Central Appraisal District's (KCAD) appraised values on commercial properties because of the increase; if the council adopted the same tax rate, the city would benefit from the new appraisals by an increase in revenue; therefore, adopting the same tax rate would be the same as raising taxes. The city fought against it then and benefited from the increase now.
- Council was satisfied with the original budget prior to the additional revenue from the increased appraisals; city could make a very modest tax rate decrease and still accomplish everything in the draft budget. Keeping the same tax rate was not keeping taxes down.
- Mayor Pratt noted the city did not contest KCAD's values, rather, the city contested the method KCAD used to arrive at those values, which had no basis. This city did not contest the tax appraisals, the city contested the method KCAD used without justification that resulted in random increases ranging from 100-183%.
- KCAD had indicated that the reappraisal process was part of a two year project and residential appraisals would be raised next year, thus raising taxes again next year so the city would receive more revenue not less next year.
- Council did not approve a telephone tax, which the city was legally allowed to initiate, at a prior meeting; such tax would generate more revenue and council could lower the ad valorem tax rate.
- Public safety should be council's highest priority; population continued to increase and the number of police officers decreased in 2010; the city was operating with fewer staff than recommended. It was noted that two officers were added in the original budget and only one position remained frozen from 2010 cuts.
- Vehicles were tools and should be replaced on schedule. Staff cannot work around vehicle maintenance and operate efficiently. Staff had secured \$1.3 million funding for a fire truck that should have been replaced seven years ago.

The following person spoke:

1. Jimmie Spradling stated that at the time the tax freeze was passed, not everyone was in favor of it; some people were against it.

Council asked how much the average homeowner would save annually with a nominal rate reduction. Mr. Parton noted the average home was appraised at \$170,000; if the rate was reduced to \$0.56, the annual taxes on the average home would decrease approximately \$4.25. He also noted that 70% of the city's total ad valorem tax base was residential, of which 25% was frozen; in the future, taxes cannot be raised on the 25% of 70% whose taxes were frozen.

The following person spoke:

1. Carolyn Lipscomb stated that the city council had a right to question KCAD's arbitrary increase in business property values; however, taxes were an operating expense for businesses and generally operating costs were passed on to

customers through product pricing. The telephone tax proposed at the last meeting would be a regressive tax that would hit people equally, and such taxes and fees can hurt persons with lower income more significantly than those with higher income. The city paid for a study and developed a street improvement plan, and if the city did not maintain streets they would have to be totally reconstructed at a higher cost than sealcoating; delaying street maintenance will cost more in the future due to inflation, and those whose taxes are not frozen will have to pay more for street repairs.

Mr. Conklin moved to adopt the FY2015 budget that will require raising more revenue from property taxes than the previous fiscal year. Mr. Allen seconded the motion and it passed 3-2 with the following results upon roll call vote.

Jack Pratt	Yes
Gene Allen	Yes
Carson Conklin	Yes
Stacie Keeble	No
Gary Stork	No.

Mr. Allen moved for approval of Ordinance No. 2014-15 as presented on first reading adopting the FY2015 budget; Mr. Conklin seconded the motion and it passed 3-2 with Councilmembers Conklin, Allen, and Pratt voting in favor of the motion and Councilmembers Keeble and Stork voting against the motion.

4B. Ordinance No. 2014-16 levying an ad valorem tax for the use and the support of the municipal government for the City of Kerrville, Texas, for the Fiscal Year 2015; providing for apportioning each levy for specific purposes; and providing when taxes shall become due and when same shall become delinquent if not paid. Mayor Pratt read the ordinance by title only.

Mr. Parton recommended adopting the tax levy at \$0.5625 that would fund the FY2015 budget.

Mr. Stork moved to adjust the tax rate to \$0.559 per \$100 valuation; Ms. Keeble seconded the motion and the motion failed 2-3 with Councilmembers Stork and Keeble voting in favor of the motion and Councilmembers Allen, Conklin, and Pratt voting against the motion.

Mr. Conklin moved for approval of Ordinance No. 2014-16 on first reading and that the property tax be increased by the adoption of a tax rate of \$0.5625 which was effectively a 4.67% increase in the tax rate. Mr. Allen seconded the motion and it passed 3-2 with Councilmembers Conklin, Allen, and Pratt voting in favor of the motion and Councilmembers Keeble and Stork voting against the motion.

5. ORDINANCES, SECOND AND FINAL READING:

5A. Ordinance No. 2014-18 repealing Ordinance No. 2003-16 and creating a new "Planned Development District" for Personal Services I (beauty parlor/barber shop) on Lots 15 and 16, Block 16, Westland Place subdivision, City of Kerrville, Texas, and more commonly known as 401 W. Water Street; adopting a site plan

for said Planned Development District; making said district subject to certain conditions and restrictions; containing a cumulative clause; containing a savings and severability clause; establishing a penalty or fine not to exceed two thousand dollars (\$2,000.00); and ordering publication. Mayor Pratt read the ordinance by title only.

Mr. Lutz noted no changes since first reading.

Mr. Stork moved for approval of Ordinance No. 2014-18 on second and final reading; Mr. Conklin seconded the motion and it passed 5-0.

5B. Ordinance No. 2014-19 amending the City's "Zoning Code" by amending Article 11-I-18 "Special Screening Regulations" to change some screening requirements applicable to properties with commercial uses located adjacent to properties with residential land uses; containing a cumulative clause; containing a savings and severability clause; providing for a maximum penalty or fine of two thousand dollars (\$2,000.00); and ordering publication. Mayor Pratt read the ordinance by title only.

Mr. Lutz noted the ordinance would amend Type B screening requirements by removing the 50 ft. buffer and increasing the height of privacy fencing; no changes since first reading.

Mr. Allen moved for approval of Ordinance No. 2014-19 on second and final reading; Mr. Conklin seconded the motion and it passed 5-0.

6. CONSIDERATION AND POSSIBLE ACTION:

6A Resolution No. 21-2014 providing for the City's approval or disapproval of the Kerr Central Appraisal District's fiscal year 2015 budget.

Mr. Parton noted the city had not received a response from KCAD to council's previous questions.

Mr. Stork moved for approval of Resolution No. 21-2014 DISAPPROVING the Kerr Central Appraisal District's fiscal year 2015 budget; Mr. Conklin seconded the motion and it passed 5-0.

6B. Establish legislative priorities for the City of Kerrville for the Texas 84th Legislative Session and for the 114th US Congress.

Mr. Parton discussed potential legislative issues the city should support:

- Protect existing water permits and rights that the city has by exempting said rights from termination through subordination agreements downstream.
- Speed up TCEQ's permitting processes for municipal water suppliers.
- Address conflicts with water regulations, specifically, increased water quality standards cause treated water to be wasted, and health and safety operational criteria requires significant amount of water to be acquired, treated, and stored.

- Evaluate the roles, duties and authority of the state watermaster; watermaster working for the same entity responsible for permitting posed a potential conflict of interest.
- Improve regional transportation systems, i.e. increase clearance for oversized loads at Harper/I-10 interchange, and develop additional access road along I-10.
- Fund Kerrville/Kerr County Municipal Airport projects: installation of flight tower and possible future customs office.
- Oppose bills that would further limit local authority to set tax rates or limit a local authority's ability to sell debt.
- Fire flow and fire safety requirements outside of a city's boundaries; the city could require a development to build to a certain standard but cities could not enforce the requirement on private water providers or require them to water providers were not required to identify or designate fire hydrants.
- Setting the first day of school affects camps, tourism, and economic development.
- De-regulation of marijuana.
- Mental health services.

Mr. Parton proposed the city sponsor a trip, inviting representatives from other local entities, to Austin to meet with legislators.

The following person spoke:

1. Ruth Spradling asked if the city had any input in daylight savings time. Mr. Parton noted the city was not involved in daylight savings time.

Mr. Stork moved to adopt the list of legislative priorities as presented with condition that council may add items in the future. Ms. Keeble seconded the motion and it passed 5-0.

7. **ITEMS FOR FUTURE AGENDAS:** None.

8. **ANNOUNCEMENTS OF COMMUNITY INTEREST:**

- Sock Hop, September 27, 7:00 p.m., downtown.
- Kerrville Triathlon, September 27-28.

9. **EXECUTIVE SESSION:** None.

10. **ACTION ON ITEMS DISCUSSED IN EXECUTIVE SESSION:** None.

ADJOURNMENT. The meeting adjourned at 7:16 p.m.

APPROVED: 10/14/2014

/s/

Jack Pratt, Jr., Mayor

ATTEST:

/s/

Brenda G. Craig, City Secretary