

CITY COUNCIL MINUTES
SPECIAL BUDGET MEETING

KERRVILLE, TEXAS
May 4, 2011

On May 4, 2011, the Kerrville City Council special budget meeting was called to order by Mayor Wampler at 8:30 a.m. in the city hall council chambers, 800 Junction Highway.

MEMBERS PRESENT:

David Wampler	Mayor
R. Bruce Motheral	Mayor Pro Tem
Gene Allen	Councilmember
T. Scott Gross	Councilmember
Stacie Keeble	Councilmember

MEMBER ABSENT: None

STAFF PRESENT:

Todd Parton	City Manager
Mike Hayes	City Attorney
Kristine Ondrias	Assistant City Manager
Brenda G. Craig	City Secretary
Travis Cochrane	Director of Information Technology
Mike Erwin	Director of Finance
Mindy Wendele	Director of Business Programs
Charlie Hastings	Director of Public Works
John Young	Police Chief
Kim Meisner	Director of General Operations
Mark Beavers	Asst. Fire Chief

VISITORS PRESENT: List on file in city secretary's office.

**DIRECTION TO CITY STAFF FOR PREPARATION OF THE CITY OF KERRVILLE
FY12 BUDGET:**

Mr. Erwin noted the operating budget would be based on the funds remaining after capital projects were deducted from the revenue received. He reviewed the principles that staff would use in preparing the draft budget: expenditures not exceed revenues, maintain current tax levy, prioritize programs, fund priorities, no use of reserves, no change in water and sewer rates, and be self sufficient. Staff would begin prioritizing programs and identifying core services in each department.

Mr. Erwin estimated FY12 sales tax at \$4.6 million, and the tax appraiser gave a preliminary estimate of \$1,283,000,000 for FY12 taxable property. He provided revenue projections for all funding sources: i.e. services provided, other taxes (franchise fees), permits and fees, and fines and forfeitures. The unreserved fund balance in the general fund was 13%; the goal was 15%. He estimated the water/sewer (w/s) fund revenue at \$8.8-9 million. The \$1 sewer rate increase

specifically designated for debt service, would build a \$500,000 fund balance and generate \$90,000 per month to cover the 2011 debt issuance and the anticipated 2012 debt issuance. The unrestricted net assets of the w/s fund totaled about \$3 million. Starting with the FY13 budget, Mr. Erwin anticipated \$2-3 million would be available annually for w/s capital projects, and he proposed that the city move to a pay-as-you-go plan for w/s projects. Mr. Erwin noted that debt service comprised 27% of the revenue in the w/s fund after the proposed 2012 issuance, and 13% of the revenue in the general fund.

Mr. Erwin and Mr. Parton also reported on the following:

- Allowable uses of 4B revenues. Reviewed the economic development strategic concept and the allowable uses for 4B funds.
- Anticipated revenue for the hotel occupancy tax fund and allowable uses.
- Proposed capital replacement equipment; anticipated \$193,000 allocated in building maintenance for city hall would not be necessary if the city hall function was moved to the proposed downtown location. Items deferred in past budgets were becoming critical.
- Self sufficiency. Expenditures built around income; build sustainable core level.
- Reviewed general fund capital projects; total CIP at \$4.6 million; would have to be funded with debt, but not proposing general fund debt in FY12.
- Tax rate at \$0.5625; O&M (maintenance and operation) \$0.489, and debt service at \$0.0735
- The city's debt service rate was very low as compared to other cities.

INTERLOCAL AGREEMENTS BETWEEN KERR COUNTY AND THE CITY OF KERRVILLE FOR JOINT OPERATIONS:

Mr. Parton noted the county judge had expressed the county's May 2 proposal to be a one year funding agreement; the council had previously requested a three to five year agreement. The county's May 2 proposal included: \$900,000 for fire/EMS (same as proposed by the city) to provide the same level of service; \$200,000 for library services (city proposed \$375,000) contingent upon the county receiving a \$200,000 grant from the Cailloux Foundation for fire/EMS; and airport funding \$175,000 each from the city and county (city proposed \$165,000 each). Mr. Parton noted animal control was still under discussion and he had requested information from the county regarding the cost of shelter services only, if the city chose to provide animal control service in the city. Judge Tinley had also stated that the county was investigating creating emergency service districts (ESDs) to fund services in the future.

Councilmembers also discussed the following points:

- The city gave notice to the county in January that the contracts were voided and offered to negotiate new contracts; reviewed the history of the negotiation process.
- The council will not agree to budget above the nominal amount of the airport operating budget; the current airport contingency fund was more than sufficient.
- The airport board, without a budget amendment approved by the city and county, had authorized salary increases outside of the adopted budget.
- The county proposed to fund only \$200,000 for the library contingent upon a grant

from the Cailloux Foundation for fire/EMS; no county funds would be allocated to the library. The \$375,000 contribution requested by the city was only a portion of the operational cost; no maintenance or capital outlay had been included.

- The proposal from the county was only a one year commitment; the city requested three year minimum agreements with annual cost of living adjustments.
- The city was already providing animal control service in the city and should only contract with the county for shelter services. The county stated they could not afford to give the city animal control services and expected the city to provide the services that the county was being paid by the city's citizens to provide.
- The city offered the county a package for all services in January; the county was told it was a package, now the county proposed to cut out all county funding for the library and increase funding to the airport.
- The county's package was not fair to the city's citizens; 47% of the county's revenue came from inside the city limits.
- It was not acceptable for city citizens to carry the burden of providing services outside the city; the city council should protect the interest of the city's citizens foremost.

Upon consensus of the city council, Mayor Wampler instructed staff to prepare an FY12 budget that did not contemplate any contribution from the county; noting that the county's May 2 proposal provided insufficient funding to the library, and the city would not agree to an increase in the airport fund as the airport reserve fund was sufficient or excessive.

ADJOURNMENT. The meeting adjourned at 9:32 a.m.

APPROVED: _____

David Wampler, Mayor

ATTEST:

Brenda G. Craig, City Secretary