

CITY COUNCIL MINUTES  
SPECIAL BUDGET MEETING

KERRVILLE, TEXAS  
AUGUST 22, 2011

On August 22, 2011, the Kerrville City Council budget workshop was called to order by Mayor Wampler at 9:00 a.m. in the city hall council chambers, 800 Junction Highway.

MEMBERS PRESENT:

David Wampler	Mayor
Gene Allen	Mayor Pro Tem
Carson Conklin	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
Mike Erwin	Director of Finance
Travis Cochrane	Director of Information Technology
Mindy Wendele	Director of Business Programs
Charlie Hastings	Director of Public Works
John Young	Police Chief
Robert Ojeda	Fire Chief
Kim Meisner	Director of General Operations

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

**REVIEW AND DISCUSS THE PROPOSED FISCAL YEAR 2012 BUDGET AS IT PERTAINS TO: GENERAL FUND, OTHER FUNDS, WATER AND SEWER FUND, CAPITAL IMPROVEMENT PLAN, AND DEBT:**

General Fund: Mr. Erwin noted the proposed FY12 budget anticipated revenue of \$20,452,406 and expenditures of \$20,052,133, and reviewed all funds. The following points were discussed:

- FY12 budget included 305 full time employees; down from 323 in FY10.
- \$0.5625 ad valorem tax rate, the same as FY11; would raise \$314,000 LESS than FY11, a decrease of 4.4%.
- Reviewed minor changes in the fee schedule to be considered for adoption at the next council meeting.
- Reviewed updated financial policies and proposed it be adopted annually as part of the budget; would be considered for adoption at the next council meeting.
- Proposed to increase the fund balance; current fund balance at 13.4%; Standard & Poor's recommended no less than 15%; staff recommended a goal of 15-25%, to achieve two-three month operating expenditures.

- Mr. Hastings proposed eliminating the television disposal program offered at the recycling center for an annual cost savings of about \$32,000.

Solid Waste Contract: Mr. Parton advised that Allied Waste/Republic Services proposed a 7% residential and 10% commercial rate increase effective October 1, 2011; however, the notification was received after the deadline for rate adjustment for FY12. Allied offered options to increasing the rate:

- Allied would provide 95 gallon carts for residential customers and trash collection would be limited to that one container once a week.
- Recycling would be limited to one bin every two weeks; also no rebate paid to the city for recyclable materials.
- Re-route residential collection routes from six days to five days per week.

Mr. Parton noted these changes could cause renegotiation of the existing contract; if so, he proposed that any new contract include a franchise fee for use of city streets. He noted that under the current 20 year agreement, due to expire in 2030, there was no limit on the amount of trash or recyclables for the weekly collection. The city had facilitated Allied in the construction and completion of the landfill transfer station.

Hotel Occupancy Tax: Mr. Erwin provided a distribution worksheet for allocation of HOT funds based on the average submitted by councilmembers; council action was scheduled for the August 23 meeting.

Council consensus was to appropriate the anticipated \$900,000 to the convention and visitors bureau to be disbursed as follows: \$741,250 for CVB annual operations; \$105,000 for the special events program; and \$53,750 for arts coalition advertising. Council also requested a workshop be held with CVB in the future.

City/County Interlocal Agreements: Mr. Parton noted the overall increase to the county for fire/EMS, library, animal control, and airport over FY11 was less than \$49,000; also, the city's cost for jail services paid to the county was expected to increase \$54,000; therefore, the total net difference to the county from FY11 to FY12 would be a decrease of \$5,000. In addition, the airport budget was still under discussion, with potential additional savings of \$55,000-65,000. Council noted the county was contemplating a tax rate increase for FY12.

Street Maintenance/Construction Plan: Mr. Hastings discussed expansion of the street construction program; the ultimate goal would be to rehabilitate 15 miles every year for a ten-year program. Mr. Parton discussed a possible grant that may be available for street maintenance. Council requested staff prepare a street rehabilitation analysis to be used in the grant application, and present it to the council for formal action.

Annual Street Maintenance Program with Kerr County: Mr. Hastings discussed the annual maintenance program with the county, whereby the city would purchase materiel and the county would provide equipment and a work crew, at no cost to the city, to chip seal three miles of city streets. The county had just completed two miles

of streets and was scheduled to chip seal Arcadia Loop on August 23; the city had already prepared the street and the material was on site. Mr. Parton stated he was notified that the county may be submitting an invoice to the city for construction work on city streets; also an item was on the county's agenda to discuss the city/county road program. Mr. Hastings noted the city did not have the equipment necessary to apply chip seal; however, a local contractor could be hired to complete the work if necessary.

Consensus of the council was to stay with the original agreement with the county, and if a bill was received from the county, staff should not pay it and should proceed to complete Arcadia Loop without county participation.

#### Capital Improvement Plan FY2012-2016:

Ms. Ondrias presented the five year CIP; discussion focused on the following:

- The proposed FY12 debt issuance would provide funding for water/sewer capital projects scheduled in FY12-14; the FY11 rate increase would be sufficient to cover that debt issuance. Implementation of CIP projects beyond FY14 would require additional debt issuance and corresponding rate increase. The current rate structure would provide \$1 million per year; by FY15 the city should be on a pay as you go basis under the current rate structure.
- Projects proposed by EIC for 4B funding through FY12 debt issuance totaled \$9 million: Louise Hays Park, \$2 million; river trail phases II & III, \$6 million; and extension of utilities on Harper Road, \$1 million.
- Need to address water/wastewater system capacity issues.
- General fund debt projects scheduled for FY12/13 were moved to FY13/14.
- The CIP had been prepared to match the timing of projects with funding availability.

Mr. Erwin compared the water/sewer fund current debt per capita and operating ratio with the proposed debt and ratio after the proposed FY12 and FY 14 debt issuances. Currently, 77-78% of income funded operating expenses; the proposed FY14 debt would increase system capacity and drop the operating ratio to 67%. The FY14 debt would require a \$0.30/gallon water, and \$0.701/1,000 gallon sewer increase.

Mr. Parton noted the estimates include an anticipated annual growth rate of 1%.

Council also discussed the following:

- Blackwell Fire Station on Harper Road, possible rehabilitation and viable use.
- The city had neglected infrastructure in the past and now council had to catch up on many needed projects.
- The city's infrastructure would not support additional economic development or manufacturing; system capacity issues must be addressed before economic development can occur.
- 56% of the city's budget was emergency services; council questioned police staffing and equipment. Chief Young noted staffing must remain sufficient to respond to emergency calls; much of the equipment purchased in FY11, as well as officer hiring and training, was funded by grants written by police staff.

The meeting recessed at 12:20 p.m.; Mr. Allen left the meeting at 12:20 p.m. the meeting reconvened at 1:03 p.m.

Council requested the following information be provided:

- National police standards for replacement of law enforcement vehicles.
- Place a chart on the website showing the amount spent on infrastructure in the 1990s and what had to be spent now to catch up.
- Analysis of the condition of Blackwell Fire Station and what it could be used for.
- Place the debt information charts on the website.
- Schedule a workshop with CVB.
- Schedule a public open house/town hall meeting after adoption of the budget.
- Prepare a public statement regarding the importance of maintaining a fund balance; place it on the city's website.
- A project analysis to quantify what a project will provide; particularly identify retail and commercial uses that could be accommodated by a project.

Mr. Parton noted the CIP had been designed to align capital projects with economic development needs, and to address utility infrastructure capacity issues. He recommended approval of the FY12 budget with the changes presented including amendments to the CIP.

The consensus of the council was to instruct staff to move forward to get funding agreements from EIC for the three capital projects (construction of river trail phases II and III, improvements in Louise Hays Park, and utility construction on Harper Road); proceed with issuing debt in FY12; incorporate the changes presented into the final budget; and prepare the final budget document for adoption at a future meeting.

**ADJOURNMENT**. The meeting adjourned at 1:25 p.m.

APPROVED: \_\_\_\_\_

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David Wampler, Mayor

ATTEST:

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Brenda G. Craig, City Secretary