

CITY COUNCIL MINUTES
SPECIAL MEETING

KERRVILLE, TEXAS
JANUARY 31, 2012

On Tuesday January 31, 2012, a special meeting of the Kerrville City Council was called to order at 10:05 a.m. at the Salvation Army Ray & Joan Kroc Community Center at 201 Holdsworth Drive, Kerrville, Texas.

COUNCILMEMBERS PRESENT:

David Wampler	Mayor
Gene Allen	Mayor Pro Tem
Carson Conklin	Councilmember
T. Scott Gross	Councilmember
Stacie Keeble	Councilmember

COUNCILMEMBERS ABSENT: None

CORE STAFF PRESENT:

Todd Parton	City Manager
Mike Hayes	City Attorney
Kristine Ondrias	Assistant City Manager
Brenda G. Craig	City Secretary
Mindy Wendele	Director of Business Programs
Mike Erwin	Director of Finance
Kim Meismer	Director of General Services
Charlie Hastings	Director of Public Works
John Young	Police Chief
Robert Ojeda	Fire Chief
Stuart Barron	Water/Wastewater Utilities Manager

PROVIDE DIRECTION TO STAFF FOR THE FY 2013 BUDGET:

REVIEW CITY COUNCIL GOALS:

The consensus of the council was to change Goal 7 to:
“Engage in beneficial relations with other governmental agencies that are beneficial for the citizens of Kerrville.”

FISCAL CONDITIONS:

Staff noted the following:

- To date the county collected \$6,184,000 in ad valorem tax for the city; effective February 1, 2012, the Kerrville Independent School District would begin collecting the taxes for the city.
- The FY12 budget was at the FY06-07 spending level; a 4.75% increase in revenue in the next five years was necessary to continue to provide the same level of service.
- Goal was to maintain a balanced budget and a 15% fund balance.
- The FY12 budget was based on the following assumptions:
Revenue: 1.5% growth in assessed value; 0.5625 property tax rate; 1.5% growth

in sales tax; 1% growth in other revenues; and utility rates and operations remain the same and an increase for debt service.

Expenses: Projects in the five year capital improvement plan; and growth in recurring expenses: 1-1.5% basics, 3-5% in volatile expenses, and 3% employee compensation.

Debt: General fund debt was 10-15% of the tax rate. The water and sewer fund debt should not exceed 35% of revenue.

- General fund balance should be between 15-25%; in the event of economic downturn, drawdown should not exceed 15%; the current general fund balance was at 16%.
- Water and sewer fund was budgeted conservatively based on sales during a drought period and estimated a 1% annual growth. Staff recommended a reserve fund balance equal to 25% of operating expenses and one year of debt service payments.
- Goal was for the utility fund to operate on a pay-as-you-go basis; city currently could sustain this if no additional debt was issued.
- Library fund: Need to maintain state accreditation as a county free library in order to receive discounts on resources and data bases that the city currently accessed for free (\$250,000 value); look at additional fees and charges to make up the loss in county participation.
- Completion of the river trail and Louise Hays Park improvements may add four persons and equipment in the parks department, and may increase personnel and equipment in the fire and police departments. Security monitoring was built into the project.
- Pavement management system (PMS): Staff was asked what it would take to achieve a PMS rating of 85; current score was 79. The PMS program called for rehabilitation of every road every 15 years; some city roads were currently at 30 years; a 15 year rehabilitation plan required 10 miles per year and the city was currently doing only about 3-4 miles per year. Mr. Parton suggested council consider issuing debt and contracting out major rehabilitation in order to accomplish more paving.
- Street department: Mr. Hastings reported: the cost of deferring street maintenance was \$750,000 and it compounded every year because the city was not keeping up with maintenance; the city received a grant from the Cailloux Foundation to purchase paving machinery; he opined that it would be more efficient to use local vendors for chip seal rather than working with the county.
- Water and sewer fund: fiscal sustainability revenue above expenditures with capacity to do small projects on pay as go basis.
- UGRA water permit: Discussed viability and usability of the permit. Mr. Parton noted some interest from Ingram, Center Point and Kerrville South for the city of Kerrville to become a regional water provider. Mr. Barron noted the city already owned half of the permit; he discussed the limits of the permit and noted when water was available the state would not allow the city to take it out of the river. He opined that the way the permit would benefit the city would be for the city to treat the water and then allow UGRA to sell the water. The city was limited by the size of the treatment plant and the city's ability to treat additional water.

- Reuse water: The wastewater treatment plant produced 2 mg of treated effluent daily, and several entities request reuse water, particularly during water conservation periods when potable water was not available for outdoor watering. Storage tanks and infrastructure would be costly to build and maintain for effluent storage; therefore, staff suggested the possibility of treating effluent to a higher standard and storing it in ASR to be used as potable water. Council also suggested capturing commercial air conditioning condensate as a water source.
- The inflow and infiltration (I&I) capital project had been successful in keeping rainwater out of the sewer system.

DEBT SERVICE AND CAPITAL PROJECT PLANNING:

Mr. Erwin reviewed current tax-supported and revenue-supported debt service obligations and stated the city to assume additional debt before 2023 would need an increase in revenue to cover the debt, such as: raise taxes, increase rates, a significant annexation, or growth in ad valorem value.

Mr. Parton noted the city had been deferring water and sewer capital projects for many years and the 2011 water and sewer rate increase was to fund projects that would address some system capacity and maintenance issues. He proposed the city determine the debt service capacity and then build a five year CIP based on financial resources. Staff discussed various projects in the CIP: drainage issues, parks equipment replacements, sewer mechanical system, central fire station, purchase of an aerial platform ladder truck to replace a 22 year old ladder truck, relocation of fire administration offices, Olympic Pool renovation, and a list of other capital projects.

The city's debt service ratio of 13% was comparatively low based on the state average; the objective would be to remain under 15%; utility rates were on target with state averages. Mayor Wampler suggested council consider additional debt while rates were at an all-time low and fund street and infrastructure projects that had been neglected for years.

MUNICIPAL WATER SUPPLY (GROWTH CAPACITY):

Staff noted the following:

Existing Conditions: maximum demand was 9.07 mgd; average was 4.53 mgd; maximum production capacity was 14.4 mgd; average was 9.28 mgd; safe operating capacity was 10.8 mgd; existing connections were 9,500; excess capacity was 3,500 connections.

Growth Capacities: Projected out water supply that would be necessary to sustain a population up to 35,000, estimated in year 2060.

Water Supply to Service New Certificate of Convenience and Necessity (CCN) Area: Develop a plan to locate potential future well sites, tank sites, and acquisition.

Water Supply Sustainability: Staff reviewed a long term strategy using three water supply sources: river water, groundwater, and reclaimed water. Staff proposed treating effluent to a higher standard and storing it in ASR to be used

as potable water; also discussed capturing and treating commercial air conditioning condensate. Staff noted the city had contracted with a consultant to provide scenarios and costs for the possible future relocation of the city's wastewater treatment plant.

PROGRAM PRIORITIES: Mr. Parton reviewed the priority survey from 2011 and discussed differences between council's and staff's responses.

COUNTY INTERLOCAL AGREEMENTS:

Staff reviewed existing agreements that would expire in 2015 and discussed a process on how to proceed beyond the terms of the existing agreements; he proposed to prepare options and costs for service levels for council's review prior to contacting the county.

The meeting adjourned at 3:17 p.m.

APPROVED: _____

ATTEST:

David Wampler, Mayor

Brenda G. Craig, City Secretary