

CITY OF KERRVILLE

MAYOR AND CITY COUNCIL

800 Junction Highway

Kerrville, Texas 78028

830-257-8000 / www.kerrvilletx.gov

RESOLUTION AND COMMENDATION

WHEREAS, CLAUDIO CASTILLO has served as a member of the Parks and Recreation Advisory Board with the date of service beginning April 11, 2006, and

WHEREAS, CLAUDIO CASTILLO has served faithfully and dutifully on said board;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF KERRVILLE, KERR COUNTY, TEXAS:

That **CLAUDIO CASTILLO** be recognized for outstanding service as a member of the Parks and Recreation Advisory Board, and that on behalf of the citizens of Kerrville, as well as for ourselves individually, we wish to express our sincere appreciation for contributions to the city and the community.

PASSED AND APPROVED, this the 11th day of May, 2010.

ATTEST:


Brenda G. Craig, City Secretary


Todd A. Bock, Mayor

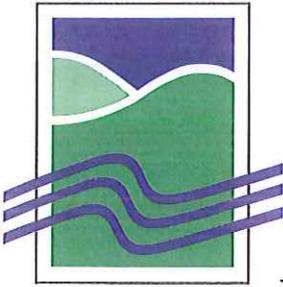

R. Bruce Motheral, Mayor Pro Tem


Stacie Keeble, Councilmember


T. Scott Gross, Councilmember


Chuck Coleman, Councilmember





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RESOLUTION AND COMMENDATION

WHEREAS, DIANA L. BOCK has served as a member of the Parks and Recreation Advisory Board with the date of service beginning April 8, 2008, and

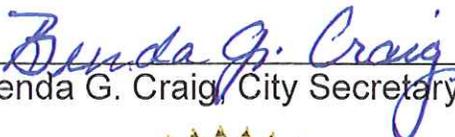
WHEREAS, DIANA L. BOCK has served faithfully and dutifully on said board;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF KERRVILLE, KERR COUNTY, TEXAS:

That **DIANA L. BOCK** be recognized for outstanding service as a member of the Parks and Recreation Advisory Board, and that on behalf of the citizens of Kerrville, as well as for ourselves individually, we wish to express our sincere appreciation for contributions to the city and the community.

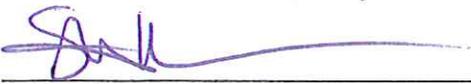
PASSED AND APPROVED, this the 11th day of May, 2010.

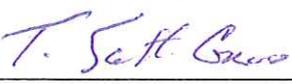
ATTEST:


Brenda G. Craig, City Secretary


Todd A. Bock, Mayor

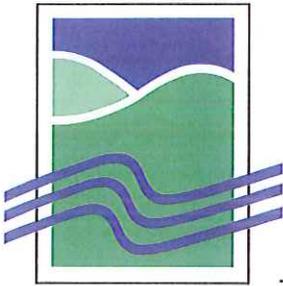

R. Bruce Motheral, Mayor Pro Tem


Stacie Keeble, Councilmember


T. Scott Gross, Councilmember


Chuck Coleman, Councilmember





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PROCLAMATION

WHEREAS, Historic preservation is an effective tool for managing growth and sustainable development, revitalizing neighborhoods, fostering local pride and maintaining community character while enhancing livability; and

WHEREAS, Historic preservation is relevant for communities across the nation, both urban and rural, and for Americans of all ages, all walks of life and all ethnic backgrounds; and

WHEREAS, It is important to celebrate the role of history in our lives and the contributions made by dedicated individuals in helping to preserve the tangible aspects of the heritage that has shaped us as a people; and

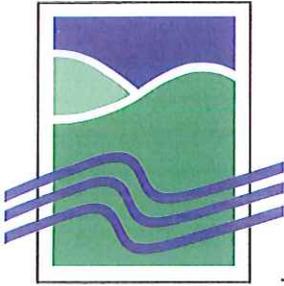
WHEREAS, "Old is the New Green" is the theme for National Preservation Month 2010, cosponsored by **Kerrville Main Street** and the National Trust for Historic Preservation

NOW, THEREFORE, I, Todd A. Bock, Mayor of the City of Kerrville, Texas, do proclaim **May 2010 as National Preservation Month**, and call upon the people of Kerrville to join their fellow citizens across the United States in recognizing and participating in this special observance.



IN WITNESS WHEREOF,
I have hereunto set my hand
and caused the Seal of the City
of Kerrville to be affixed hereto,
the 11th day of May, 2010.

Todd A. Bock, Mayor



CITY OF KERRVILLE

MAYOR AND CITY COUNCIL

800 Junction Highway

Kerrville, Texas 78028

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PROCLAMATION

- WHEREAS,** Nationwide, the Salvation Army provides 42 million Americans with assistance, helping men and women overcome serious life problems, giving a hand up to families by providing assistance during holidays and throughout the year, providing safety for those fleeing from domestic abuse, caring for disadvantaged youth and offering emergency housing assistance when needed; and
- WHEREAS,** From May 10 – 14, 2010, Salvation Army centers nationwide will commemorate 120 years of faithful ministry in the United States; and
- WHEREAS,** The Salvation Army has had a presence in Kerrville since the mid-1960s through an Army-overseen medical clinic and a formal Corps establishment since 1986; and
- WHEREAS,** In 2009 alone Salvation Army staff and volunteers assisted and ministered to more than 14,000 individuals, families and children through the Corps' social services, disaster relief, outreach and adult and children's programming, and also provided more than 21,000 meals to the hungry in our community; and
- WHEREAS,** The City of Kerrville would like to recognize The Salvation Army's 24-year history of faith-based service to area residents.

I, Todd A. Bock, Mayor of the City of Kerrville, Texas, on behalf the Kerrville City Council and the City of Kerrville, do hereby proclaim the week of May 10th as

"SALVATION ARMY WEEK"

IN WITNESS WHEREOF,
I have hereunto set my hand and caused the Seal of the City of Kerrville to be affixed hereto, the 11th day of May, 2010.

Todd A. Bock, Mayor





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PROCLAMATION

WHEREAS, In 2009 the Volunteer Auxiliary dedicated 35,238 hours to patients, families and the staff at Peterson Regional Medical Center; and

WHEREAS, There is an increasing number of men, women and children who will continue to seek medical treatment and will receive the services of the volunteers; and

WHEREAS, Hundreds of people will rely on the hospital volunteers to meet their special needs; and

WHEREAS, The Volunteer Auxiliary organized in September 14, 1977, with the purpose to provide a service to patients; and

WHEREAS, On May 11, 2010, The Volunteers will gather together with the purpose of celebrating their many hours of service.

NOW, THEREFORE, I, Todd A. Bock, Mayor of the City of Kerrville, Texas, on behalf the Kerrville City Council and the City of Kerrville, do hereby honor **THE VOLUNTEER AUXILIARY OF PETERSON REGIONAL MEDICAL CENTER** for their hours of hard work and dedication to the community.



IN WITNESS WHEREOF,
I have hereunto set my hand
and caused the Seal of the
City of Kerrville to be affixed
hereto, the 11th day of May,
2010.

Todd A. Bock, Mayor

**Joint Meeting of City Council,
Zoning Ordinance Input Committee and
Planning and Zoning Committee**

**Regular Meeting Minutes
Tuesday, April 6, 2010
2:00 p.m.**

On Tuesday, April 6, 2010, the Special Joint meeting with City Council, Zoning Ordinance Input Committee and Planning and Zoning Committee was called to order by Mayor Todd Bock, Chairman, John Mosty and Jim Kessler at 2:03 p.m. in the Dietert Center's Riverside Grill, 215 Guadalupe Street.

Members Present

Mayor Todd Bock
Councilmember Bruce Motheral
Councilmember Stacie Keeble
Councilmember Scott Gross
Councilmember Chuck Coleman

ZOIC

John Mosty
Beverly Buffington
Curg Starkey
Carson Conklin
Walter Schellhase
Justin McDonald
Brian Bondy

Planning

Jim Kessler
Mike Sigerman
Justin McDonald

Staff Present

Todd Parton, City Manager
Kristine Ondrias, Assistant City Manager
Kevin Coleman, Director of Development Services
Gordon Browning, City Planning
Mindy Wendele, Director of Business Programs
Tara LaMontia, Assistant to the City Manager

Visitors Present

Sign in sheet is on file in City Secretary's office for required retention period.

1. Call to Order

Mayor Todd Bock called the meeting to order and welcomed members of each committee.

2. Summary

Development Services Director, Kevin Coleman presented the City's Comprehensive Plan and described the revisions recommended by each committee, stating that the purpose of the amendments were to simplify the zoning map, to encourage citizen participation and eliminate weaknesses in the planning process.

ZOIC Chairman, John Mosty outlines the specific amendments presented by the committee for consideration.

ZOIC Chairman, John Mosty presented the recommendations to board members, used in the board's process and that the goal was to clearly define land use by reducing the current 38 zoning districts down to 11. The Committee has followed that process to develop the proposed Central Business District zoning district. The committee is currently working through the specifics of the use chart citing the NAICS as the referenced baseline.

3. Adjourn

The meeting adjourned at 2:56 p.m.

APPROVED

Mayor Todd Bock,
Chair

Tara LaMontia,
Recording Secretary

Date: _____

MINUTES OF A TOWN HALL MEETING
APRIL 6, 2010; 6:00 P.M.

KERRVILLE, TEXAS

On April 6, 2010, at 6:00 p.m. a town hall meeting was held at the Dietert Center, Riverside Grill, 451 Guadalupe Street, Kerrville, Texas.

John Mosty, chairman of the ZOIC, upon determination of a quorum in attendance, called the ZOIC meeting to order.

CITY COUNCIL MEMBERS PRESENT:

R. Bruce Motheral Mayor Pro Tem

PLANNING AND ZONING COMMISSION MEMBERS PRESENT:

Harold Buell David Watterson
James Kessler

ZONING ORDINANCE INPUT COMMITTEE MEMBERS PRESENT:

John Mosty A.L. Starkey, III
Carson Conklin Walter Schellhase

CITY STAFF PRESENT:

Todd Parton City Manager
Kristine Ondrias Assistant City Manager
Kevin Coleman Director of Development Services
Gordon Browning City Planner

Discussion of recommendation from the City of Kerrville Zoning Ordinance Input Committee (ZOIC) regarding amendments to the City of Kerrville zoning ordinance.

Kevin Coleman noted the city council began a review of the existing zoning ordinance in August 2008 as part of an update to the comprehensive plan. The primary goal was to reduce the number of zoning districts and to redraft the zoning map to correlate with the comp plan land uses. The critical elements to the rezoning process were: 1) stay consistent with the comp plan; 2) address all the critical weaknesses of the existing zoning ordinance; and 3) ensure citizen participation throughout the process. January 2009 the city council created ZOIC with direction to review the existing ordinance for conformance with the comprehensive plan, and provide city council an assessment of any deficiencies or inefficiencies in the current ordinance. In June 2009 ZOIC presented their report to the city council with the following recommendations: 1) the existing zoning ordinance be completely overhauled; 2) council approve an incremental overhaul of the existing ordinance; and 3) ZOIC be the primary resource for that process. ZOIC established a process to result in an eventual total revision of the zoning ordinance: address critical weaknesses of the zoning ordinance; correct and simplify baseline zoning districts and land use charts; review development standards—parking, setbacks, green spaces and signage; develop specific amendments to strengthen the existing ordinance; focus on simplifying the zoning districts in the central city; and broaden focus to commercial corridors, followed by residential areas.

Mr. Mosty presented the findings of ZOIC and proposed the existing zoning ordinance be amended to include these recommended changes:

- The zoning board of adjustments and the Planning and Zoning Commission (PZC) would follow the Open Meetings Act and rules for city boards.

- Quasi-judicial decisions/ex parte communications. Established ex parte communication restrictions whereby members were restricted from communicating with persons who may be a party to a matter being considered. This was designed to ensure a fair hearing before an impartial body and that decisions would be made based on information presented as a matter of official public record.
- Certificate of occupancy and building permits: Would require that the city planner review all certificates of occupancy prior to issuance by the building official.
- Zoning of Newly Annexed Areas. In order to allow for continuation of annexations in progress, ZOIC recommended two statements be included in the zoning ordinance: 1) Determination of Vested Rights; 2) Continuance of Development Activity.
- Regulations Regarding Building Height. Existing ordinance had building height restrictions of 35-40 ft. Proposed to remove height restrictions from commercial properties; height restriction in single family residential district would remain 35 ft.
- Accessory Buildings. Added a definition for accessory building or structure.
- Planned Development Districts. The current ordinance did not establish a minimum size of property that could receive a PDD, resulting in small PDD tracts throughout the city, basically creating spot zoning. The proposed change would establish minimum lot size.
- Established a development review committee, made up of city staff, to review the PDD before presenting it to the PZC.
- The development site plan would automatically expire in three years unless a building permit had been issued and development activity had begun.
- The development site plan was currently established by council resolution; as proposed in the new zoning ordinance, the development site plan would become part of the zoning ordinance and would be codified into the code of ordinances.

The following members of the public spoke:

1. Tom Poelma asked if the zoning ordinance extended outside the city? Mr. Coleman noted the zoning ordinance applied only to property inside the city limits; however, the city did have other ordinances that extended in the extraterritorial jurisdiction.

1. Ed Pollard questioned the five acre minimum for a development district; if the area was already platted and did not have five acres did that make it illegal; and how would these changes affect deed restrictions? Mr. Mosty responded that the five acres only referred to a PDD. Mr. Coleman noted the PDD was a separate, stand-alone district designed for single or mixed uses in accordance with an approved plan specific for that property. A PDD applied only to a specific, isolated property and would allow different standards, i.e. setbacks, parking, signage, etc.

Mr. Mosty noted ZOIC was working on establishing the boundaries and permitted uses in the central business district. He described the area to be included and noted existing uses varied. The new land use chart would allow certain uses by right.

Mr. Coleman discussed the process and schedule, noting public hearings would be held and PZC would forward their recommendation to city council for consideration in June.

APPROVED: _____

ATTEST:

Bruce Motheral, Mayor Pro Tem
City of Kerrville

Brenda G. Craig, City Secretary

CITY COUNCIL MINUTES
REGULAR MEETING

KERRVILLE, TEXAS
APRIL 27, 2010

On April 27, 2010, the Kerrville City Council meeting was called to order by Mayor Bock at 6:00 p.m. in the city hall council chambers, 800 Junction Highway. The invocation was offered by City Attorney Mike Hayes, followed by the Pledge of Allegiance led by Girl Scout Troops 672 and 751.

MEMBERS PRESENT:

Todd A. Bock	Mayor
R. Bruce Motheral	Mayor Pro Tem
Chuck Coleman	Councilmember
T. Scott Gross	Councilmember
Stacie Keeble	Councilmember

MEMBER ABSENT:

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
Kevin Coleman	Director of Development Services
Charlie Hastings	Director of Public Works
John Young	Police Chief
Kim Meismer	Director of General Operations
Mike Erwin	Director of Finance
Antonio Martinez	Director of Library Services
Scott McDonough	General Manager of Golf and Tennis

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

1. VISITORS/CITIZENS FORUM:

1A. Julie Bartosh, representing Kerrville Performing Arts Society (KPAS), announced that the KPAS board, by unanimous decision of the quorum present at the April 20 meeting, cancelled their upcoming 2010-2011 season due to several unresolved issues regarding contractual obligations and the management of the Cailloux Theatre by Playhouse 2000. She cited concerns for safety, liability, welfare, financial audit, and management procedures and stated KPAS had tried, to no avail, to resolve the issues with the city and theatre management. KPAS planned to immediately contact their patrons and performers regarding this cancellation.

1B. Heather Cunningham, representing Playhouse 2000 and the Kathleen C. Cailloux City Center for the Performing Arts, noted they had not increased rates in five years and an audit was underway. KPAS had 69 dates opened for FY10-11 that

had not been cleared, keeping other groups from using the facility. The contract had not changed since 1995; the new contracts would require only general liability insurance. She offered to meet with KPAS board members; KPAS would be missed, but Playhouse wished them well.

1C. Kit Werlein, president of Playhouse 2000, offered an open invitation to meet with KPAS and try to work out any unresolved issues; he felt the new contract, which was near completion, would address many of KPAS' concerns. KPAS was a wonderful organization and Playhouse appreciated their past efforts to bring performances to the community.

Mayor Bock stated the situation between KPAS and Playhouse was disheartening, and offered city staff support to try to facilitate a resolution of the issues.

1D. David Lipscomb invited the public to participate in the 2010 water saver landscape contest designed to recognize and reward citizens who had implemented landscape water saving techniques. He reviewed contest rules, awards, sponsors, and noted the winners would be announced June 9.

2. RECOGNITION AND PRESENTATIONS:

2A. Recognition of the Schreiner University Women's Golf team for their American Southwest Conference championship and advancing to the NCAA Division III National Golf Championship was presented by Mayor Todd Bock.

2B. Demonstration of the ticket writer system by the police department. Chief Young noted ten automated ticket writers had been purchased through donations and grant funds.

3. CONSENT AGENDA:

Mayor Bock requested Item 3B be removed from the consent agenda.

Mr. Coleman moved for approval of items 3A and 3C; Mr. Motheral seconded the motion and it passed 5-0:

3A. Approval of minutes of the city council meeting of April 13, 2010.

3C. Approval of a lease of city property known as 433 Water Street, Suite D to the Mary Elizabeth Holdsworth Library Foundation.

END OF CONSENT AGENDA.

3B. Resolution opposing plans by the Lower Colorado River Authority to place electrical transmission lines relating to the Competitive Renewable Energy Zones (CREZ) project along the Interstate 10 corridor within or adjacent to the city's limits. Mr. Parton reported the Public Utility Commission had rejected LCRA's proposed routes north of Fredericksburg because there were an insufficient number of line segment options to consider; however, PUC's decision did not include the route through Kerr County and the deadline for that line segment remained July 6. He clarified that the CREZ line was a state initiated project to deliver electricity from the

wind farm in West Texas to major population centers in Texas. PUC had also instructed LCRA to submit a Certificate of Convenience and Necessity (CCN).

Mr. Parton recommended tabling the matter until the county's revised position could be determined and staff had the opportunity to coordinate with LCRA and Hilderbran's Office.

Mayor Bock noted that State Representative Harvey Hilderbran informed him that the section of the route through Kerr County as proposed by LCRA was not the route that he had recommended. A meeting between stakeholders was being planned and he recommended no action be taken until after the stakeholders had met and discussed routes.

Mayor Bock moved that no action be taken at this time and the issue be rescheduled to the next council meeting; Mr. Motheral seconded the motion and it passed 5-0.

4. ORDINANCE SECOND AND FINAL READING:

4A. Ordinance No. 2010-07 creating a specific use district for the temporary housing and fostering of domestic cats on an approximate 0.74 acre tract of land consisting of Lots 4, 5, 6, and 7, Block 67, J.A. Tivy Addition, within the city of Kerrville, Kerr County, Texas, and otherwise known as 1524 5th Street, and located within a residential cluster zoning district; adopting conditions related to the development and use within said district; containing a cumulative clause; containing a savings and severability clause; establishing a penalty or fine not to exceed \$2,000 for each day of violation of any provision hereof; ordering publication; and providing other matters relating to the subject. Mayor Bock read the ordinance by title only.

Kevin Coleman noted no changes since first reading; staff recommended approval.

Mr. Motheral stated he was not opposed to the project; his concern was that the zoning district would burden the property for a two year period.

Mrs. Keeble moved for approval of Ordinance No. 2010-07 on final reading; Mr. Coleman seconded the motion and it passed 4-1 with Members Keeble, Coleman, Bock and Gross voting in favor of the motion; and Mr. Motheral voting against the motion.

5. ORDINANCE FIRST READING:

5A. An ordinance amending Chapter 110, Article III "water management plan" of the code of ordinances of the city of Kerrville, Texas, by amending the water conservation stages resulting from drought conditions, amending the water conservation measures, adding a new Stage 5, and adding a permit requirement for athletic fields and golf courses; containing a cumulative clause; containing a savings and severability clause; providing a penalty for violation of any provision hereof; ordering publication; and providing other matters related to the subject. Mayor Bock read the ordinance by title only.

Mr. Hastings noted the city was mandated by the state to have a water conservation plan and submit that plan annually. He reviewed proposed amendments to the plan:

- Potable water for dust control only during Stage 1; alternative measures for dust control during subsequent stages.
- Exception for athletic fields to allow irrigation outside of permitted hours.
- Operation of car washes would be restricted only during Stage 5.
- Refilling or adding water to swimming pools would be prohibited only in Stage 5
- Spray parks, definition had been added, and the operation would be prohibited only in Stage 5.
- Power washing, definition had been added for construction activity; would be allowed in Stages 1-4.
- Temporary fire hydrant meter, definition and provisions added for use in Stages 1-4.
- Building permits: current ordinance prohibited additional or expanded water service connections, meters, or service lines in Stages 3 and 4. The proposed ordinance moved this restriction to Stages 4 and 5 and prohibited granting new building permits to avoid the potential of a building being under construction or completed before water service was available.
- Lawn watering: Stages 1-4 were redefined and a new Stage 5 added; revised landscape watering schedule was proposed for all stages based on safe operating capacity of the system. Mr. Hastings proposed a watering schedule based on the last digit of the address, with a split morning and evening schedule for automatic irrigation and sprinklers in Stages 1-3. The goal of the schedule was to not allow landscape watering during the heat of the day (10:00 a.m. – 6:00 p.m.) due to evaporation.

The council also discussed the following points:

- Questioned how the proposed schedule would affect the city water system during high peak periods.
- Older irrigation systems could not be programmed for two cycles in the same day; suggested a single cycle with the same number of hours instead of a split morning and evening schedule as proposed.

The following person spoke:

1. Carolyn Lipscomb noted that watering in the evening would allow plants to remain wet overnight, thereby creating fungus that killed plants. Also, people who did not have automatic irrigation systems and relied on hose end sprinklers could not see in the dark to safely use their sprinklers.

2. Jim Kenalty believed the ordinance should have more flexibility to accommodate customers who did not have automatic irrigation systems; persons with automatic irrigation systems did not need additional flexibility. The object was water conservation; the watering schedule proposed by staff was a good plan as presented.

Mr. Hastings recommended approval of the ordinance on first reading as presented; however, he suggested running a water model to monitor the performance of the water system during simulated peak periods under the proposed watering schedule.

The consensus of the council was to table first reading of the ordinance to the next meeting and to instruct staff to revise the ordinance to adopt a schedule that would allow watering twice a week with a single operating time, not a split morning/evening schedule. Further, staff should run the water model and bring the results to council.

6. CONSIDERATION AND POSSIBLE ACTION:

6A. Authorize Mayor Todd Bock to provide an official letter of support for KVHC in their effort to increase local broadcasting on the Time Warner Cable Television Network.

Mr. Parton noted KVHC was seeking additional broadcasting time with Time Warner to increase their programming at little or no additional cost, and requested a letter of support from the city.

The council noted increased broadcasting time would allow KVHC to be more responsive to the public and provide public safety reports during severe weather or other emergencies.

Mr. Gross moved to adopt the letter as presented; Mr. Coleman seconded the motion and it passed 5-0.

6B. Resolution No. 012-2010 granting a petition requesting the annexation of an approximately 3.12 acre tract out of the W.T. Crook Survey No. 71, Abstract No. 114, within Kerr County, Texas, and consisting of the property addressed as 327 Peterson Farm Road North; and ordering the preparation of an annexation ordinance. Mayor Bock read the resolution by title only.

Kevin Coleman noted that Barbara Buxton requested permission to connect to the city water system, and city Resolution 91-144 required her to petition the city for annexation in order to receive city utility service. He noted the Kerrville Economic Development Foundation (KEDF) property immediately across the road was recently annexed. He recommended if council accepted Ms. Buxton's petition, that the city also annex the Peterson Farm Road right of way between these two properties. The city water line was accessible and annexation proceedings could be completed in July.

The council discussed the condition of Peterson Farm Road. Kevin Coleman noted the road was substandard, and the city would be accepting future maintenance of the road if annexed; however, the city would not be required to improve it. Also, future development of the KEDF property may require upgrading the roadway.

The following person spoke:

- Rodney Buxton cited several reasons why it just made sense to be annexed into the city: The subject property was totally surrounded by property that was in the city

limits and created confusion about which entity (city or county) had responsibility; A fire hydrant was located directly across the road; however, the area was in Center Point Fire Department's district, but they would not use the fire hydrant because it belonged to the city; The cost of drilling a well was not practical, and under Headwaters requirements, there was not enough property to issue a permit to drill a well.

Mr. Coleman moved for approval of Resolution No. 012-2010; Mr. Motheral seconded the motion and it passed 5-0.

6C. Receive an update regarding the U.S. Department of Veterans Affairs response to the community's request for information on the Veterans Administration Homeless Housing Project and provide direction to city staff.

Mr. Parton noted that upon council's instruction, on February 11 staff presented a letter to Congressman Lamar Smith requesting specific information regarding a proposed Veterans Affairs Homeless Housing project at the Kerrville Veterans Administration facility. Congressman Smith received a letter stating no data would be provided until after contracts had been executed.

The council discussed the possibility that the Department of Veterans Affairs might provide information requested by private individuals, as opposed to a public entity; however, it was noted that this had been tried by another individual and they received the same response.

Mr. Coleman moved that staff send another letter to Congressman Smith stating the city's appreciation for his efforts, and including a statement that until the city received answers to the specific questions previously submitted, the city of Kerrville's official response would be to oppose the project. Mr. Gross seconded the motion and it passed 5-0.

A public statement was made by the city council that this action was not to be construed as to reflect any negativity by the city toward veterans in any way; rather, it was only an attempt to receive information about the proposed project and how that project would impact the Kerr community.

6D. Disbursement of Economic Improvement Corporation (EIC) funds for annual operations expenses of the Kerr Economic Development Foundation (KEDF).

Mr. Parton noted KEDF's budget included a contribution of \$25,000 from EIC, and on April 19 EIC recommended that the city proceed with setting a public hearing and preparation of a funding agreement to disburse \$12,500 to KEDF for operational expenses. He noted that KEDF had received payments from the county (\$25,000) and private donations (\$28,987.50); KEDF's monthly operating expenses were approximately \$12,000 and they had resources to cover expenses through May 2010. Mr. Parton anticipated the newly formed economic development governing body would complete their initial phase of work and make their presentations in June 2010 regarding implementation of the new economic development program.

The council discussed the following points:

- KEDF had an additional \$59,000 in reserve funds and \$7,400 in unencumbered funds, equivalent to five months of operating expenses.
- There was no commitment from KEDF to move to the new entity; KEDF had a total of \$74,000 for operating funds.
- KEDF should use the reserve fund before additional public funds were given.
- The city should honor EIC's recommendation and trust that KEDF would turn over their funds to the new economic development organization.
- KEDF responded to the city's request and provided their financial information.
- The new organization would soon be functioning and the city and EIC were expected to provide large amounts (60%) to fund the operation of that new entity.
- KEDF needed to continue to function until the new entity was ready to assume economic development responsibilities.
- Council should honor the commitment to KEDF and accept EIC's compromise of half the annual funding.
- The city and EIC could commit to fund KEDF if the new entity was not prepared to begin operation before KEDF funds were depleted.

Mayor Bock called for a motion; the matter died for lack of a motion. (See later minutes following Item 6E.)

6E. Establishment of process for the review and possible revision of the city's Sign Ordinance Ch. 6, Art. II Code of Ordinances).

Mr. Parton noted issues with enforcement of the current sign ordinance. The sign ordinance was part of the zoning ordinance which was currently under review by the zoning ordinance input committee (ZOIC). Mr. Parton recommended that consideration of amendments to the sign ordinance be tabled until ZOIC completed its review; in the interim, staff would enforce the sign ordinance as best it could.

6D. Disbursement of Economic Improvement Corporation (EIC) funds for annual operations expenses of the Kerr Economic Development Foundation (KEDF).

Mrs. Keeble requested Item 6D be reopened.

Mrs. Keeble moved to accept EIC's recommendation to disburse \$12,500 to KEDF. Mr. Gross seconded the motion.

The council discussed the following points:

- KEDF had \$74,000, equivalent to five months of operational expenses; in comparison, the city maintained only a one month reserve.
- Council could re-evaluate the funding request in June.
- Council had previously given notice to KEDF that the city may withhold funding until the new reorganization was in place.

Mr. Gross amended the motion to state the funds would be issued when KEDF's reserve reached two month or less of operating expenses. There was not a second to this amendment.

Upon recommendation of Mr. Hayes, Mr. Gross amended the original motion to clarify council was in agreement that EIC should proceed to a public hearing and preparation of a funding agreement for the disbursement of \$12,500 to KEDF, with final consideration by city council in June. The amended motion passed 3-2 with Members Keeble, Gross, and Bock voting in favor of the motion and Members Motheral and Coleman voting against the motion.

6F. Approval of the second option year of the initial contract with the employee benefit consulting firm of City-County Benefit Services (C-CBS) for the period June 1, 2010 – May 31, 2011.

Ms. Meisner noted C-CBS had been the city's benefit consultant since June 1, 2007, and estimated they had saved the city over \$500,000 since FY08. Due to economic conditions, C-CBS proposed a 10% reduction in their annual fee, for a total of \$30,000 for the period June 1, 2010, to May 31, 2011, with a two year rate guarantee. Ms. Meisner recommended approval of the contract option.

Bob Treacy, C-CBS representative, reviewed steps that had been taken to secure better benefits for city employees without increasing the cost, in particular, the employee benefit trust created in 2008. The level of benefits provided by the city greatly assisted in the recruitment and retention of employees.

Mr. Coleman moved for approval of the second option year of the contract with C-CBS for the period June 1, 2010-May 31, 2011 in the amount of \$30,000. Mr. Motheral seconded the motion and it passed 5-0.

7. INFORMATION AND DISCUSSION:

7A. Unofficial analysis of the Governmental Accounting Standards Board (GASB) liability related to post-retiree health benefits as defined in Texas Local Government Code Section 175.

Ms. Meisner noted the council requested an analysis of the city's possible future liability for retiree health benefits under requirements of Statement 45 of GASB.

Bob Treacy, C-CBS representative, noted under TLGC 175, when the city population reached 25,000, the city would be mandated to provide retirees access to the city's health benefits plan. If the city made a policy to provide health insurance to future retirees, the city had to either fund the benefit or show it as a potential future liability. The city would work with the insurance provider to establish a blended group rate for retirees; however, the city was not required to pay the employees rate, only to allow employees access to the plan. He noted that as employees reached age 65 they could be transferred to the Medicare supplement plan. He recommended the employee pay the full cost of the blended rate plan and estimated that cost at current level to be \$243,000 per year including the accrual necessary to fund past years for

current employees. The city could chose to fund the plan in cash or note it as a future accrued liability.

This matter was presented for information and no action was taken by council.

7B. Update on redesign of city website.

Mr. Cochran noted over 650 pages on the current website and the vendor was in the process of transferring that information to the redesigned website. He anticipated completion by July 2.

7C. Update on library renovation project.

Mr. Martinez introduced Jeana Krause, the executive director of the Mary Elizabeth Holdsworth Library Foundation. He noted her office would be located at 433 Water Street as approved under Item 3C above. He estimated the current average attendance at the library to be 465 per day.

Ms. Krause noted the foundation was in the process of setting up offices in Kerrville, and establishing the capital campaign committee and begin fundraising activities.

Victoria Mosty Wilson, chairman of the foundation, noted Jeana Lehmann Krause, was a Kerrville native, her grandfather had served as Kerrville's mayor, and her family was involved in many community projects.

7D. Kerrville budget/economic update. Mr. Erwin reviewed the financials for the period ending April 27, 2010. He noted with the exclusion of a one-time large purchase in April 2009, the sales tax comparison between April 2009 and April 2010, indicated a 5% increase, the first increase in about one year.

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

9. **ANNOUNCEMENTS OF COMMUNITY INTEREST:**

9A. In about one month the Hunters Group would be submitting their proposal to the city for a rivertrail behind 1107 Junction Highway.

9B. Mayor Bock noted the Alamo Area Council of Governments had awarded the city an award in appreciation of support of the Alamo Workforce System.

9C. April 27 would be the first meeting to start the drainage study program.

10. **EXECUTIVE SESSION:**

Mr. Coleman moved for the city council to go into executive closed session under Sections 551.071 (consultation with attorney), 551.072 (deliberation regarding real property), 551.073 (deliberation regarding gifts), 551.074 (personnel matters), 551.076 (deliberation regarding security devices) and 551.087 (deliberation regarding economic development negotiations) of Chapter 551 of the Texas

Government Code of the State of Texas; the motion was seconded by Mr. Motheral and passed 5-0 to discuss the following matters:

Section 551.071, 551.072, and 551.087:

- Discuss the purchase, exchange, lease, sale, or value of real property for use as a city facility, the public discussion of which would not be in the best interests of the city's bargaining position with third parties.

At 8:50 p.m., the regular meeting recessed and council went into executive closed session at 8:51 p.m. At 9:08 p.m., the executive closed session recessed and council returned to open session at 9:09 p.m. The mayor announced that no action had been taken in executive session.

ADJOURNMENT. The meeting adjourned at 9:09 p.m.

APPROVED: _____

Todd A. Bock, Mayor

ATTEST:

Brenda G. Craig, City Secretary

**TO BE CONSIDERED BY THE CITY COUNCIL
CITY OF KERRVILLE, TEXAS**

SUBJECT: Inter-local Agreement with the District Attorney, 198th Judicial District regarding the disposition of forfeited contraband

FOR AGENDA OF: May 11, 2010

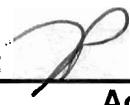
DATE SUBMITTED: May 3, 2010

SUBMITTED BY: Chief John Young

CLEARANCES: Mike Hayes, City Attorney

EXHIBITS: Inter-local Agreement and Memo

AGENDA MAILED TO:

APPROVED FOR SUBMITTAL BY CITY MANAGER: 

Expenditure	Current Balance	Amount	Account
Required:	in Account:	Budgeted:	Number:
\$	\$	\$	

PAYMENT TO BE MADE TO:

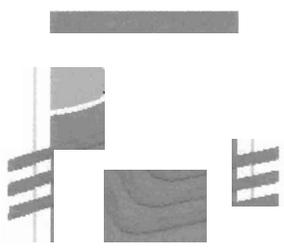
REVIEWED BY THE FINANCE DIRECTOR:

SUMMARY STATEMENT

Chapter 59 of the Texas Code of Criminal Procedure provides for the forfeiture to the State of Texas of property found to be contraband. The Prosecuting Attorney for Kerr County, Texas represents the State of Texas regarding forfeiture of contraband seized pursuant to Chapter 59 of the Code of Criminal Procedure. Article 59.06 of Chapter 59 of the Texas Code of Criminal Procedure mandates that a local agreement be reached between the attorney representing the State and the Law Enforcement Agency to effect the disposition of contraband forfeited to the State.

RECOMMENDED ACTION

The Chief of Police recommends the city council approve the inter-local agreement with the District Attorney, 198th Judicial District



City of Kerrville
City Attorney
800 Junction Highway
Kerrville, Texas 78028-2215
830.792.8380 (O)
830.792.3805 (F)
mike.hayes@kerrvilletx.gov

MEMORANDUM

TO: Honorable Mayor and City Councilmembers
FROM: Mike Hayes, City Attorney *MCH*
DATE: May 7, 2010
SUBJECT: *Felony Forfeiture Funds*

The 198th District Attorney is requesting that the City enter into an agreement with respect to the forfeiture and use of seized funds. As we have not considered such an agreement in a long time, I thought it would be helpful to provide you with an explanation of these funds.

I. What are felony forfeiture funds?

Chapter 59 of the Texas Code of Criminal Procedure authorizes law enforcement agencies, including our police department, to seize property used in and the proceeds gained from the commission of certain crimes. After seizure, a district attorney may distribute property and funds to local law enforcement agencies. With respect to cities, the law provides that cities must then deposit all money, securities, negotiable instruments, stocks or bonds, or things of value, or proceeds from the sale of those items, into a special fund in the city treasury for use solely for law enforcement purposes. Such purposes include salaries and overtime pay for officers, officer training, specialized investigative equipment and supplies, and other items used by officers in their law enforcement duties.

II. Who decides how felony forfeiture money is spent?

The law gives the police chief sole decision-making authority about how forfeiture funds are spent. However, the law also provides that forfeiture funds provided to a law enforcement agency may be spent after a budget for the expenditure of such funds is submitted to the city council. The budget must be detailed and clearly list and define the categories of expenditures, but may not list details that would endanger the security of an investigation or prosecution.

III. Where must felony forfeiture money be kept?

The law provides that forfeiture funds are held in the city treasury. It would therefore be improper for the police chief to hold these funds in an institution separate from city's depository. To do so would violate the plain language of the statute and threaten the protections, such as collateralization of public funds, that are required of city funds.

IV. Does a council decide how the money is spent?

Yes. A council is entitled to receive a budget showing how the funds will be spent, but nothing in the statute requires or authorizes city approval of the actual expenditures decided upon by the police chief. The city is permitted to approve the following expenditures: salary, expense, or allowance increases for police department employees.

V. May the City conduct an audit of the felony forfeiture funds?

Yes. Under the law, expenditures from forfeiture funds are subject to an annual audit. Specifically, all law enforcement agencies who receive forfeiture funds must account for the seizure, forfeiture, receipt, and specific expenditures of all such proceeds and property. The annual period of the audit is a city's fiscal year and the audit must be completed on a form provided by the Texas Attorney General. The audit must be sent to the Texas Comptroller and the attorney general not later than October 30.

VI. Must the police chief be given check-writing privileges over felony forfeiture funds?

Yes. The attorney general has concluded that under the law, a police chief has sole check-writing authority, subject only to the statutory requirement that the agency submit a budget for that category of expenditure.

Should you have any questions, please let me know.

c: Todd Parton, City Manager
John Young, Chief of Police
Mike Erwin, Finance Director

DRAFT

LOCAL AGREEMENT

THE STATE OF TEXAS §
 §
COUNTY OF KERR §

This LOCAL AGREEMENT is made and entered into by and between the Police Department of Kerrville, located in Kerr County, Texas, and hereinafter called "Police Department", and the 198th District Attorney of Kerr County, Texas, hereinafter called "Prosecuting Attorney."

WITNESSETH

WHEREAS, the Police Department and Prosecuting Attorney desire to enter into an agreement regarding disposition of forfeited contraband seized under Chapter 59 of the Texas Code of Criminal Procedure:

WHEREAS, Chapter 59 of the Texas Code of Criminal Procedure provides for the forfeiture to the State of Texas of property found to be "contraband", as defined by Chapter 59.01 of the Texas Code of Criminal Procedure; and

WHEREAS, the Prosecuting Attorney of Kerr County, Texas, represents the State of Texas regarding forfeiture of contraband seized pursuant to Chapter 59 of the Code of Criminal Procedure;

WHEREAS, Article 59.06 of Chapter 59 of the Texas Code of Criminal Procedure mandates that a local agreement be reached between the attorney representing the State and the Law Enforcement Agency to effect the disposition of contraband forfeited to the State on or after January 1st, 2009;

NOW THEREFORE, for the mutual considerations stated herein, this LOCAL AGREEMENT is hereby made and entered into by the Police Department of Kerrville, and the 198th District Attorney of Kerr County.

In consideration for the services associated with the forfeiture of contraband, the Police Department and the Prosecuting Attorney agree that Thirty Percent (30%) of all money, and/or property forfeited as a result of a seizure effected by the Police Department, shall be retained by the Prosecuting Attorney to be used for the official purposes of that office and that the remaining Seventy Percent (70%) shall be retained by the Police Department for law enforcement purposes. Seventy Percent (70%) of all money, and/or property forfeited as a result of a seizure effected by the Prosecuting Attorney in the City of Kerrville, shall be retained by the Prosecuting Attorney to be used for the official purposes of that office and that the remaining Thirty Percent (30%) shall be retained by the Police Department for law enforcement purposes.

In the event that the office of the Prosecuting Attorney is assisted by additional law enforcement personnel other than just the Police office in planning or making the seizure or the arrest upon which the forfeiture will be based, or in the event that the management of the property to be forfeited necessitates extraordinary amounts of time or expense, the case will be developed as a joint investigation with the percentage apportioned between the prosecuting attorney's office and the law enforcement agencies commensurate with the time and effort required by each and an Addendum to this

agreement will be executed by the parties as it pertains to the particular seizure and/or arrest. No provision in this agreement shall limit the authority of the signatories hereto in choosing to file charges or forfeiture proceedings with federal authorities or courts.

Money and property shall be considered forfeited to the State once a forfeiture judgment has become final, and no Motion for New Trial or Notice of Appeal has been taken. All monies will be deposited into the Prosecuting Attorney's interest bearing Escrow account and payments to the Police office in case or in kind shall be made as promptly as possible to include a pro-rata distribution of interest.

The term of this LOCAL AGREEMENT will be for a period of one (1) year from January 1, 2009. This Agreement shall automatically be renewed on a yearly basis after the initial one (1) year term. This Agreement may be terminated by either party upon thirty (30) days prior written notice thereof to the other of its intention to terminate upon the date specified in such notice.

Any pending forfeitures under this Agreement filed prior to the termination date, however, shall not be affected by such notice.

Any notice, payment, statement, or demand required or permitted to be given hereunder by either party to the other may be effected by personal delivery in writing or by mail, postage prepaid. Mailed notices shall be addressed to the parties at the addresses appearing below, but each party may change its address by written notice in accordance with this section. Mailed notices shall be deemed communicated as of three (3) days after mailing.

If intended for the Police Department, mail to:

Kerrville Police Department
429 Sidney Baker
Kerrville, Texas 78028

If intended for the Prosecuting Attorney's office, mail to:

Amos L. Barton
198th District Attorney
P.O. Box 291285
Kerrville, Texas 78029

SIGNED on this the _____ day of April, 2010.

Chief, Kerrville Police Department

District Attorney 198th Judicial District

**TO BE CONSIDERED BY THE CITY COUNCIL
CITY OF KERRVILLE, TEXAS**

SUBJECT: First reading of an ordinance amending the water conservation plan

FOR AGENDA OF: 05/11/10

DATE SUBMITTED: 05/7/10

SUBMITTED BY: Charlie Hastings *CHA*
Public Works Director

CLEARANCES: Todd Parton
City Manager

EXHIBITS: Ordinance, Days and Times for Watering

AGENDA MAILED TO:

APPROVED FOR SUBMITTAL BY CITY MANAGER: *W*

Expenditure Required:	Current Balance in Account:	Amount Budgeted:	Account Number:
\$	\$	\$	

PAYMENT TO BE MADE TO:

REVIEWED BY THE FINANCE DIRECTOR:

SUMMARY STATEMENT

Pursuant to the 2009 drought, lessons learned during implementation of Stage 3 of the water conservation ordinance, and Council direction, revisions to the water conservation ordinance were prepared by staff with regards to water for dust control, exceptions for athletic fields, operation of car washes, refilling or adding water to swimming pools, provisions for spray parks, lawn watering, power washing, use of a temporary fire hydrant meter, and building permits. The following is a summary of the proposed changes:

Water for dust control – currently the use of potable water for dust control is prohibited in Stages 1-4. Staff recommends the use of potable water for dust control to be permitted only during Stage 1, during subsequent stages alternative methods such as reuse water, gravel packing, tack oil, etc. can be used.

Exception for athletic fields – currently there are no exceptions for athletic fields to irrigate outside of permitted hours. Language has been added to the ordinance to allow exceptions for athletic fields to be reviewed by the City Manager on a case by case basis.

Operation of car washes – currently, operation of car washes are restricted in Stage 3 to the hours of 7am to 7pm, and in Stage 4 to the hours of 8am to 5pm. Due to enforceability issues and the differences between full service and unattended car washes, language has been added to the ordinance removing the restriction from Stages 3 and 4 (car wash operation is restricted to certain hours of the day) and placing it on Stage 5.

Refilling or adding water to swimming pools – currently, filling, refilling, or adding water to swimming pools, wading pools, and Jacuzzi-type pools is prohibited in both Stages 3 and

4. Pools are widely used for medical rehabilitation, and the amount of water it takes to keep most pools full is insignificant. In addition, prohibiting pools from adding water and allowing them to drain may cause permanent damage. Language has been added to the ordinance removing the prohibition from Stages 3 and 4 and placing it only for Stage 5.

Spray parks – currently there is no definition for spray parks in the ordinance. Kerrville is constructing a spray park at Carver Park. Spray parks are used primarily for recreation with no known medical value. A definition for spray parks has been added to the ordinance and their operation is prohibited in Stage 5.

Lawn watering – currently landscape watering with a hose-end sprinkler or automatic irrigation system is prohibited in Stages 3 and 4. A new Stage 5 has been added and the previous stages were redefined with the associated times and days for watering as shown in the attached table titled “Days and Times for Watering”. Council directed staff to analyze odd/even landscape watering once per week during Stage 3, the analysis was performed with empirical system data and an engineering evaluation. Odd/even landscape watering once per week during Stage 3 will result in unacceptable system wide pressure and volume reductions that will compromise domestic and fire flows. The solution to this issue is to revise the watering schedule to twice-a-week watering during Stage 3 as shown on the attached table mentioned above. In addition to this, council directed staff to evaluate the possibility of modifying the morning and/or evening watering times to provide for longer continuous watering to accommodate older automatic irrigation systems without compromising the purpose of the ordinance (i.e. to conserve water during drought conditions in a fair, reasonable and practical way). Adding additional time to the watering schedule, either morning or evening, compromises water conservation; reducing time from morning and adding it to the evening (or vice versa) is unfair and impractical to those who can only water in the morning or evening. Two practical solutions to this issue are to reduce or increase irrigation zone times to allow all zones to be run during watering hours, or to update the controller.

Power washing – a definition for power washing and provisions for the used of a power washer for construction activity has been added to the ordinance; specifically it is allowed in Stages 1-4.

Temporary fire hydrant meter – a definition for a temporary fire hydrant meter and provisions for their use during Stages 1-4 has been added.

Building permits – the current ordinance prohibits additional or expanded water service connections, meters, or service lines of any kind during Stages 3 and 4; the proposed ordinance moves this restriction to Stages 4 and 5 and language has been added to prohibit granting of new building permits to avoid the potential of a building being under construction or completed before water service was available.

RECOMMENDED ACTION

The Public Works Director recommends that Council adopt the updated water conservation ordinance.

CITY OF KERRVILLE, TEXAS
ORDINANCE NO. 2010-___

AN ORDINANCE AMENDING CHAPTER 110, ARTICLE III "WATER MANAGEMENT PLAN" OF THE CODE OF ORDINANCES OF THE CITY OF KERRVILLE, TEXAS, BY AMENDING THE WATER CONSERVATION STAGES RESULTING FROM DROUGHT CONDITIONS, AMENDING THE WATER CONSERVATION MEASURES, ADDING A NEW STAGE 5, AND ADDING A PERMIT REQUIREMENT FOR ATHLETIC FIELDS AND GOLF COURSES; CONTAINING A CUMULATIVE CLAUSE; CONTAINING A SAVINGS AND SEVERABILITY CLAUSE; PROVIDING A PENALTY FOR VIOLATION OF ANY PROVISION HEREOF; ORDERING PUBLICATION; AND PROVIDING OTHER MATTERS RELATED TO THE SUBJECT

WHEREAS, the City of Kerrville treats and supplies water for public consumption; and

WHEREAS, as a public water supplier, state law requires the City to adopt, manage, and enforce a water conservation plan and program that contains long-term elements such as ongoing public education activities, universal metering, water accounting and estimated water savings from reuse and recycling activities, lead detection and repair, as well as other conservation techniques and activities; and

WHEREAS, state law also requires the City to establish specific and quantified 5 and 10 year targets and goals for total water treated and for water loss, a schedule for implementing the plan to achieve targets and goals, a method of tracking progress and the effectiveness of this plan, and a water rate structure which is cost-based and which does not encourage the excessive use of water; and

WHEREAS, in order to conserve the City's available water supply and protect the integrity of its water distribution system, with particular regard for domestic water use, sanitation, and fire protection; to protect and preserve public health, welfare, and safety; and to minimize the adverse impacts of water supply and production shortages or other water supply or production emergency conditions, the City Council, pursuant to Ordinance No. 2004-04, amended in its entirety the *City of Kerrville Municipal Water Conservation Plan and Drought Management Plan* ("the Water Management Plan") setting forth the City's policy with respect to procedures to be followed and measures to be implemented regarding the use and conservation of water resources within the City; and

WHEREAS, in order to conserve the amount of available water to be used for domestic purposes, the City Council has established limitations on certain uses of water by water customers within the City; and

WHEREAS, over the past two years, each stage of the Water Management Plan was

triggered as the City and the Hill Country experienced significant drought conditions; and

WHEREAS, as a result of the drought conditions, the triggering of stages, and the implementation of the conservation measures, and with direction from City Council, staff recommends amending the Water Management Plan to amend the various stages established by the Water Management Plan, including adding a new stage; and

WHEREAS, the City Council of the City of Kerrville, Texas, finds that the amendments to the City's Water Management Plan are in the public interest and are necessary to protect the public health and safety;

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF KERRVILLE, KERR COUNTY, TEXAS:

SECTION ONE. Section 110-92 "Definitions." of the Code of Ordinances of the City of Kerrville, Texas, is amended by revising the wording to various existing defined terms and adding additional defined terms as follows:

"Sec. 110-92. Definitions.

As used in this article, the following terms shall have the following meanings:

Athletic field means a sports playing field, the essential feature of which is the presence of turf grass, used primarily for organized sporting events for schools, professional sports, or sanctioned league play.

Power washer means a machine that uses water or a water-based product applied at high pressure greater than 499 pounds per square inch while simultaneously reducing the water flow rate to four 4 gallons per minute or less, for the purpose of cleaning impervious surfaces.

Reclaimed water means domestic or municipal wastewater which has been treated to a quality suitable for a beneficial use in accordance with state law.

Seven-day average demand means the daily average of the amount of water pumped to the City's water distribution system from all available sources for the period beginning at 12:00 a.m. on the seventh calendar day prior to the date the calculation is made and ending at 12:00 a.m. on the date the calculation is made.

Temporary Fire Hydrant Meter means a meter applied for from and issued by the City and intended for a temporary connection to the City's potable water supply via a City-owned fire hydrant.

Vehicle wash facility means a business that washes vehicles with water or a water-based product, including self-service car washes, full-service car washes, roll-over/in-bay style car washes, and fleet maintenance wash facilities.

Water spray park means a structure onto which water is sprayed, including water that is recycled from fountains or other devices but which no water accumulates.”

SECTION TWO. Section 110-94 “Prohibited Uses of Water.” of the Code of Ordinances of the City of Kerrville, Texas, is amended by amending its section heading as follows:

“**Sec. 110-94. Year-round prohibited uses of water.**”

SECTION THREE. Section 110-95 “Permit for newly planted lawns and landscaping.” of the Code of Ordinances of the City of Kerrville, Texas, is amended in its entirety as follows:

Sec. 110-95. Permit for newly planted lawns and landscaping.

(a) Newly planted lawns and landscaping shall not be watered at any time other than those hours and days allowed for all other landscaping by this article except where authorized by permit issued by the City in accordance with this article. Any such permit shall only be granted where a plant or seed is planted in or transplanted to an area within a period of time as to accomplish a reasonable establishment and maintenance of growth, which generally occurs over a three week period.

(b) Permit requirements and conditions:

(1) A permit application shall be completed by the owner of the property to be served by the City water service.

(2) A permit application shall be accompanied by written documentation indicating the planting date of the new lawn and/or landscaping.

(3) The permit shall be valid for a 30-day period from the date of issuance by the Manager.

(4) The permit shall allow additional watering outside the restricted hours and days of this article; however, in no instance shall landscape irrigation be allowed between the hours 12:00 noon and 6:00 p.m. on any day of the week.

(5) Upon the effective date of entering into Stages 3, 4, or 5, as defined by this article, the City shall not issue any new permits.

(6) A permit, once issued, shall remain in full force and effect until the earlier of its expiration date or the effective date of entering into Stage 3, as defined by this article.

(7) Following the expiration of a permit or upon the effective date of entering into Stage 3, it shall be unlawful to water new lawns and/or landscaping at any time other than those hours and days allowed for all other landscaping by this article."

SECTION FOUR. A new Section 110-96 "Permit for athletic fields and golf courses." of the Code of Ordinances of the City of Kerrville, Texas, is added as follows:

"Sec. 110-96. Permit for athletic fields and golf courses.

(a) Unless using reclaimed water in accordance with an agreement with the City, athletic fields and golf courses shall not be watered at any time other than those hours and days allowed for all other landscaping by this article except where authorized by a permit issued by the City in accordance with this article. All landscaped and out-of-play areas shall at all times adhere to the regular landscape irrigation restrictions then in place under this article.

(b) Permit requirements and conditions:

(1) A permit application shall be completed by the owner or operator of the athletic field or golf course served by City water service.

(2) A permit application shall be accompanied by an analysis of the irrigation system prepared and sealed by a licensed irrigator which shall include a zone-by-zone analysis of the irrigation system that, at a minimum, includes a review of the design appropriateness for current landscape requirements; irrigation spray heads and valves; precipitation rates expressed in inches per hour; and an annual maintenance plan that includes irrigation system maintenance, landscape maintenance, and a basic summer and winter irrigation scheduling plan. The permit application shall also include a water conservation plan indicating specific measures to reduce consumption and improve efficiency.

(3) As part of the application, the applicant shall indicate the expected precipitation rates, schedules, and run times for each applicable zone.

(4) The permit shall be valid for six (6) months from the date of issuance.

(5) The permit shall allow additional watering outside the restricted hours and days of this article; however, athletic field and golf course irrigation shall not be allowed between the hours 12:00 noon and 6:00 p.m. on any day of the week.

(6) A permit, once issued, shall remain in full force and effect until the earlier of its expiration date or the effective date of entering into Stage 3.

(7) Following the expiration of a permit or upon the effective date of entering into Stage 3, it shall be unlawful to water athletic fields or golf courses at any time other than those hours and days allowed for all other landscaping by this article, unless using reclaimed water."

SECTION FIVE. Section 110-96 "Water Conservation Stages Defined." of the Code of Ordinances of the City of Kerrville, Texas, is renumbered and amended in its entirety as follows:

"Sec. 110-97. Water conservation stages defined:

(a) *Stage 1 - Moderate water conservation conditions.* "Stage 1 - Moderate water conservation conditions" shall be deemed to exist when the City Manager finds that the seven day average water demand exceeds 65 percent of the safe operating capacity or where a water supply emergency is declared and the City Manager determines that this stage is appropriate to address the emergency.

(b) *Stage 2 - Critical water conservation conditions.* "Stage 2 - Critical water conservation conditions" shall be deemed to exist when the City Manager finds that the seven day average water demand exceeds 75 percent of the safe operating capacity or where a water supply emergency is declared and the City Manager determines that this stage is appropriate to address the emergency.

(c) *Stage 3 - Crucial water conservation conditions.* "Stage 3 - Crucial water conservation conditions" shall be deemed to exist when the City Manager finds that the seven day average water demand exceeds 85 percent of the safe operating capacity or where a water supply emergency is declared and the City Manager determines that this stage is appropriate to address the emergency.

(d) *Stage 4 - Severe water conservation conditions.* "Stage 4 -Severe water conservation conditions" shall be deemed to exist when the City Manager finds that the seven day average water demand exceeds 95 percent of the safe operating capacity or where a water supply emergency is declared and the City Manager determines that this stage is appropriate to address the emergency.

(e) *Stage 5 - Water emergency conditions.* "Stage 5 - Water emergency conditions" shall be deemed to exist when the City Manager finds that the seven day average water demand exceeds 100 percent of the safe operating capacity or where a water supply emergency is declared and the City Manager determines that this stage is appropriate to address the emergency."

SECTION SIX. Section 110-98 "Declaration of water conservation conditions; public notice." of the Code of Ordinances of the City of Kerrville, Texas, is renumbered and amended in its entirety as follows:

"Sec. 110-99. Declaration of water conservation conditions and stages; public notice.

(a) *City Manager declaration.* Upon a finding by the City Manager that "Stage 1 - Moderate water conservation conditions", "Stage 2 - Critical water conservation conditions", "Stage 3 - Crucial water conservation conditions", "Stage 4 - Severe water conservation conditions", or "Stage 5 - Water emergency conditions" exist, the City Manager shall issue notice of the commencement and/or termination of the imposition of the mandatory water conservation measures in effect for the respective stage. Said notice shall be:

- (1) Posted on the City's official bulletin board and at all public entrances and exits of City Hall and other City facilities where the public has access;
- (2) Posted on the City's internet website; and
- (3) Issued in a press release that is hand-delivered or sent by facsimile or electronic mail to:
 - a. The electronic and print media located within the City; and
 - b. The television networks located in Kerrville and San Antonio.

(b) *Contents of notice.* Each notice issued in accordance with subsection (a) shall contain at least the following information:

- (1) The effective and/or termination date of the applicable water conservation stage;
- (2) A brief description of the water conservation stage and the measures to be in effect and/or terminated;

(3) The telephone number(s) of the office to contact regarding questions about the water conservation stage in effect; and

(4) The following sentence printed in bold type: "Failure to comply with the water conservation measures currently in effect is a violation of Chapter 110, Article III of the Kerrville City Code and, upon conviction, may result in a fine of not less than \$50.00 nor more than \$2,000.00 per offense plus court costs. Repeated violations may also result in disconnection of water service."

SECTION SEVEN. Section 110-99 "Stage 1 - Water conservation measures." of the Code of Ordinances of the City of Kerrville, Texas, is renumbered and amended in its entirety as follows:

"Sec. 110-100. Stage 1 – Conservation measures.

(a) *Stage 1 conservation measures defined.* The following water conservation measures shall be in effect at 12:01 a.m. on the day following notice of the declaration of Stage 1-Moderate water conservation conditions:

(1) Landscape watering with hose-end sprinklers or automatic irrigation systems shall be prohibited at all times except on the following days between the hours of 6:00 a.m. and 10:00 a.m. and between the hours of 8:00 p.m. and 12:00 a.m.:

a. On Mondays and Saturdays for street addresses whose last digit ends in an odd number; or

b. On Tuesdays and Sundays for street addresses whose last digit ends in an even number.

(2) Landscape watering is permitted at any time if conducted by means of a hand-held hose with a manual or automatic shutoff nozzle operated by one person, a faucet-filled bucket or watering can with a capacity of five gallons or less, or a drip irrigation system.

(3) The use of water from a temporary fire hydrant meter shall be limited for construction and irrigation purposes at a rate not to exceed 25,000 gallons per day; in addition, the use of the water for irrigation purposes is restricted to those hours and days allowed for all other landscaping by this section.

(4) The following uses of water are prohibited:

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¶
d. On Thursdays for street addresses whose last digit ends in 6 or 7; or ¶
¶
e. On Fridays for street addresses whose last digit ends in 8 or 9. ¶
¶

a. Operation of any fountain, pond, or other ornamental water feature for aesthetic purposes except where necessary to support aquatic life or where such fountains or ponds are equipped with a re-circulation system.

b. Washing down any sidewalk, walkway, driveway, parking lot, tennis court, or other hard-surfaced areas except when the use is required by law for the protection of health and safety or when it is required to perform duties related to construction activity and a power washer is used.

(b) *Termination of Stage 1.* Stage 1 shall terminate at 12:01 a.m. on the day following notice of the declaration by the City Manager that the conditions triggering Stage 1 have ceased to exist for a period of 15 consecutive days. Such declaration may be made prior to the expiration of the 15-day period if, in the discretion of the City Manager, extraordinary circumstances exist, such as the occurrence of significant and/or a prolonged period of precipitation.”

SECTION EIGHT. Section 110-100 “Stage 2 - Water conservation measures.” of the Code of Ordinances of the City of Kerrville, Texas, is renumbered and amended in its entirety as follows:

“Sec. 110-101. Stage 2 – Conservation measures.

(a) *Stage 2 conservation measures defined.* The following water conservation measures shall be in effect at 12:01 a.m. on the day following notice of the declaration of Stage 2-Critical water conservation conditions:

(1) Landscape watering with hose-end sprinklers or automatic irrigation systems shall be prohibited at all times except on the following days between the hours of 6:00 a.m. and 9:00 a.m. and between the hours of 8:00 p.m. and 10:00 p.m.:

a. On Mondays and Saturdays for street addresses whose last digit ends in an odd number; or

b. On Tuesdays and Sundays for street addresses whose last digit ends in an even number.

(2) Landscape watering conducted by means of a hand-held hose with a manual or automatic shutoff nozzle operated by one person, a faucet-filled bucket or watering can with a capacity of five gallons or less, or a drip irrigation system shall be prohibited at all times except between the hours of 7:00 p.m. and 9:00 a.m.

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c. On Wednesdays for street addresses whose last digit ends in 4 or 5;¶

¶

d. On Thursdays for street addresses whose last digit ends in 6 or 7; or¶

¶

e. On Fridays for street addresses whose last digit ends in 8 or 9;¶

(3) The use of water from a temporary fire hydrant meter shall be limited for construction and irrigation purposes at a rate not to exceed 20,000 gallons per day; in addition, the use of the water for irrigation purposes is restricted to those hours and days allowed for all other landscaping by this section.

(4) The following uses of water are prohibited:

a. Operation of any ornamental fountain, pond, or other ornamental water feature for aesthetic purposes except where necessary to support aquatic life or where such fountains or ponds are equipped with a re-circulation system.

b. Washing down any sidewalk, walkway, driveway, parking lot, tennis court, or other hard-surfaced areas except when the use is required by law for the protection of health and safety or when it is required to perform duties related to construction activity and a power washer is used.

c. Use of water for dust control.

d. Washing down buildings or structures for purposes other than immediate fire protection or when it is required to perform duties related to construction activity and a power washer is used.

e. Use of bulk potable water obtained from the City for construction purposes.

(b) *Termination of Stage 2.* Stage 2 shall terminate at 12:01 a.m. on the day following the notice of the declaration by the City Manager that the conditions triggering the Stage 2 have ceased to exist for a period of 15 consecutive days. Such declaration may be made prior to the expiration of the 15-day period if, in the discretion of the City Manager, extraordinary circumstances exist, such as the occurrence of significant and/or a prolonged period of precipitation. Upon the termination of Stage 2, the City Manager, based upon the existing conditions, has the discretion to determine which appropriate stage, if any, and the water conservation measures set forth in that stage, shall become effective.”

SECTION NINE. Section 110-101 “Stage 3 - Water conservation measures.” of the Code of Ordinances of the City of Kerrville, Texas, is renumbered and amended in its entirety as follows:

“Sec. 110-102. Stage 3 – Conservation measures.

(a) *Stage 3 conservation measures defined.* The following water conservation measures shall be in effect at 12:01 a.m. on the day following notice of the declaration of Stage 3-Crucial water conservation conditions:

(1) Landscape watering with hose-end sprinklers or automatic irrigation systems shall be prohibited at all times except on the following day between the hours of 6:00 a.m. and 9:00 a.m.;

a. On Mondays and Saturdays for street addresses whose last digit ends in odd number; or

b. On Tuesdays and Sundays for street addresses whose last digit ends in an even number.

(2) Landscape watering conducted by means of a hand-held hose with a manual or automatic shutoff nozzle operated by one person, a faucet-filled bucket or watering can with a capacity of five gallons or less, or a drip irrigation system shall be prohibited at all times except between the hours of 7:00 p.m. and 11:00 p.m. and between the hours of 6:00 a.m. and 9:00 a.m.

(3) The use of water from a temporary fire hydrant meter shall be limited for construction and irrigation purposes at a rate not to exceed 15,000 gallons per day; in addition, the use of the water for irrigation purposes is restricted to those hours and days allowed for all other landscaping by this section.

(4) The following uses of water are prohibited:

a. Operation of any ornamental fountain, pond, or other ornamental water feature for aesthetic purposes except where necessary to support aquatic life or where such fountains or ponds are equipped with a re-circulation system.

b. Washing down any sidewalk, walkway, driveway, parking lot, tennis court, or other hard-surfaced areas except when such is required by law for the protection of health and safety or when it is required to perform duties related to construction activity and a power washer is used.

c. Use of water for dust control.

d. Washing down buildings or structures for purposes other than immediate fire protection or when it is required to perform duties related to construction activity and a power washer is used.

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¶
d. On Thursdays for street addresses whose last digit ends in 6 or 7; or
¶
e. On Fridays for street addresses whose last digit ends in 8 or 9.
¶

e. Use of bulk potable water obtained from the City for construction purposes.

(b) *Termination of Stage 3.* Stage 3 shall terminate at 12:01 a.m. on the day following the notice of the declaration by the City Manager that the conditions triggering Stage 3 have ceased to exist for a period of 15 consecutive days. Such declaration may be made prior to the expiration of the 15-day period if, in the discretion of the City Manager, extraordinary circumstances exist, such as the occurrence of significant and/or a prolonged period of precipitation. Upon the termination of Stage 3, the City Manager, based upon the existing conditions, has the discretion to determine which appropriate stage, if any, and the water conservation measures set forth in that stage, shall become effective.”

SECTION TEN. Section 110-102 “Stage 4 - Water conservation measures,” of the Code of Ordinances of the City of Kerrville, Texas, is renumbered and amended in its entirety as follows:

“Sec. 110-103. Stage 4 – Conservation measures.

(a) *Stage 4 conservation measures defined.* The following water conservation measures shall be in effect at 12:01 a.m. on the day following notice of the declaration of Stage 4 – Severe water conservation conditions:

(1) Landscape watering with hose-end sprinklers or automatic irrigation systems shall be prohibited at all times;

(2) Landscape watering conducted by means of a hand-held hose with a manual or automatic shutoff nozzle operated by one person, a faucet-filled bucket or watering can with a capacity of five gallons or less, or a drip irrigation system shall be prohibited at all times except between the hours of 7:00 p.m. and 11:00 p.m. and between the hours of 6:00 a.m. and 9:00 a.m.

(3) The use of water from a temporary fire hydrant meter shall be limited for construction and irrigation purposes at a rate not to exceed 10,000 gallons per day; in addition, the use of the water for irrigation purposes is restricted to those hours and days allowed for all other landscaping by this section.

(4) The following uses of water are prohibited:

a. Operation of any ornamental fountain, pond, or other ornamental water feature for aesthetic purposes except where necessary to support aquatic life.

b. Washing down any sidewalk, walkway, driveway, parking lot, tennis court, or other hard-surfaced areas except when such is required by law for the protection of health and safety or when it is required to perform duties related to construction activity and a power washer is used.

c. Use of water for dust control.

d. Washing down buildings or structures for purposes other than immediate fire protection or when it is required to perform duties related to construction activity and a power washer is used.

e. Use of bulk potable water obtained from the City for construction purposes.

f. Use of water to wash any motor vehicle, motorbike, boat, trailer, airplane or other vehicle other than at a commercial car wash facility or service station or by a person washing any public safety vehicle on public property.

(5) No permits for new, additional, or expanded water service connections, meters, or service lines shall be granted. An exception applies where the City has already issued either a final plat for a residential lot or a commercial building permit for the site or the construction project that requires the water service.

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g. Use of water for a water spray park, even where such water is recirculated.¶

(b) *Termination of Stage 4.* Stage 4 shall terminate at 12:01 a.m. on the day following the notice of the declaration by the City Manager that the conditions triggering Stage 4 have ceased to exist for a period of three consecutive days. Such declaration may be made prior to the expiration of the three-day period if, in the discretion of the City Manager, extraordinary circumstances exist, such as the occurrence of significant and/or a prolonged period of precipitation. Upon the termination of Stage 4, the City Manager, based upon the existing conditions, has the discretion to determine which appropriate stage, if any, and the water conservation measures set forth in that stage, shall become effective.”

SECTION ELEVEN. A new Section 110-104 “Stage 5 - Water emergency conditions.” of the Code of Ordinances of the City of Kerrville, Texas, is added to provide as follows:

“Sec. 110-104. Stage 5 – Conservation measures.

(a) *Stage 5 conservation measures defined.* The following water conservation measures shall be in effect at 12:01 a.m. on the day following the notice of the declaration of Stage 5 - Water emergency conditions:

(1) Landscape watering, including handheld irrigation, with potable water shall be prohibited at all times;

(2) The following uses of water are prohibited:

- a. Operation of any ornamental fountain, pond or other ornamental water feature for aesthetic purposes except where necessary to support aquatic life.
- b. Washing down any sidewalk, walkway, driveway, parking lot, tennis court, or other hard-surfaced areas except when such is required by law for the protection of health and safety.
- c. Use of water for dust control.
- d. Washing down buildings or structures for purposes other than immediate fire protection.
- e. Use of bulk potable water obtained from the City for construction purposes.
- f. Use of water to wash any motor vehicle, motorbike, boat, trailer, airplane or other vehicle other than by a person washing any public safety vehicle on public property.
- g. Filling, refilling, or adding water to swimming pools, wading pools, and jacuzzis-type pools, which are located outside.
- h. Using a fire hydrant pursuant to a temporary fire hydrant permit.
- i. Use of water for a water spray park, even where such water is recirculated.

(3) Vehicle washing at a vehicle wash facility shall be prohibited at all times except between the hours of 7:00 a.m. and 7:00 p.m. A person owning or operating a vehicle wash facility shall take affirmative action to prevent use of the vehicle wash facility during the prohibited hours specified herein. Such actions shall include posting a sign indicating that the vehicle wash facility is closed and preventing vehicular access onto the property or into the washing bays. In addition, the owner/operator may also choose to disable the washing mechanisms so as to prevent operation.

(4) No permits for new, additional, or expanded water service connections, meters, or service lines shall be granted. An exception applies where the City has already

issued either a final plat for a residential lot or a commercial building permit for the site or the construction project that requires the water service.

(b) *Termination of Stage 5.* Stage 5 shall terminate at 12:01 a.m. on the day following the notice of the declaration by the City Manager that the conditions triggering Stage 5 - Water emergency conditions have ceased to exist for a period of three consecutive days. Such declaration may be made prior to the expiration of the three-day period if, in the discretion of the City Manager, extraordinary circumstances exist, such as the occurrence of significant and/or prolonged periods of precipitation. Upon the termination of Stage 2, the City Manager, based upon the existing conditions, has the discretion to determine which appropriate stage, if any, and the water conservation measures set forth in that stage, shall become effective.”

SECTION TWELVE. Section 110-103 “Enforcement.” of the Code of Ordinances of the City of Kerrville, Texas, is renumbered and amended in its entirety as follows:

“Sec. 110-105. Enforcement.

(a) *Violation of article prohibited.* It shall be unlawful for a person to use water obtained from a private well, public water supply company, or the City in a manner contrary to the provisions of this article. The penalty for violation of this article shall be in accordance with the general penalty provisions contained in chapter 1 of the Code of Ordinances but in no case shall the fine of any violation hereof be less than \$50.00. Proof of a culpable mental state is not required for conviction of an offense under this article.

(b) *Issuance of citations.* The Manager or any other personnel authorized to issue class C misdemeanor citations are authorized to issue citations for violations of this article.

(c) *Multiple violations.* If a person is convicted of:

(1) Three or more separate violations of this article within a single calendar year, the City Manager shall, upon written notice to the customer, be authorized to install a flow restriction device in the service line(s) of the customer, in which case the City Manager may place a service charge equal to the cost of the installation and subsequent removal of such device on the customer's water bill.

(2) Four or more separate violations of this article within a single calendar year, the City Manager shall, upon written notice to the customer, be authorized to discontinue water service to the premises where such multiple violations have occurred and such discontinuance of service shall continue until such time as all fines or penalties are

paid in full and payment by the violator of a re-connection charge as set by the City council within the City fee schedule.

(d) *Injunction.* In addition to such other civil or criminal penalties that may be available, the City Attorney may seek an injunction in accordance with Tx. Local Gov. Code Section 54.016 against a person or entity believed to be in violation of this article.

(e) *Person responsible.* The following presumptions shall be in effect with regard to the person responsible for a violation of this article:

(1) Any person, including a person classified as a water customer, who is in apparent control of the property where a violation occurs or originates shall be presumed to be the violator.

(2) Proof that a violation occurred on a person's property shall constitute a rebuttable presumption that the person in apparent control of the property committed the violation, but any such person shall have the right to show that he/she did not commit the violation.

(3) Parents shall be presumed to be responsible for the violations of their minor children and proof that a violation, committed by a child, occurred on property within the parents' control shall constitute a rebuttable presumption that the parent directed or assisted in the commission of the violation, but any such parent may be excused if he/she proves that he/she had previously directed the child not to use the water as it was used in violation of this article and that the parent could not have reasonably known of the violation. ♦ ♦ ♦ ♦

(f) *Defenses.* It shall be a defense to a violation of this article if:

(1) The water is being used to irrigate or water the plant inventory of a wholesale or retail landscape nursery or other commercial business selling landscape or house plants;

(2) The person is using water, other than that provided by the City, that has been recirculated;

(3) The person is using water from a source other than the City's public (potable) water supply system, including:

a. reclaimed water in compliance with applicable TCEQ regulations for landscape watering. Such landscape watering with hose-end sprinklers or an automatic irrigation system shall be prohibited at all times except between the hours of 6:00

p.m. and 10:00 a.m. Landscape watering is permitted at anytime if conducted by means of a hand-held hose with a manual or automatic shutoff nozzle operated by one person, a faucet-filled bucket or watering can with a capacity of five gallons or less, or a drip irrigation system; or

b. Surface water diversion rights which the person has the legal right to use.

(4) The use of the water was necessary to prevent damage or destruction to property other than landscaping plants and ground covers suffering damage from dehydration;

(5) The person is:

a. The owner, or his or her agent, of a commercial car wash or service station with a car wash;

b. The hours in which use of a commercial car wash is prohibited are posted at a location visible to customers entering or attempting to use the car wash at the time of the alleged offense;

c. Said owner or agent did not otherwise authorize the use of the car wash during the prohibited hours of operation;

(6) The person is washing down sidewalks, walkways, driveways, vehicles used to transport food and perishables, garbage trucks, or aircraft that the Manager or the City health officer determines requires frequent cleaning in order to protect the health, safety, and welfare of the public; or

(7) Operation of an automatic irrigation system was performed solely for the purpose of conducting maintenance and testing, and such operation was conducted by a licensed irrigation contractor.”

SECTION THIRTEEN. Section 110-104 “Variances.” of the Code of Ordinances of the City of Kerrville, Texas, is renumbered and amended in its entirety as follows:

“Sec. 110-106. Variances.

(a) *Authority to grant variances.* The City Manager is authorized to grant variances pursuant to the provisions of this section.

(b) *Grounds for granting variances.* A variance may be granted to authorize the use of water otherwise prohibited under this article if the City Manager finds:

- (1) That failure to grant a requested variance would adversely affect public health or sanitation;
- (2) That failure to grant the requested variance would adversely affect the health or safety of the person requesting such variance;
- (3) Compliance with this article cannot technically be accomplished during the duration of the water supply shortage or other condition for which water conservation measures are in effect;
- (4) Alternative methods can be implemented which will achieve the same level of reduction in water use as the water conservation measure from which the variance is sought; or
- (5) that the person has a disability in accordance with subsection (j) below.

(c) *Application for variance.* A person requesting a variance from the provisions of this article must file an application with the City Manager on forms promulgated by the City. Each application shall include the following information:

- (1) Name and address of the applicant(s);
- (2) A full description of the proposed water use, including, but not limited to:
 - a. The daily amount of the proposed use;
 - b. The hours of the proposed use;
- (3) A reference to the specific provision(s) of this article from which the applicant is requesting relief;
- (4) A detailed statement as to how the specific provision of the article adversely affects the applicant and/or what damage or harm will occur to the applicant or others if applicant complies with this article;
- (5) A description of the relief requested;
- (6) The period of time for which the variance is sought;

(7) Alternative water use restrictions or other measures the petitioner is taking or proposes to take to meet the intent of this article and the compliance date; and

(8) Any additional information that the City Manager deems relevant and necessary in making a determination regarding the request.

(d) *Filing period.* An application for a variance requested pursuant to this section may not be filed prior to the effective date of the water conservation measure(s) from which relief is being sought.

(e) *Consideration of variance application.* The City Manager shall grant or deny the application for variance not later than 5:00 p.m. on the third City business day following delivery of the application to the City Manager. A variance shall be deemed to be approved in the manner requested in the application if the City Manager has not denied the application within the time set forth in this section.

(f) *Contents of variance.* A variance granted by the City Manager shall contain the following provisions:

(1) A description of the allowable water uses granted by the variance;

(2) A description of any conditions imposed which must be satisfied in order to maintain the variance in effect;

(3) A timetable for compliance with any conditions set forth in the variance; and

(4) Such other provisions as the City Manager determines to be reasonable and necessary.

(g) *Termination of variance.* Variances granted shall expire upon the earlier of:

(1) The date the water conservation measure from which the variance was granted is no longer in effect;

(2) The date the City Manager determines that the applicant has failed to comply with any deadline imposed with respect to compliance with the conditions set forth in the variance; or

(3) The date the City Manager specifically sets forth for termination of the variance.

(h) *Variance not a defense.* The granting of a variance shall not be a defense to a violation of the provisions of this article which occurs prior to the effective date of the variance.

(i) *Appeal of denial by City Manager.* An applicant may appeal the denial by the City Manager of an application for a variance to the City Council pursuant to the following procedures:

- (1) An appeal must be filed in writing with the City Secretary not later than three City business days following the date of the denial;
- (2) The appeal will be considered by the City Council at its first regularly scheduled meeting following the third City business day after the date the appeal is filed with the City Secretary;
- (3) The City Council may hear testimony from the City Manager and the applicant, but shall not be required to hear such testimony;
- (4) The City Council shall grant or deny the variance in accordance with the criteria set forth in subsection (b); and
- (5) The City Council shall grant or deny the variance at the meeting at which the appeal is considered.

(j) *Variances for people with disabilities.* The City Manager shall grant a variance to a person to use a hose-end sprinkler or an automatic irrigation system to perform landscape watering when the use of hose-end sprinklers or automatic irrigation systems are otherwise prohibited by this article subject to the following findings:

- (1) The property is a single-family residence and constitutes the permanent residence of the applicant;
- (2) The applicant has provided to the City Manager a written statement from a medical doctor licensed to practice medicine in the State of Texas that the applicant is physically incapable of:
 - a. Walking without assistance;
 - b. standing for periods in excess of 15 minutes;
 - c. Carrying a five gallon bucket of water; or
 - d. Carrying a standard garden hose; and

(3) There is no other person who resides on the property with the applicant who is physically capable of performing landscape watering by means of a hand-held hose with a manual or automatic shutoff nozzle operated by one person or, a faucet-filled bucket or watering can with a capacity of five gallons or less.

(k) The variance granted by the City Manager pursuant to this section may not authorize landscape watering at any time outside of the days and hours during which landscape watering is otherwise permitted by this article. Said variance may restrict landscape watering to times and days less than those otherwise allowed by this article and, with respect to automatic irrigation systems, may limit the amount of time each station of the system is allowed to run."

SECTION TWELVE. The City Secretary is authorized and directed to submit this Ordinance to the publisher of the City's Code of Ordinances and the publisher is authorized to amend said Code to reflect the amendments adopted herein and to correct typographical errors and to index, format, and number and letter paragraphs to the existing Code, as appropriate.

SECTION THIRTEEN. The provisions of this Ordinance are to be cumulative of all other ordinances or parts of ordinances governing or regulating the same subject matter as that covered herein, including Ordinances 2004-04 and 2007-12; provided, however, that all prior ordinances or parts of ordinances inconsistent with or in conflict with any of the provisions of this Ordinance are hereby expressly repealed to the extent of any such inconsistency or conflict.

SECTION FOURTEEN. If any section, subsection, sentence, clause or phrase of this Ordinance is, for any reason, held to be unconstitutional or invalid, such holding shall not affect the validity of the remaining portions of this Ordinance. The Council of the City of Kerrville, Texas, hereby declares that it would have passed this Ordinance and each section, subsection, sentence, clause, or phrase hereof irrespective of the fact that any one or more sections, subsections, sentences, clauses, or phrases be declared unconstitutional or invalid.

SECTION FIFTEEN. The penalty for violation of this Ordinance shall be in accordance with that general penalty provision contained in Chapter 1 of the Code of Ordinances of the City of Kerrville, Texas, which provides for a fine not exceeding TWO THOUSAND DOLLARS (\$2,000.00). Each continuing day's violation under this Ordinance shall constitute a separate offense.

SECTION SIXTEEN. In accordance with Section 3.07 of the City Charter and Texas Local Government Code §52.013(a), the City Secretary is hereby authorized and directed to publish the descriptive caption of this Ordinance in the manner and for the length of time prescribed by the law as an alternative method of publication.

SECTION SEVENTEEN. In accordance with Section 3.07 of the City Charter, this Ordinance shall become effective from and after ten (10) days after publication of the caption of this Ordinance.

PASSED AND APPROVED ON FIRST READING, this the ____ day of _____, A.D., 2010.

PASSED AND APPROVED ON SECOND AND FINAL READING, this the ____ day of _____, A.D., 2010.

ATTEST:

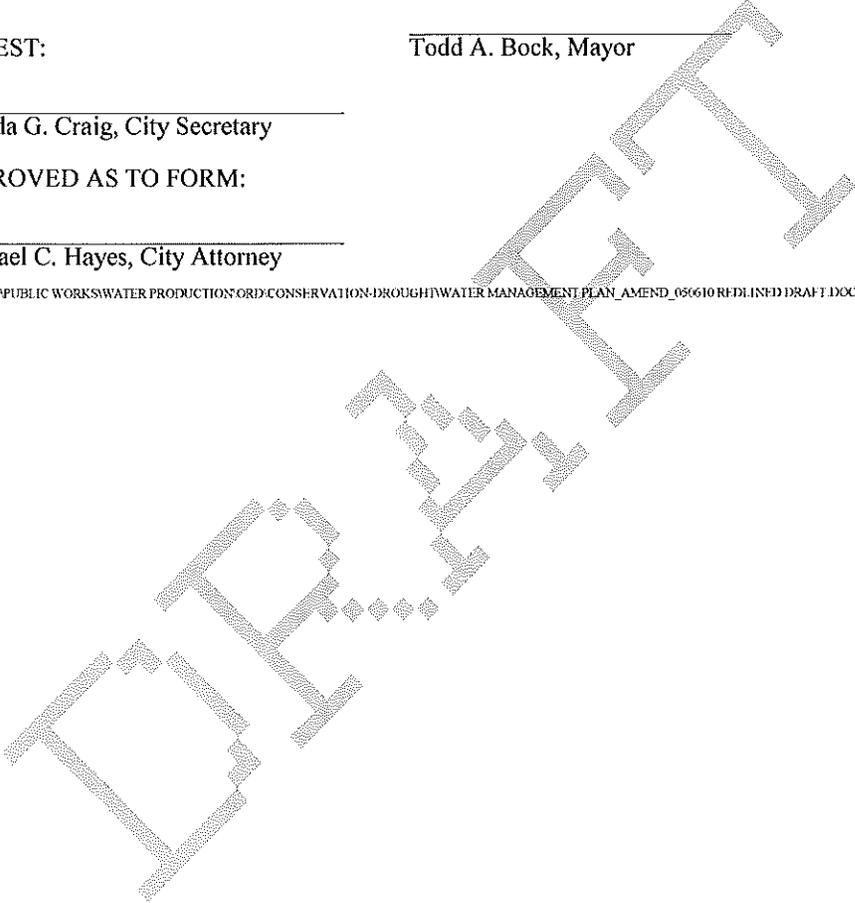
Todd A. Bock, Mayor

Brenda G. Craig, City Secretary

APPROVED AS TO FORM:

Michael C. Hayes, City Attorney

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**Proposed Ordinance
Days and Times for Watering**

Year Round (Mandatory)	Stage 1	Stage 2	Stage 3	Stage 4	Stage 5
Automatic Irrigation and sprinklers: 6:00 pm - 10:00 am	(65% of SOC) Automatic Irrigation and sprinklers: 6:00 am - 10:00 am 8:00 pm - 12:00 am Odd Address - Mon, Sat Even Address - Tues, Sun	(75% of SOC) Automatic Irrigation and sprinklers: 6:00 am - 9:00 am 8:00 pm - 10:00 pm Odd Address - Mon, Sat Even Address - Tues, Sun	(85% of SOC) Automatic Irrigation and sprinklers: 6:00 am - 9:00 am Odd Address - Mon, Sat Even Address - Tues, Sun	(95% of SOC) Automatic Irrigation and sprinklers: Prohibit Use at Anytime	(100% of SOC) Automatic Irrigation and sprinklers: Prohibit Use at Anytime
Handheld or Drip Irrigation: Any Day or Time	Handheld or Drip Irrigation: Any Day or Time	Handheld or Drip Irrigation: 7:00 pm - 9:00 am Any Day	Handheld or Drip Irrigation: 7:00 pm - 11:00 pm 6:00 am - 9:00 am Any Day	Handheld or Drip Irrigation: 7:00 pm - 11:00 pm 6:00 am - 9:00 am Any Day	Handheld or Drip Irrigation: Prohibit Use at Anytime

**TO BE CONSIDERED BY THE CITY COUNCIL
CITY OF KERRVILLE, TEXAS**

SUBJECT: Presentation and Council Acceptance of the FY 2009 City of Kerrville Comprehensive Annual Financial Report

FOR AGENDA OF: May 11, 2010 **DATE SUBMITTED:** April 30, 2010

SUBMITTED BY: Mike Erwin,  Director of Finance **CLEARANCES:** Todd Parton, City Manager

EXHIBITS: Attachment - Audit

AGENDA MAILED TO:

APPROVED FOR SUBMITTAL BY CITY MANAGER: 

Expenditure Required:	Current Balance in Account:	Amount Budgeted:	Account Number:
\$	\$	\$	

PAYMENT TO BE MADE TO:
REVIEWED BY THE FINANCE DIRECTOR:

SUMMARY STATEMENT

The FY 2009 City of Kerrville Comprehensive Annual Financial Report will be presented at the meeting. The City engaged the audit firm of Rutledge, Crain, and Company, P.C. in Arlington to perform the annual audit and to prepare the financial report.

The Director of Finance will provide a brief overview of the audit findings and the audit committee recommendation.

RECOMMENDED ACTION

The Director of Finance recommends Council's acceptance of the FY 2009 City of Kerrville Comprehensive Annual Financial Report.

CITY OF KERRVILLE, TEXAS

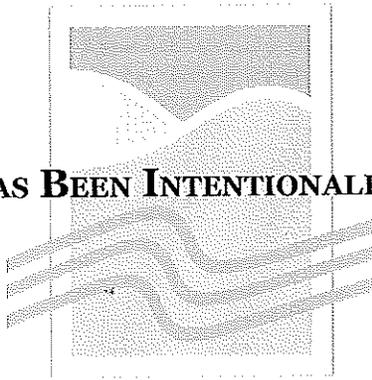
Comprehensive Annual Financial Report

Year Ended September 30, 2009

**Prepared by City of Kerrville, Texas
Finance Department**

Mike Erwin, Chief Financial Officer

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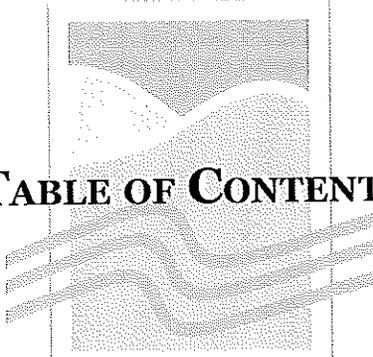
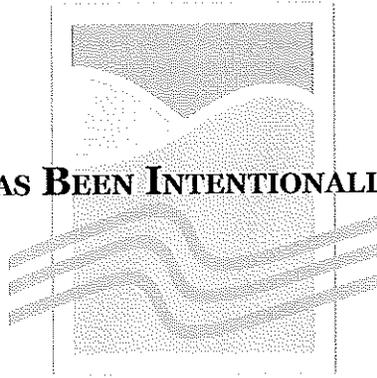


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CITY OF KERRVILLE, TEXAS

**Comprehensive Annual Financial Report
Year Ended September 30, 2009**

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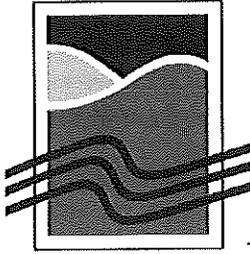
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CITY OF KERRVILLE, TEXAS

Comprehensive Annual Financial Report Year Ended September 30, 2009

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CITY OF KERRVILLE
FINANCE
800 Junction Highway
Kerrville, Texas 78028
830-257-8000 / www.kerrvilletx.gov

Tuesday, May 11, 2010

Honorable Mayor and City Council,
and Citizens of Kerrville, Texas:

The Comprehensive Annual Financial Report for the City of Kerrville, Texas ("City") for the fiscal year ended September 30, 2009, is hereby submitted. This report was prepared through the cooperative effort of the Finance Department and the City's independent auditor, in accordance with Section 103.001 of the Texas Local Government Code and Article VII, Section 15 of the Charter of the City of Kerrville. The purpose of the report is to provide the City Council, management, staff, the public, and other interested parties with detailed information reflecting the City's financial condition.

The full responsibility for the accuracy and reliability of the data, as well as completeness and fairness of this report, including all disclosures, rests with City Management. The City has established and maintains a system of internal accounting controls designed in part to provide a reasonable assurance that assets are safeguarded against loss, theft, or unauthorized use, and that financial records can be relied upon to produce financial statements in accordance with generally accepted accounting principles (GAAP). The concept of reasonable assurance recognizes that the cost of maintaining the system of internal accounting controls should not exceed the benefits likely to be derived. We believe the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Rutledge Crain & Company, PC, Certified Public Accountants, have issued an unqualified opinion on the City of Kerrville's financial statements for the year ended September 30, 2009. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2009, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion on the City's financial statements for the fiscal year ended September 30, 2009, and that the financial statements are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

Also included in the financial section is management's discussion and analysis (MD&A), which provides users of the basic financial statements a narrative introduction, overview, and analysis of the basic financial statements. The basic financial statements, including the accompanying notes, represent the core of the financial section. These financial statements present the financial condition of the City as a single entity, as well as the individual funds that account for the City's various governmental and business-type activities. This transmittal letter is designed to complement the MD&A, and should be read in conjunction with it.

Profile of the Government

The City of Kerrville is the county seat and principal commercial center of Kerr County, Texas. It is located approximately 65 miles northwest of San Antonio on U.S. Interstate 10. Principal industries in

the community include tourism, medical and health care services, jewelry design and production, transportation, banking, and agriculture.

The City continues to experience steady increases in population. The official census populations for 1990 and 2000 were 17,384 and 20,425, respectively. The January 2008 population estimate was 22,281, representing an increase of 5,437 (31%) over 1990, and 2,396 (12%) increase since 2000.

For financial reporting purposes, the City is a primary government. As previously mentioned, the City's governing body is elected by the citizens of Kerrville. This report includes all organizations and activities for which the elected officials exercise financial control. The City is legally responsible for the Kerrville Economic Improvement Corporation (EIC) which is reported separately within the government wide financial statements of the City along with the Kerrville Public Utility Board for which the City appoints all board members.

The City of Kerrville provides a full range of municipal services including general government, public safety (police and fire), streets, parks and recreation, community development, planning and zoning, code enforcement, a public library, emergency medical services, and business-type activities, such as water and sewer, Kerrville Schreiner Park and golf. Sanitation collection services are provided through private contractors; non-residential customers contract with the collection firm of their choice, while residential customers contract through the City with collection fees added to their municipal water and sewer bills.

The annual budget of the City serves as the foundation for its financial planning and control. The budget is proposed by the City Manager and adopted by the City Council in accordance with policies and procedures established by the City Charter, State Law, Council ordinances and policies. The budget is prepared and presented by fund (e.g., general fund), department (e.g., police) or function (e.g., debt service), and line items (e.g., salaries and wages). The fund level is the legal level of control for budget expenditures. The budgetary process begins each year with a City Council planning retreat where priorities are set for the budget. Next, the preparation of revenue estimates and budget instructions by the City's Finance Department staff and expenditure estimates and requests by each City department are completed. Estimates and requests are reviewed by the City Manager, and evaluated within the total financial framework of the City. The City Manager makes final decisions as to what budget recommendations are submitted to the City Council. The City Charter requires that a working copy of the budget be filed with the City Clerk no later than July 31st. The City Manager's proposed budget is reviewed extensively by the City Council, along with a final public review process, including a required public hearing prior to budget adoption. The City Charter requires adoption of the City budget no later than September 30th.

Budgetary reporting is provided at the department level within the individual fund. Transfers of budget appropriations within departments may occur with the approval of the City Manager provided there is not an increase in overall expenditures. Transfers of budget appropriations between funds and/or departments, as well as any increase in total appropriations, lapse at year-end and excess funds become available for re-appropriation in the subsequent year.

Budget to actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund and major special revenue funds (if any), this comparison is presented as required supplementary information section of this report.

Local Economy

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates. Several small manufacturing firms are located in the Kerrville area, as well as a variety of commercial establishments, restaurants, building supply stores, retail shops, banks and supermarkets. These businesses have experienced a slow down as shown by the unemployment rate increasing from 3.5% in February 2008 to 5.8% in February 2009. The unemployment rates are below the national average, but illustrate how the recession has begun in the Kerrville area. To offset this negative impact, the City recognizes the value of commercial development to its economic base and continues to encourage commercial growth that will be beneficial to the tax base and support the citizens' needs. Kerrville is continuing to increase its status as the commercial hub for the entire Hill Country. In addition to retail, commercial, and industrial development, the City's tax base will be improved through the continued development of the Harper

Highway corridor and gateway corridor (along State Highway 16) as well as through the redevelopment of the downtown area of Kerrville, with the demolition of Sid Peterson Memorial Hospital and the anticipated redevelopment downtown.

Many industries in Kerrville have been forced to take appropriate steps necessary to weather the current economic storm; however, the City is optimistic about the future of our community. Representatives of the City along with other community leaders continue to encourage development of this area to attract light, clean industry. The quality of life found in Kerrville is especially attractive to retirees, providing a strong, stable economic base and a welcome asset to the community. In recent years, Kerrville has seen an increase in younger families moving into the community to fill jobs in Kerrville's expanding service industry. These factors, along with a continuing effort to bolster our economic base, give hope for improvement in our economy during the coming years.

Long-term financial planning

The City's staff is proposing to increase the separate funds' fund balance reserve by policy from 5% currently approved in the financial policies to 20% to 25% within the next five years in keeping with the Government Finance Officers Association (GFOA) recommended best practice. GFOA recommends that "general-purpose governments, regardless of size, maintain unrestricted fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures." This will allow the City to better weather economic downturns and strategically handle contingencies and unforeseen emergencies. The City's General Fund unreserved fund balance is \$3,754,352 or 17.83% as of September 30, 2009. The City uses a five year forecast in its budget process to guide decisions and assist in policy. The forecasting allows the City to view the future impact of current decisions and allows the City to plan appropriately. The City maintains a five-year capital improvement program (CIP), with all planned capital projects reviewed annually by the City staff and City Council. This annual review allows the City to change and adjust priorities by responding to changing growth patterns, economic conditions, or federal and state mandates. The CIP is used exclusively as a planning tool, and therefore does not commit the City to any project or project funding. The intent of the CIP is for the City staff to identify specific capital improvements needed during the subsequent five years and to project affordability (5-year forecast). The CIP is not a capital budget, and as such provides only recommended projects and the means of financing the improvements. Recommended improvements are not approved until official action has been taken by the City Council.

The 2009 plan identified over \$64 million of capital improvements during the next five years (through 2013). These recommended improvements are identified by the following activities:

Airport	\$2,020,600	3.15%
Drainage Improvements	\$3,195,000	4.97%
Facilities	\$3,623,222	5.64%
Parks and Open Spaces	\$4,383,000	6.82%
Public Safety	\$5,561,302	8.66%
Street Reconstruction	\$7,500,000	11.68%
Wastewater System	\$24,618,600	38.33%
Water System	\$13,330,291	20.75%
TOTAL	\$64,232,015	100.00%

These improvements provide for new facilities and facilities expansion; land acquisition; equipment acquisition and replacement; roads and storm water drainage systems; parks and park facilities; and water and sewer mains, facilities, and storage facilities. The majority of these improvements (83.78%) are anticipated to be funded by debt obligations. Debt obligations include both self-supporting debt (e.g., water and sewer improvements), and general obligation debt (e.g., street and drainage improvements). This CIP will be reviewed in the FY 2010 and FY2011 budget process to ensure it is in line with current economic trends.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended September 30, 2008, and a reproduction of the certificate is included in this report. The City has received a Certificate of Achievement for twenty-five consecutive fiscal years (FY 1984 through FY 2008). In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized comprehensive annual financial report, the contents of which must conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for the period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

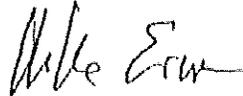
The preparation of this report could not be accomplished without the dedicated services of the entire staff of the Finance Department. Many individuals devoted extra hours and exhibited dedicated effort in ensuring the accuracy and timeliness of this report. Appreciation is expressed to the City employees throughout the organization, especially those responsible for the maintenance of records upon which this report is based. Acknowledgment is also given to representatives of Rutledge Crain & Company, PC, Certified Public Accountants, for their dedicated assistance and input into the preparation of this report.

Finally, our appreciation is extended to the Mayor and the members of the City Council for their interest and support in planning and conducting the financial operations of the City in a responsible manner.

Respectfully submitted,



Todd Parton
City Manager



Mike Erwin, CGFM
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Kerrville
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A stylized, handwritten signature in black ink, appearing to be "J.R. Emmer".

President

A handwritten signature in black ink, appearing to be "Jeffrey R. Emmer".

Executive Director

CITY OF KERRVILLE, TEXAS

LIST OF ELECTED AND APPOINTED OFFICIALS

SEPTEMBER 30, 2009

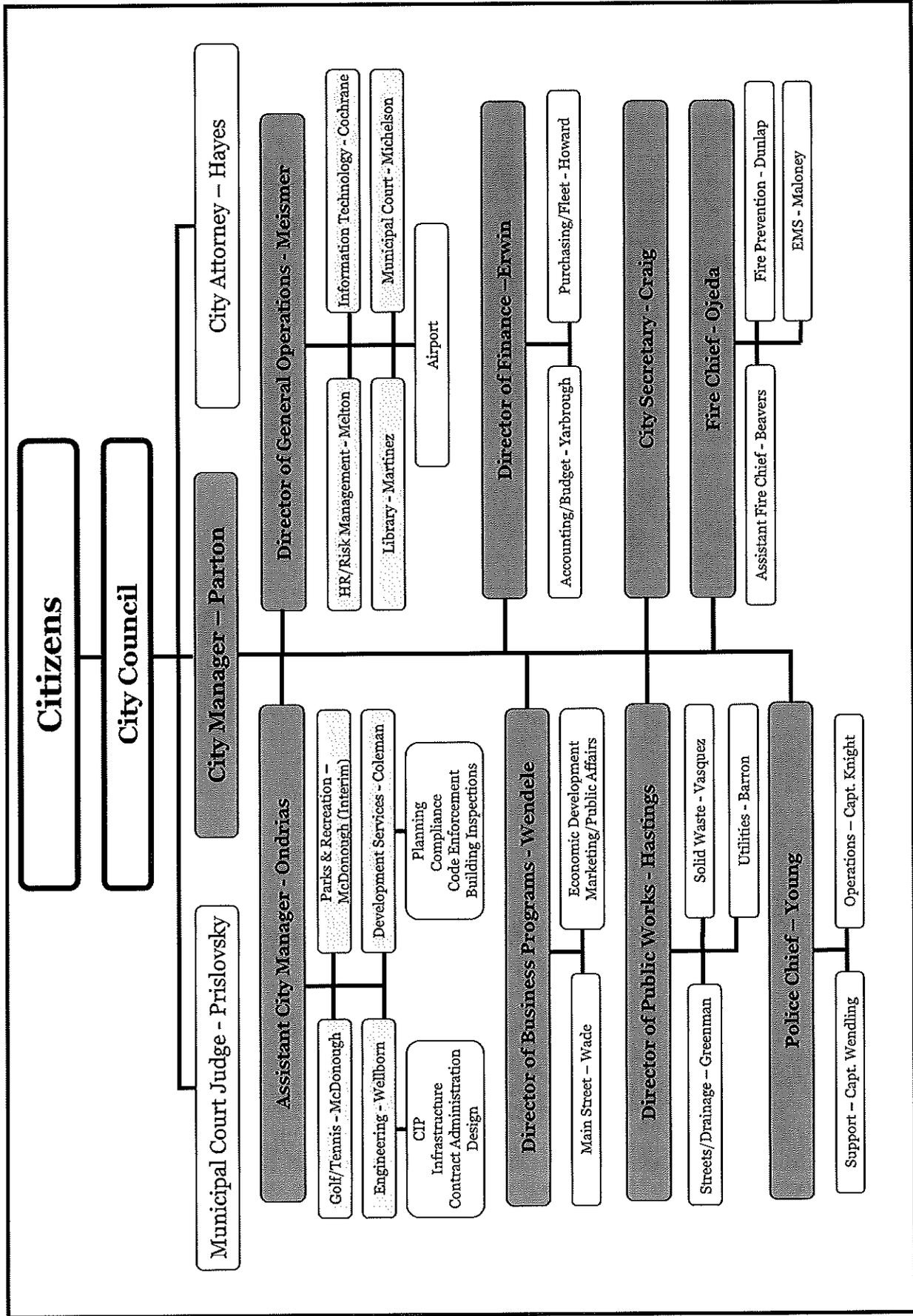
ELECTED OFFICIALS

<u>NAME</u>	<u>POSITION</u>	<u>TERM EXPIRATION</u>
Todd A. Bock	Mayor	May 2010
Bruce Motheral	Place 1, Mayor Pro Tem	May 2011
Stacie Keeble	Place 2	May 2011
T. Scott Gross	Place 3	May 2010
Chuck Coleman	Place 4	May 2010

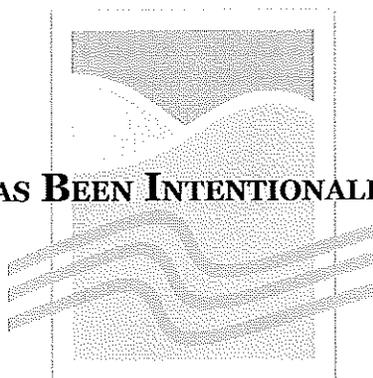
APPOINTED OFFICIALS

<u>NAME</u>	<u>POSITION</u>
Todd Parton	City Manager
Mike Hayes	City Attorney
Kristine Ondrias	Assistant City Manager
Kim Meisner	Director of General Operations
Brenda Craig	City Secretary
Mike Erwin	Director of Finance
Charlie Hastings	Director of Public Works
Robert Ojeda	Fire Chief
Mindy Wendele	Director of Business Programs
John Young	Police Chief

CITY OF KERRVILLE ORGANIZATIONAL CHART

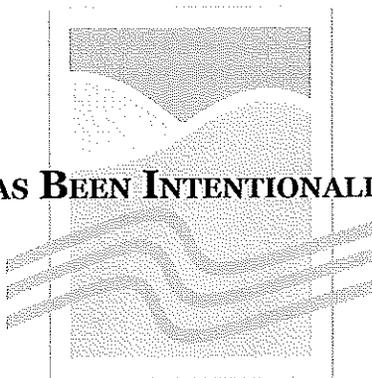


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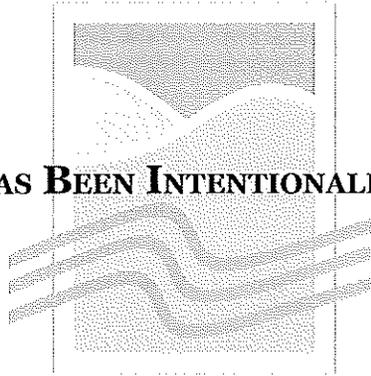
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INTRODUCTORY SECTION

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RUTLEDGE CRAIN & COMPANY, PC
CERTIFIED PUBLIC ACCOUNTANTS
2401 Garden Park Court, Suite B
Arlington, Texas 76013

Independent Auditors' Report on Financial Statements

To the City Council
City of Kerrville, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kerrville, Texas as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Kerrville, Texas' management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Kerrville Public Utility Board ("KPUB"), a component unit, which statements reflect 91% and 95%, respectively, of the assets and revenue of the City's discretely presented component units as of and for the year ended September 30, 2009. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for KPUB, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kerrville, Texas as of September 30, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

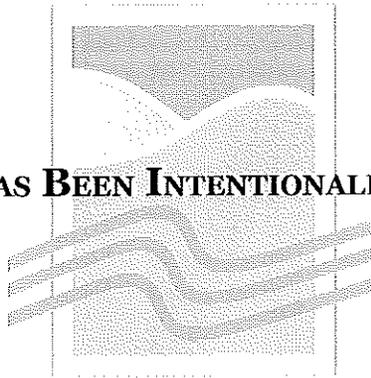
The Management's Discussion and Analysis and budgetary comparison information identified as Required Supplementary Information in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements which collectively comprise the City of Kerrville, Texas' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, nonmajor budgetary comparison schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The section and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Rutledge Crain & Company, PC

May 3, 2010

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CITY OF KERRVILLE, TEXAS
Management's Discussion and Analysis

As management of the City of Kerrville, Texas, we offer readers of the City of Kerrville's financial statements this narrative overview and analysis of the financial activities of the City of Kerrville for the fiscal year ended September 30, 2009. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-4 of this report.

Financial Highlights

Government-Wide

- The City's assets exceeded its liabilities at the close of the 2009 fiscal year by \$99,604,906 (net assets). Of this amount \$7,564,781 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies as more fully described below.
- The City's total net assets increased by \$10,734,943 or 12.08%. Net assets of business-type activities increased by \$5,776,570 or 14.96%, and net assets of governmental activities increased by \$4,958,373 or 9.86%.
- Total Cost of all the City's programs was \$35,601,568 in 2009.

Fund Statements

- As of September 30, 2009, the City's governmental funds reported combined ending fund balances of \$14,156,186. Approximately 73.68% of this total amount, \$10,430,156 is unreserved and available for use within the City's designation and policies in the governmental funds. Of the \$10,430,156, \$3,754,352 is unreserved in the General fund, \$5,970,159 is for the Capital Projects Funds and \$705,645 is for Special Revenue Funds.
- At the end of the current fiscal year, unreserved fund balance in the General Funds was \$3,754,352 or 17.83% of the General Fund's expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Kerrville's basic financial statements. The City of Kerrville's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

(1) Government-Wide Financial Statements

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial condition of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Kerrville that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (Business-type activities). The governmental activities of the City of Kerrville include general government, public safety, public works and streets, and parks and recreation. The business-type activities of the City of Kerrville include water and wastewater services, Kerrville Schreiner Park and the City's public golf course.

The government-wide financial statements include not only the City itself, but also a legally separate electric utility (KPUB) as well as the Economic Improvement Corporation (EIC). Financial information

for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 27-29 of this report.

(2) Fund Financial Statements

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Kerrville, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Kerrville can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because of the focus on governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Kerrville maintains nine individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, which is considered to be a major fund. Data from the other eight funds are combined into a single, aggregated presentation. Individual funds data for each of these non-major governmental funds is provided in the form of combining statements in the combining statements section in the report.

The governmental fund financial statements can be found on pages 30-33 of this report.

Proprietary funds. The City of Kerrville maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Kerrville maintains three enterprise funds. The City of Kerrville uses enterprise funds to account for its water and wastewater services, Kerrville Schreiner Park and the City's public golf course. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City of Kerrville uses internal service funds to account for automotive maintenance facility operations and employees' health insurance services. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Enterprise funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise fund financial statements provide information for the Utility Fund (water and wastewater), Kerrville Schreiner Park and the Golf Course Fund. The Utility Fund is considered to be major fund of the City of Kerrville while the Golf Course Fund and Kerrville Schreiner Park fund are combined and presented in as single column as non-major enterprise funds. The internal service funds are also combined into a single, aggregated presentation of the proprietary fund financial statements. Individual fund data for the non-major enterprise funds and internal service funds is provided in the form of combining statements elsewhere in the report.

The basic proprietary fund financial statements can be found on pages 34-36 of this report.

(3) Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. Each note is designed to give a more detailed

explanation of the figures which are presented in summary form throughout the financial statements section of the report.

The notes to the financial statements can be found on pages 39-60 of this report.

Comparative Financial Information

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Kerrville, assets exceeded liabilities by \$99,604,906 at the close of the most recent fiscal year.

By far the largest portion of the City of Kerrville's net assets (90.19%) reflects its investment in capital assets (e.g., land, buildings, infrastructure and system improvements), less any related debt used to acquire those assets that is outstanding. The City of Kerrville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Kerrville's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF KERRVILLE Statement of Net Assets

	Government Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other	\$ 20,709,280	\$ 17,746,453	\$ 11,541,939	\$ 8,574,057	\$ 32,251,219	\$ 26,320,510
Capital assets	53,308,404	47,191,043	49,550,153	43,704,360	102,858,557	90,895,403
Total Assets	74,017,684	64,937,496	61,092,092	52,278,417	135,109,776	117,215,913
Long-term Liabilities	17,077,152	12,587,727	16,187,139	12,196,187	33,264,291	24,783,914
Other Liabilities	1,717,001	2,084,611	523,578	1,477,425	2,240,579	3,562,036
Total Liabilities	18,794,153	14,672,338	16,710,717	13,673,612	35,504,870	28,345,950
Net Assets:						
Invested in capital						
Net of related debt	50,261,309	38,523,787	39,572,151	31,453,451	89,833,460	69,977,238
Restricted	2,206,665	3,639,842	-	603,726	2,206,665	4,243,568
Unrestricted	2,755,557	8,101,529	4,809,224	6,547,628	7,564,781	14,649,157
Total net assets	\$ 55,223,531	\$ 50,265,158	\$ 44,381,375	\$ 38,604,805	\$ 99,604,906	\$ 88,869,963

An additional portion of the City's net assets (2.22%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (7.59%) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Kerrville is able to report positive balances in each category of net assets for the government as a whole.

The City's net assets increased by \$10,734,943 during the current fiscal year. \$5,776,570 of this increase is attributable to current year operations of the business type activities. Another \$4,958,373 is attributable to governmental activities as shown in the following table.

CITY OF KERRVILLE
Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenue:						
Program revenue						
Charges for services	\$ 4,305,908	\$ 5,047,533	\$ 10,065,867	\$ 10,118,243	\$ 14,371,775	\$ 15,165,776
Operating grants and contributions	1,564,486	903,820	-	685,003	1,564,486	1,588,823
Capital grants and contributions	6,882,533	1,234,540	5,934,762	1,420,761	12,817,295	2,655,301
General Revenue	-	-	-	-	-	-
Property tax	9,136,298	8,587,048	-	-	9,136,298	8,587,048
Sales tax	4,925,791	8,034,829	-	-	4,925,791	8,034,829
Hotel occupancy tax	882,592	-	-	-	882,592	-
Franchise tax	1,930,208	-	-	-	1,930,208	-
Alcoholic beverage tax	67,373	-	-	-	67,373	-
Unrestricted investment earnings	167,815	391,682	138,490	250,988	306,305	642,670
Miscellaneous revenue	115,000	-	204,578	211,761	319,578	211,761
Gain (loss) on sale of assets	13,260	(202,443)	1,550	(34,926)	14,810	(237,369)
Total revenue	29,991,264	23,997,009	16,345,247	12,651,830	46,336,511	36,648,839
Expenses:						
General government	\$ 4,926,599	\$ 4,937,628	\$ -	\$ -	\$ 4,926,599	\$ 4,937,628
Public safety	12,000,846	11,532,917	-	-	12,000,846	11,532,917
Culture and recreation	3,656,505	3,262,500	-	-	3,656,505	3,262,500
Public works	4,276,884	3,008,951	-	-	4,276,884	3,008,951
Business programs	189,093	179,727	-	-	189,093	179,727
Interest on long-term debt	372,523	459,439	-	-	372,523	459,439
Water and sewer operations	-	-	8,600,767	6,611,782	8,600,767	6,611,782
Kerrville Schreiner Park	-	-	582,155	545,526	582,155	545,526
Golf course	-	-	996,196	898,050	996,196	898,050
Total expenses	25,422,450	23,381,162	10,179,118	8,055,358	35,601,568	31,436,520
Excess before transfers	4,568,814	615,847	6,166,129	4,596,472	10,734,943	5,212,319
Transfers	389,559	823,767	(389,559)	(823,767)	-	-
Change in net assets	4,958,373	1,439,614	5,776,570	3,772,705	10,734,943	5,212,319
Net Assets, Beginning of Year	50,265,158	48,825,544	38,604,805	34,832,100	88,869,963	83,657,644
Net Assets, End of Year	\$ 55,223,531	\$ 50,265,158	\$ 44,381,375	\$ 38,604,805	\$ 99,604,906	\$ 88,869,963

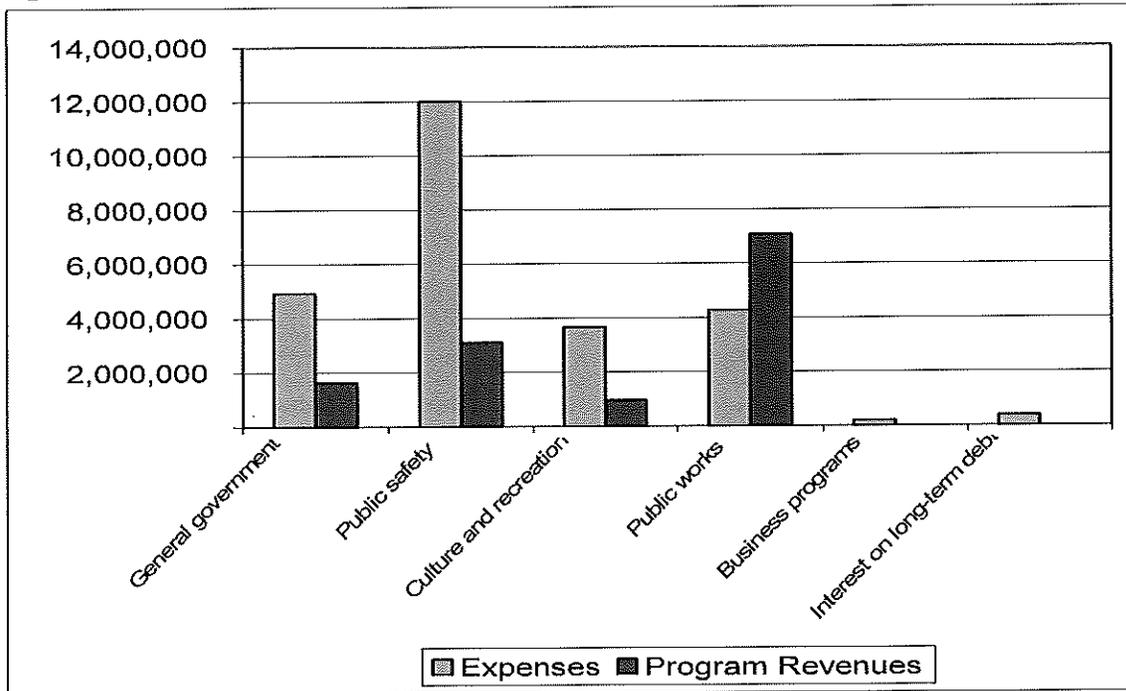
Overall Financial Position and Results of Operations

Governmental Activities

Governmental activities increased the City of Kerrville's net assets by \$4,958,373 thereby accounting for 46.19% of the total growth in the net assets of the City of Kerrville. Key Elements of this increase are as follows:

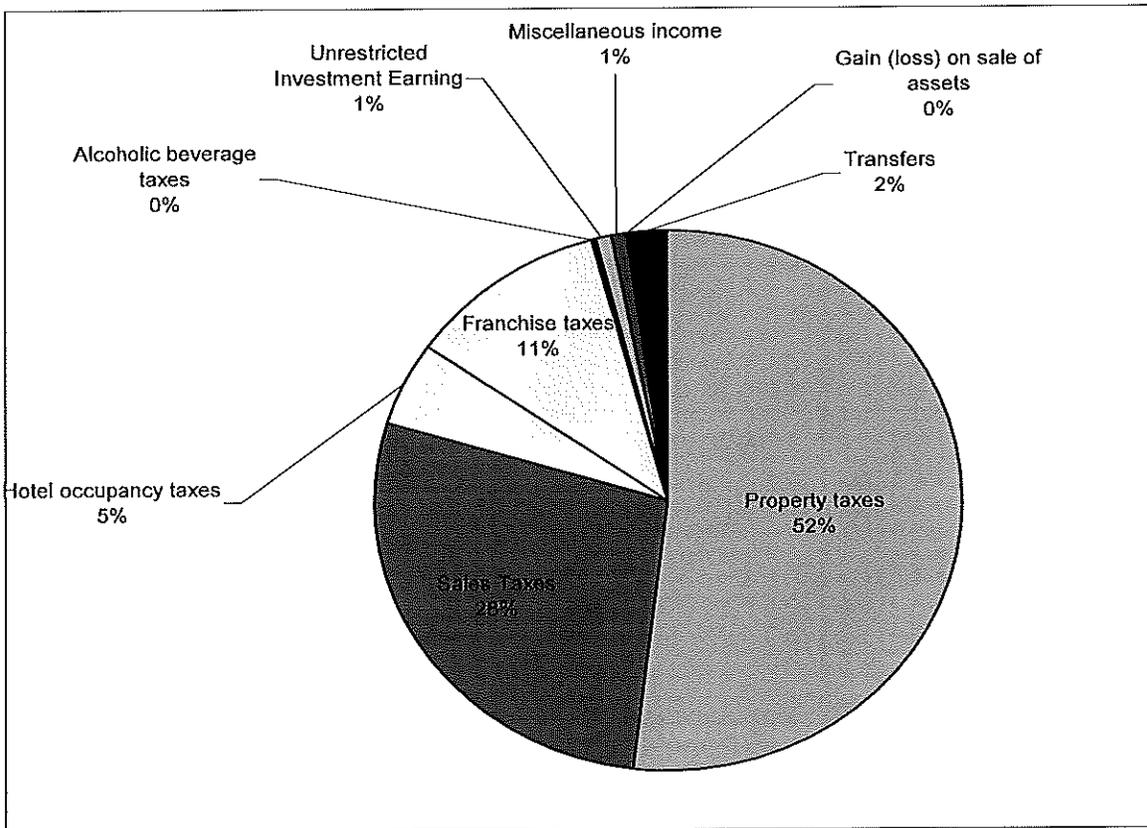
- Charges for services provided 14.36% of the City's governmental revenues. These include garbage collection fees, municipal court fines, EMS service charges, and landfill surcharge revenues, among others.
- Tax revenues (property, sales, franchise, hotel & alcoholic) provided 56.49% of the City's governmental revenues. Tax revenues increased by \$320,385 or 1.93% from 2008 related to additional property tax collection.

Expenses and Program Revenue– Governmental Activities



The chart shows that the expenses are primarily covered by General Revenue not Program Revenue.

Revenues by Source – Governmental Activities

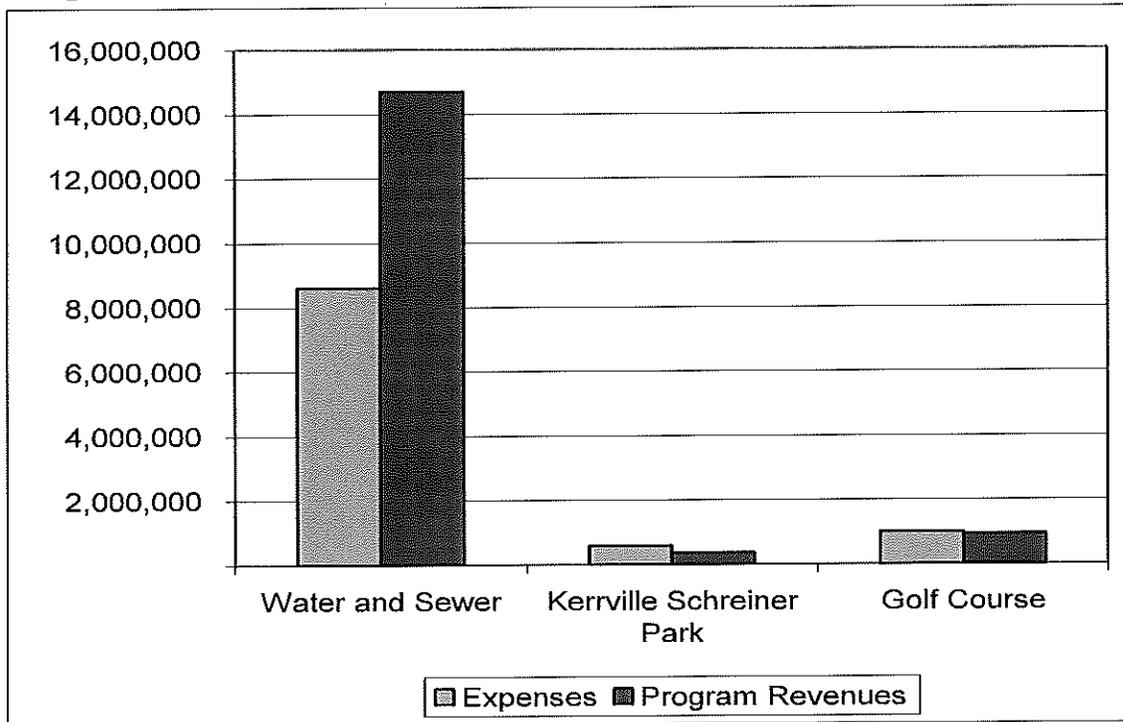


Business-Type Activities

Business-type activities increased the City of Kerrville's net assets by \$5,776,570 accounting for 53.81% of the total growth in the City's net assets. Key elements of this increase are as follows:

- Charges for services provided 61.58% of the City's business-type revenues.
- Water and Sewer charges for services provided 53.58% of the City's business-type revenue.
- Kerrville Schreiner Park and the Golf Course service charges provided 8.00% of the City's business-type revenue.
- 40%, \$5,934,762 of the revenue for the Water and Sewer Fund is capital contributions. Charges for service exceeded expenses by \$156,681.

Expenses and Program Revenue – Business-Type Activities Chart



Individual Financial Analysis of the City's Funds

As noted earlier, the City of Kerrville uses fund accounting to endure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City of Kerrville's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Kerrville's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Kerrville's governmental funds reported combined ending fund balances of \$14,156,186 an increase of \$3,228,420 in comparison with the prior year. This increase in fund balance is predominantly attributable to debt issuance. Approximately 26.52% of total fund balance or \$3,754,352 constitutes unreserved General Fund's fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved and/or designated to indicate that it is not available for new spending because it has already been committed for restricted purposes (debt service, capital projects).

The general fund is the chief operating fund of the City of Kerrville. At the end of the current fiscal year, unreserved/undesignated fund balance of the general fund was \$3,754,352. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 17.83% of total general fund expenditures.

The fund balance of the City of Kerrville's general fund decreased by \$404,568 during the current fiscal year. Key factor in this decrease are as follows:

- The FY 09 budget anticipated a \$915,068 drawdown of cash balance, which was in excess of the target reserve level in order to maintain a responsible tax rate. Audited figures from exhibit B-1 illustrate that on a budget basis, expenditures exceeded revenues by \$404,568.

Proprietary Funds

The City of Kerrville's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail.

Unrestricted net assets of the proprietary funds at the end of the year amounted to \$4,823,100 with unrestricted net assets of the utility fund at the end of the year amounting to \$72,199.

General Fund Budgetary Analysis

Actual expenditures in the general fund for 2009 exceeded revenues by \$404,568. The original budget anticipated a drawdown of fund balance which exceeded the city's policy driven target reserve. The final budget put this drawdown at \$915,068, which means that the actual drawdown was approximately \$510,500 less than anticipated. The combined net effects of the following budget to actual variances account for the lower than anticipated drawdown:

- The taxes and penalties category shows a significant negative variance from budget primarily due to property tax revenue which was approximately \$171,000 lower than anticipated, sales tax revenue was \$198,000 lower than expected and the franchise fee from the public utility was \$275,000 lower than expected. Each of these deficiencies represent actions occurring during the economic downturn.
- The miscellaneous revenue category was \$1,022,722 below budget due to the planned and then recalled sale of the city hall. The original approved budget included \$900,000 of revenue from the sale which did not materialize.
- Police department had expenditures less than budget of \$250,000 due to vacant positions and reduced fuel costs. Other departments which expenditures were significantly less than budget included the Street Department saved on electrical costs and general operations bought less equipment than budgeted.

Capital Asset and Long-Term Debt Administration

Capital Assets

The City of Kerrville's investment in capital assets for its governmental and business type activities as of September 30, 2009, amounts to \$102,858,557 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, infrastructure and system improvements (including streets and drainage infrastructure) and machinery and equipment.

CITY OF KERRVILLE Capital Assets - Net of Depreciation

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 2,638,951	\$ 2,510,698	\$ 2,463,831	\$ 2,439,576	\$ 5,102,782	\$ 4,950,274
Construction in progress	11,673,593	11,594,475	5,694,235	7,897,658	17,367,828	19,492,133
Streets	23,474,694	19,192,588	-	-	23,474,694	19,192,588
Buildings	5,685,964	4,722,219	9,566,642	6,265,916	15,252,606	10,988,135
Improvements other than buildings	6,610,898	6,388,787	30,834,094	25,899,513	37,444,992	32,288,300
Vehicles	2,248,612	2,334,432	630,282	772,370	2,878,894	3,106,802
Machinery and equipment	975,692	447,844	361,069	429,327	1,336,761	877,171
Total	\$53,308,404	\$47,191,043	\$49,550,153	\$43,704,360	\$ 102,858,557	\$90,895,403

Additional information on the City's capital assets can be found in Note II (C) on pages 47-49 of this report.

Long-Term Debt

At the end of the current fiscal year, the City of Kerrville has total governmental activities long-term debt outstanding of \$17,077,152 which the City expects to retire through the Debt Service Fund. The City also has business activity long-term debt outstanding of \$16,187,139 at September 30, 2009. The City of Kerrville's total bonded debt and loans increased by \$8,480,377 (34.22%) during the current fiscal year due to issuing additional debt for the General Fund and the Water and Sewer Utility.

CITY OF KERRVILLE Long Term Debt

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Gross Bonded Debt						
General obligation	\$ 2,634,400	\$ 2,645,525	\$ 3,285,600	\$ 3,299,475	\$ 5,920,000	\$ 5,945,000
Certificates of obligation	9,623,650	5,254,575	11,246,350	6,690,425	20,870,000	11,945,000
Revenue bonds	-	-	580,000	1,135,000	580,000	1,135,000
Total Bonded Debt	12,258,050	7,900,100	15,111,950	11,124,900	27,370,000	19,025,000
Bond premium/discount	(5,905)	(29,650)	(29,930)	(57,094)	(35,835)	(86,744)
Deferred amount on refunding	(169,118)	(179,066)	(219,249)	(232,147)	(388,367)	(411,213)
Net Bonded Debt	12,083,027	7,691,384	14,862,771	10,835,659	26,945,798	18,527,043
Other Long-term Debt						
State infrastructure bank loan	1,444,860	1,498,486	1,165,209	1,208,457	2,610,069	2,706,943
Capital leases	-	25,643	-	-	-	25,643
Compensated absences	663,721	659,059	159,159	152,071	822,880	811,130
Landfill closure and postclosure cos	2,885,544	2,713,155	-	-	2,885,544	2,713,155
Total	\$17,077,152	\$12,587,727	\$16,187,139	\$12,196,187	\$33,264,291	\$24,783,914

Additional information on the City's long-term debt can be found in Note II (E) on pages 52-54 of this report.

The City's five year capital improvement plan had identified over \$64 million of capital improvements through 2013. The City is reviewing its capital improvement plan in the current fiscal year for the budget year 2011 to account for the current economy. While previously, the majority of these improvements (83.78%) were anticipated to be funded by debt obligations, for the budget year 2011 and forward the City will use a combination of debt issuance and pay as you go. In January of 2010, Standard and Poor's confirmed the City's general fund rating from an A+ to an AA- and utility fund rating from A to an AA-. The economic improvement corporation rating is A+.

Modified Approach of Capital Assets

The City of Kerrville has adopted the modified approach for its streets system of capital assets. As a result, the City has made a commitment to preserve and maintain its streets system at certain condition levels determined by the City. No depreciation expense is reported for such assets, nor are amounts capitalized in connection with improvements that lengthen the lives of such assets, unless the improvements also increase their service potential. The City maintains an inventory of the streets system and performs periodic condition assessments to establish that the predetermined condition level is being maintained. The City's policy is to maintain a targeted overall weighted average Condition Index rating of 75 (fair condition). The City's engineers estimate the current pavement condition of the City's streets to be at a Condition Index rating of 80 (fair condition). The City makes annual estimates of the amounts that must be expended to preserve and maintain the streets system at the predetermined condition level. To preserve the City's streets system at the targeted Condition Index rating level of 75, the City's needed expenditures for 2009 were zero (\$0). Although Kerrville's weighted average Condition Index rating is 80, there are a number of streets that have failed and are deteriorating at a faster rate than normal. These streets will require reconstruction in order to maintain a weighted average Condition Index rating above 75. For three year historical information, please see page 65.

Items That Will Have a Significant Financial Impact

Economic Factors and Next Year's Budgets and Rates

The City has adopted an ad valorem tax rate of \$0.5625 per \$100 value for budget year 2010, which is an increase from the tax rate of \$0.5500 per \$100 value in budget year 2009.

Sales tax receipts experienced in budget year 2009 were .65% greater than experienced in budget year 2008, and are anticipated to decrease 7.5% in budget year 2010.

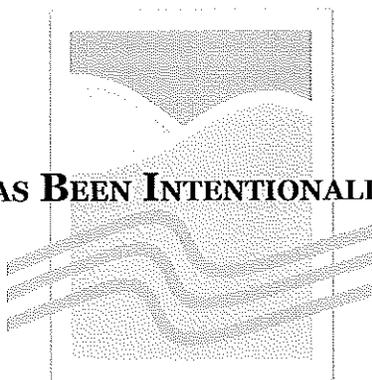
The number of water accounts increased from 9,270 in fiscal year 2008 to 9,414 in fiscal year 2009, for an increase of 1.55%. Billed water usage increased 2.43% from fiscal year 2008 to 2009. The number of water accounts is anticipated to increase an additional 1.5% in budget year 2010.

Hotel/motel occupancy tax receipts collected in fiscal year 2009 were \$882,591 or 9.7% less than experienced in budget year 2008, and are anticipated to decrease an additional 3.6% in budget year 2010.



This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, 800 Junction Highway, Kerrville, TX 78028 (830) 792-8330.

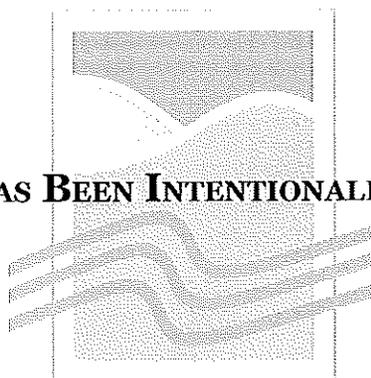
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BASIC FINANCIAL STATEMENTS

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CITY OF KERRVILLE, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2009

	Governmental Activities	Primary Government Business-type Activities	Total	Component Units
ASSETS				
<i>Cash</i>	\$ 4,036,627	\$ 3,126,505	\$ 7,163,132	\$ 2,129,284
<i>Investments</i>	8,627,471	5,843,670	14,471,141	12,765,708
Equity in investment pool:				
Receivables (net of allowances for uncollectibles):				
<i>Taxes</i>	296,535	--	296,535	--
<i>Accounts</i>	295,997	816,966	1,112,963	4,266,085
<i>Other</i>	1,379,889	--	1,379,889	--
<i>Due from other governments</i>	769,694	622,439	1,392,133	367,199
<i>Inventories</i>	56,549	439,131	495,680	871,173
<i>Prepaid assets</i>	--	3,250	3,250	--
<i>Other assets</i>	16,838	--	16,838	63,767
Restricted assets:				
<i>Cash</i>	--	174,546	174,546	19,960
<i>Investments</i>	1,569,900	356,498	1,926,398	8,900,798
<i>Deferred charges</i>	170,930	158,934	329,864	140,128
<i>Equity in joint venture</i>	3,488,850	--	3,488,850	--
Capital assets (net of accumulated depreciation, where applicable):				
<i>Nondepreciable property</i>				
<i>Land</i>	2,638,951	2,463,831	5,102,782	117,656
<i>Construction in progress</i>	11,673,593	5,694,235	17,367,828	1,055,916
<i>Streets</i>	23,474,694	--	23,474,694	--
<i>Depreciable property</i>				
<i>Buildings</i>	5,685,964	9,566,642	15,252,606	--
<i>Improvements other than buildings</i>	6,610,898	30,834,094	37,444,992	27,447,320
<i>Vehicles</i>	2,248,612	630,282	2,878,894	--
<i>Machinery and equipment</i>	847,257	346,236	1,193,493	--
<i>Office equipment</i>	128,435	14,833	143,268	--
Total Assets	74,017,684	61,092,092	135,109,776	58,144,994
LIABILITIES				
<i>Accounts payable and accrued liabilities</i>	1,598,060	373,087	1,971,147	3,871,015
Payable from restricted assets:				
<i>Customer deposits</i>	85,014	137,454	222,468	650,078
<i>Unearned revenue</i>	33,927	13,037	46,964	--
Noncurrent liabilities:				
<i>Due within one year</i>	871,434	1,386,024	2,257,458	2,490,000
<i>Due in more than one year</i>	16,205,718	14,801,115	31,006,833	10,722,684
Total Liabilities	18,794,153	16,710,717	35,504,870	17,733,777
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	50,261,309	39,572,151	89,833,460	15,813,208
Restricted For:				
Debt Service	977,189	--	977,189	314,120
Capital Projects	1,229,476	--	1,229,476	3,553,938
Unrestricted	2,755,557	4,809,224	7,564,781	20,729,951
Total Net Assets	\$ 55,223,531	\$ 44,381,375	\$ 99,604,906	\$ 40,411,217

The accompanying notes are an integral part of this statement.

CITY OF KERRVILLE, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental Activities:				
<i>General government</i>	\$ 4,926,599	\$ 1,598,529	\$ 27,000	\$ --
<i>Public safety</i>	12,000,846	2,447,657	413,358	234,880
<i>Culture and recreation</i>	3,656,505	214,087	741,079	--
<i>Public works</i>	4,276,884	45,635	383,049	6,647,653
<i>Business programs</i>	189,093	--	--	--
<i>Interest on long-term debt</i>	372,523	--	--	--
Total expenditures	<u>25,422,450</u>	<u>4,305,908</u>	<u>1,564,486</u>	<u>6,882,533</u>
Business-type Activities:				
Water & Sewer	8,600,767	8,757,448	--	5,934,762
Kerrville-Schreiner Park	582,155	371,014	--	--
Golf Course	996,196	937,405	--	--
Total Business-type Activities	<u>10,179,118</u>	<u>10,065,867</u>	<u>--</u>	<u>5,934,762</u>
Total Primary Government	<u>\$ 35,601,568</u>	<u>\$ 14,371,775</u>	<u>\$ 1,564,486</u>	<u>\$ 12,817,295</u>
COMPONENT UNITS:				
Economic Improvement Corporation	\$ 1,571,041	\$ --	\$ --	\$ --
Kerrville Public Utility Board	40,249,515	41,581,834	--	140,271
Total Component Units	<u>\$ 41,820,556</u>	<u>\$ 41,581,834</u>	<u>\$ --</u>	<u>\$ 140,271</u>

General Revenues
Property Taxes
Sales Taxes
Hotel Occupancy Taxes
Franchise Taxes
Alcoholic Beverage Taxes
Unrestricted Investment Earnings
Miscellaneous income
Gain on Sale of Capital Assets
Transfers
 Total General Revenues and Transfers
 Change in Net Assets
 Net Assets - Beginning
 Net Assets - Ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total	Component Units
\$ (3,301,070)		\$ (3,301,070)	
(8,904,951)		(8,904,951)	
(2,701,339)		(2,701,339)	
2,799,453		2,799,453	
(189,093)		(189,093)	
(372,523)		(372,523)	
<u>(12,669,523)</u>		<u>(12,669,523)</u>	
--	\$ 6,091,443	6,091,443	
--	(211,141)	(211,141)	
--	(58,791)	(58,791)	
--	<u>5,821,511</u>	<u>5,821,511</u>	
<u>(12,669,523)</u>	<u>5,821,511</u>	<u>(6,848,012)</u>	
			\$ (1,571,041)
			<u>1,472,590</u>
			<u>(98,451)</u>
9,136,298	--	9,136,298	--
4,925,791	--	4,925,791	2,462,896
882,592	--	882,592	--
1,930,208	--	1,930,208	--
67,373	--	67,373	--
167,815	138,490	306,305	286,363
115,000	204,578	319,578	849,906
13,260	1,550	14,810	--
389,559	(389,559)	--	--
<u>17,627,896</u>	<u>(44,941)</u>	<u>17,582,955</u>	<u>3,599,165</u>
4,958,373	5,776,570	10,734,943	3,500,714
50,265,158	38,604,805	88,869,963	36,910,503
<u>\$ 55,223,531</u>	<u>\$ 44,381,375</u>	<u>\$ 99,604,906</u>	<u>\$ 40,411,217</u>

CITY OF KERRVILLE, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2009

	General Fund	Governmental IP	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 1,930,483	\$ 1,120,939	\$ 772,593	\$ 3,824,015
Investments	2,370,041	4,275,207	1,577,910	8,223,158
Equity in investment pool:				
Receivables (net of allowances for uncollectibles):				
Taxes	268,579	--	27,956	296,535
Accounts	295,997	--	--	295,997
Other	608,060	771,829	--	1,379,889
Due from other governments	769,694	--	--	769,694
Inventories	34,774	--	--	34,774
Restricted assets:				
Investments	1,569,900	--	--	1,569,900
Total Assets	\$ 7,847,528	\$ 6,167,975	\$ 2,378,459	\$ 16,393,962
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 935,740	\$ 307,436	\$ 148,464	\$ 1,391,640
Payable from restricted assets:				
Customer deposits	85,014	--	--	85,014
Deferred revenue	737,152	--	23,970	761,122
Total Liabilities	1,757,906	307,436	172,434	2,237,776
Fund balances:				
Reserved Fund Balances				
Reserved for inventory	34,774	--	--	34,774
Reserved for debt service	--	--	953,220	953,220
Reserved landfill closure/postclosure	2,300,496	--	--	2,300,496
Reserved for donor/grantor restrictions	--	--	437,540	437,540
Unreserved	3,754,352	--	--	3,754,352
Unreserved, reported in nonmajor funds:				
Special Revenue Funds	--	--	705,645	705,645
Capital Projects Funds	--	5,860,539	109,620	5,970,159
Total fund balances	6,089,622	5,860,539	2,206,025	14,156,186
Total Liabilities and Fund Balances	\$ 7,847,528	\$ 6,167,975	\$ 2,378,459	\$ 16,393,962

The accompanying notes are an integral part of this statement.

CITY OF KERRVILLE, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2009

Total fund balances - governmental funds balance sheet	\$ 14,156,186
Amounts reported for governmental activities in the statement of net assets ("SNA") are different because:	
Capital assets used in governmental activities are not reported in the funds.	56,777,038
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	258,659
The assets and liabilities of internal service funds are included in governmental activities in the SNA.	586,159
Payables for bond principal which are not due in the current period are not reported in the funds.	(6,226,439)
Payables for capital leases which are not due in the current period are not reported in the funds.	(2,614,375)
Payables for bond interest which are not due in the current period are not reported in the funds.	(132,560)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(647,985)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.	(7,572,616)
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.	170,930
Court fines receivable unavailable to pay for current period expenditures are deferred in the funds.	67,435
Ambulance receivables unavailable to pay for current period expenditures are deferred in the funds.	366,865
Assessments receivable unavailable to pay for current period expenditures are deferred in the funds.	34,234
Net assets of governmental activities - statement of net assets	<u>\$ 55,223,531</u>

The accompanying notes are an integral part of this statement.

CITY OF KERRVILLE, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	General Fund	Governmental IP	Other Governmental Funds	Total Governmental Funds
Revenues:				
<i>Taxes and penalties</i>	\$ 15,098,889	\$ --	\$ 1,888,606	\$ 16,987,495
<i>Licenses and permits</i>	416,883	--	11,225	428,108
<i>Intergovernmental</i>	833,660	408,620	--	1,242,280
<i>Charges for services</i>	1,962,995	--	1,184	1,964,179
<i>Grants</i>	69,617	--	339,790	409,407
<i>Fines and forfeitures</i>	506,040	--	--	506,040
<i>Interest</i>	80,437	59,269	28,110	167,816
<i>Miscellaneous</i>	1,154,857	--	152,230	1,307,087
Total revenues	20,123,378	467,889	2,421,145	23,012,412
Expenditures:				
Current:				
<i>General government</i>	4,573,814	--	2,366	4,576,180
<i>Public safety</i>	11,041,940	--	--	11,041,940
<i>Culture and recreation</i>	2,222,987	--	1,112,566	3,335,553
<i>Public works</i>	2,593,065	1,968,711	--	4,561,776
<i>Business programs</i>	189,093	--	--	189,093
Capital outlay	432,458	--	--	432,458
Debt service:				
<i>Principal, interest, and fiscal charges</i>	--	--	828,199	828,199
Total expenditures	21,053,357	1,968,711	1,943,131	24,965,199
Excess (deficiency) of revenues over (under) expenditures	(929,979)	(1,500,822)	478,014	(1,952,787)
Other financing sources (uses):				
<i>Transfers in</i>	1,329,218	231,032	256,929	1,817,179
<i>Transfers out</i>	(817,067)	(452,624)	(156,929)	(1,426,620)
<i>Bond proceeds</i>	--	4,760,000	--	4,760,000
<i>Bond premium</i>	--	67,071	--	67,071
<i>Bond discount</i>	--	(49,680)	--	(49,680)
<i>Proceeds from sale of capital assets</i>	13,260	--	--	13,260
Total other financing sources (uses)	525,411	4,555,799	100,000	5,181,210
Net change in fund balances	(404,568)	3,054,977	578,014	3,228,423
Fund balances, October 1	6,494,190	2,805,562	1,628,011	10,927,763
Fund balances, September 30	\$ 6,089,622	\$ 5,860,539	\$ 2,206,025	\$ 14,156,186

The accompanying notes are an integral part of this statement.

CITY OF KERRVILLE, TEXAS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

Net change in fund balances - total governmental funds	\$ 3,228,423
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	1,074,828
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,092,209)
The gain or loss on the sale of capital assets is not reported in the funds.	(713,498)
Donations of capital assets increase net assets in the SOA but not in the funds.	6,842,875
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	38,845
Revenues in the SOA not providing current financial resources are not reported as revenues in the funds.	24,939
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	455,676
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	25,643
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	(13,440)
(Increase) decrease in accrued interest from beginning of period to end of period.	(52,940)
The net revenue (expense) of internal service funds is reported with governmental activities.	(11,277)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(2,791)
Certain fine revenues are deferred in the funds. This is the change in these amounts this year.	16,464
Certain ambulance receivables are deferred in the funds. This is the change in these amounts this year.	(55,992)
Proceeds of long-term debt is recognized as other financial resources in the funds but not revenue in the SOA.	(4,760,000)
Bond issue costs are not and expense in the SOA, but are reported as current uses in the funds.	44,146
Bond premiums are reported in the funds but not in the SOA.	(67,071)
Bond discounts are reported in the funds but not in the SOA.	49,680
Change in joint venture equity is not reported in the funds.	98,462
Change in landfill postclose costs is not reported in the funds	(172,390)
Change in net assets of governmental activities - statement of activities	<u>\$ 4,958,373</u>

The accompanying notes are an integral part of this statement.

CITY OF KERRVILLE, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2009

	Enterprise Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
	Water and Sewer			
ASSETS				
Current Assets:				
<i>Cash</i>	\$ 3,077,965	\$ 48,541	\$ 3,126,506	\$ 212,612
<i>Investments</i>	5,747,799	95,871	5,843,670	404,313
Equity in Investment pool:				
Receivables (net of allowances for uncollectibles):				
<i>Accounts</i>	816,966	--	816,966	--
<i>Due from other funds</i>	135,724	--	135,724	--
<i>Due from other governments</i>	622,439	--	622,439	--
<i>Inventories</i>	365,555	73,576	439,131	21,775
<i>Prepaid assets</i>	--	3,250	3,250	--
<i>Other assets</i>	--	--	--	16,838
Total Unrestricted Current Assets	10,766,448	221,238	10,987,686	655,538
Restricted Current Assets:				
<i>Cash</i>	174,546	--	174,546	--
<i>Investments</i>	356,498	--	356,498	--
Total Restricted Current Assets	531,044	--	531,044	--
Total Current Assets	11,297,492	221,238	11,518,730	655,538
Noncurrent assets:				
Property, plant and equipment				
<i>Land</i>	463,831	2,000,000	2,463,831	--
<i>Buildings</i>	10,482,931	1,760,175	12,243,106	159,000
<i>Improvements other than buildings</i>	49,222,852	1,938,137	51,160,789	--
<i>Vehicles</i>	1,265,473	61,365	1,326,838	25,556
<i>Machinery and equipment</i>	843,481	361,150	1,204,631	32,930
<i>Office equipment</i>	132,319	--	132,319	--
<i>Construction in progress</i>	5,694,235	--	5,694,235	--
<i>Accumulated depreciation</i>	(23,310,139)	(1,365,457)	(24,675,596)	(197,269)
Net Property, Plant and Equipment	44,794,783	4,755,370	49,550,153	20,217
<i>Deferred charges</i>	158,934	--	158,934	--
Total Noncurrent Assets	44,953,717	4,755,370	49,709,087	20,217
Total Assets	56,251,209	4,976,608	61,227,817	675,755
LIABILITIES				
Current Liabilities:				
<i>Accounts payable and accrued liabilities</i>	321,333	51,754	373,087	73,860
<i>Deferred revenue</i>	13,037	--	13,037	--
<i>Accrued compensated absences</i>	120,929	38,229	159,158	15,736
<i>Due to other funds</i>	--	135,724	135,724	--
<i>General obligation bonds - current</i>	13,875	--	13,875	--
<i>Certificates of obligation - current</i>	610,725	--	610,725	--
<i>State infrastructure bank loan - current</i>	45,020	--	45,020	--
Total Unrestricted Current Liabilities	1,124,919	225,707	1,350,626	89,596
Current Liabilities Payable From Restricted Assets:				
<i>Current portion of revenue bonds payable</i>	580,000	--	580,000	--
<i>Customer deposits</i>	137,454	--	137,454	--
Total Liabilities Payable from Restricted Assets	717,454	--	717,454	--
Total Current Liabilities	1,842,373	225,707	2,068,080	89,596
Noncurrent Liabilities				
<i>General obligation bonds</i>	3,121,152	--	3,121,152	--
<i>Certificates of obligation</i>	10,537,019	--	10,537,019	--
<i>State infrastructure bank loan</i>	1,120,190	--	1,120,190	--
Total Noncurrent Liabilities	14,778,361	--	14,778,361	--
Total Liabilities	16,620,734	225,707	16,846,441	89,596
NET ASSETS				
<i>Invested in capital assets, net of related debt</i>	39,558,276	4,755,370	44,313,646	--
<i>Unrestricted</i>	72,199	(4,469)	4,823,100	580,873
Total Net Assets	\$ 39,630,475	\$ 4,750,901	\$ 44,381,376	\$ 586,159

The accompanying notes are an integral part of this statement.

CITY OF KERRVILLE, TEXAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Enterprise Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
	Water and Sewer			
OPERATING REVENUES:				
<i>Charges for service</i>	\$ 8,757,449	\$ 1,311,188	\$ 10,068,637	\$ 3,337,847
Total Operating Revenues	8,757,449	1,311,188	10,068,637	3,337,847
OPERATING EXPENSES:				
<i>Personnel services</i>	2,714,779	955,635	3,670,414	222,643
<i>Repairs and maintenance</i>	2,483,707	64,967	2,548,674	3,805
<i>Supplies and materials</i>	683,375	146,536	829,911	8,689
<i>Utilities</i>	608,648	114,199	722,847	6,099
<i>Depreciation and amortization</i>	1,426,262	202,861	1,629,123	4,238
<i>General administration</i>	358,134	92,352	450,486	3,892
<i>Claims expense</i>	--	--	--	369,678
<i>Administration fees</i>	--	--	--	2,733,087
Total Operating Expenses	8,274,905	1,576,550	9,851,455	3,352,131
Operating Income (Loss)	482,544	(265,362)	217,182	(14,284)
NON-OPERATING REVENUES (EXPENSES):				
<i>Interest income</i>	136,606	1,883	138,489	3,993
<i>Miscellaneous income</i>	219,664	7,125	226,789	14
<i>Intergovernmental revenue</i>	--	3,920	3,920	--
<i>Gain/loss from disposal capital assets</i>	--	1,550	1,550	--
<i>Interest expense</i>	(325,862)	(1,801)	(327,663)	--
Total Non-operating Revenues (Expenses)	30,408	12,677	43,085	4,007
Net Income (Loss) before Capital Contributions and Transfers	512,952	(252,685)	260,267	(10,277)
CAPITAL CONTRIBUTIONS AND TRANSFERS:				
<i>Capital contributions</i>	5,905,862	--	5,905,862	--
<i>Transfers in</i>	8,538,480	120,000	8,658,480	--
<i>Transfers out</i>	(9,046,038)	(2,000)	(9,048,038)	(1,000)
Total Capital Contributions and Transfers	5,398,304	118,000	5,516,304	(1,000)
Change in net assets	5,911,256	(134,685)	5,776,571	(11,277)
Net Assets, October 1	33,719,219	4,885,586	38,604,805	597,436
Net Assets, September 30	\$ 39,630,475	\$ 4,750,901	\$ 44,381,376	\$ 586,159

The accompanying notes are an integral part of this statement.

CITY OF KERRVILLE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Water and Sewer	Enterprise Funds Other Funds	Totals	Internal Service Funds
Cash Flows from Operating Activities:				
<i>Cash Received from Customers</i>	\$ 9,148,398	\$ 1,323,783	\$ 10,472,181	\$ 3,337,860
<i>Cash Payments to Employees for Services</i>	(2,707,634)	(955,692)	(3,663,326)	(220,772)
<i>Cash Payments to Other Suppliers for Goods and Services</i>	(5,125,743)	(520,788)	(5,646,531)	(3,257,597)
Net Cash Provided (Used) by Operating Activities	1,315,021	(152,697)	1,162,324	(140,509)
Cash Flows from Non-capital Financing Activities:				
<i>Transfers From (To) Other Funds</i>	(473,342)	221,520	(251,822)	2,151
Net Cash Provided (Used) by Non-capital Financing Activities	(473,342)	221,520	(251,822)	2,151
Cash Flows from Capital and Related Financing Activities:				
<i>Proceeds from Issuance of Long-term Debt</i>	4,948,354	--	4,948,354	--
<i>Principal and Interest Paid</i>	(1,595,910)	(129,745)	(1,725,655)	--
<i>Acquisition or Construction of Capital Assets</i>	(1,307,342)	--	(1,307,342)	--
<i>Proceeds from Sale of Capital Assets</i>	--	--	--	(9,599)
Net Cash Provided (Used) for Capital & Related Financing Activities	2,045,102	(129,745)	1,915,357	(9,599)
Cash Flows from Investing Activities:				
<i>Proceeds from Sale and Maturities of Securities</i>	757,850	--	757,850	--
<i>Interest and Dividends on Investments</i>	136,606	1,883	138,489	3,993
Net Cash Provided (Used) for Investing Activities	894,456	1,883	896,339	3,993
Net Increase (Decrease) in Cash and Cash Equivalents	3,781,237	(59,039)	3,722,198	(143,964)
Cash and Cash Equivalents at Beginning of Year	5,575,571	203,451	5,779,022	760,889
Cash and Cash Equivalents at End of Year	\$ 9,356,808	\$ 144,412	\$ 9,501,220	\$ 616,925
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	\$ 482,544	\$ (265,362)	\$ 217,182	\$ (14,284)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
<i>Depreciation</i>	1,426,262	202,861	1,629,123	4,238
<i>Miscellaneous revenue and expense</i>	219,664	12,595	232,259	14
Change in Assets and Liabilities:				
<i>Decrease (Increase) in Receivables</i>	177,000	--	177,000	273,105
<i>Decrease (Increase) in Inventories</i>	(124,630)	(20,939)	(145,569)	7,305
<i>Decrease (Increase) in Prepaid Expenses</i>	--	(1,000)	(1,000)	(16,838)
<i>Increase (Decrease) in Accounts Payable</i>	(867,249)	(80,795)	(948,044)	(395,920)
<i>Increase (Decrease) in Accrued Wages Payable</i>	7,145	(57)	7,088	1,871
<i>Increase (Decrease) in Customer Deposits</i>	(18,752)	--	(18,752)	--
<i>Increase (Decrease) in Unearned Revenue</i>	13,037	--	13,037	--
Total Adjustments	832,477	112,665	945,142	(126,225)
Net Cash Provided (Used) by Operating Activities	\$ 1,315,021	\$ (152,697)	\$ 1,162,324	\$ (140,509)
Transactions Not Affecting Cash Flow				
<i>Developer contributions</i>	\$ 5,905,862	--	\$ 5,905,862	--

The accompanying notes are an integral part of this statement.

CITY OF KERRVILLE, TEXAS
COMBINING BALANCE SHEET - COMPONENT UNITS
SEPTEMBER 30, 2009

	Economic Improvement Corporation	Proprietary Component Unit	Total Component Units
ASSETS			
Cash	\$ 1,910,212	\$ 219,072	\$ 2,129,284
Investments	3,901,453	8,864,255	12,765,708
Receivables (net of allowances for uncollectibles):			
Accounts	--	4,266,085	4,266,085
Due from other governments	367,199	--	367,199
Inventories	--	871,173	871,173
Other assets	--	63,767	63,767
Restricted assets:			
Cash	--	19,960	19,960
Investments	--	8,900,798	8,900,798
Deferred charges	20,068	120,060	140,128
Property, plant and equipment			
Nondepreciable property			
Land	--	117,656	117,656
Construction in progress	--	1,055,916	1,055,916
Depreciable property			
Improvements other than buildings	--	51,897,479	51,897,479
Accumulated depreciation	--	(24,450,159)	(24,450,159)
	<u>\$ 6,198,932</u>	<u>\$ 51,946,062</u>	<u>\$ 58,144,994</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 105,874	\$ 3,765,141	\$ 3,871,015
Revenue bonds - current	405,000	2,085,000	2,490,000
Payable from restricted assets:			
Customer deposits	--	650,078	650,078
Revenue bonds	1,820,000	8,902,684	10,722,684
Total Liabilities	<u>2,330,874</u>	<u>15,402,903</u>	<u>17,733,777</u>
Fund balances:			
Invested in capital assets net of related debt	--	15,813,208	15,813,208
Reserved Fund Balances			
Reserved for debt service	314,120	--	314,120
Unreserved	--	20,729,951	20,729,951
Unreserved, reported in special revenue funds	--	3,553,935	3,553,938
Total fund balances	<u>314,120</u>	<u>40,097,094</u>	<u>40,411,217</u>
Total Liabilities and Fund Balances	<u>\$ 2,644,994</u>	<u>\$ 55,499,997</u>	<u>\$ 58,144,994</u>

The accompanying notes are an integral part of this statement.

CITY OF KERRVILLE, TEXAS
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - COMPONENT UNITS
 FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	Economic Improvement Corporation	Proprietary Component Unit	Total Component Units
Revenues:			
<i>Taxes and penalties</i>	\$ 2,462,896	\$ --	\$ 2,462,896
<i>Charges for services</i>	--	41,043,390	41,043,390
<i>Interest</i>	62,731	223,632	286,363
<i>Miscellaneous</i>	848,488	538,444	1,386,932
Total revenues	<u>3,374,115</u>	<u>41,805,466</u>	<u>45,179,581</u>
Expenditures:			
Current:			
<i>General government</i>	1,684,402	--	1,684,402
<i>Culture and recreation</i>	81,126	--	81,126
<i>Public works</i>	75,000	--	75,000
<i>Electric utility operating</i>	--	39,629,242	39,629,242
Debt service:			
<i>Principal, interest, and fiscal charges</i>	120,513	618,855	739,368
Total expenditures	<u>1,961,041</u>	<u>40,248,097</u>	<u>42,209,138</u>
Excess (deficiency) of revenues over (under) expenditures	1,413,074	1,557,369	2,970,443
Other financing sources (uses):			
<i>Capital contributions</i>	--	140,271	140,271
Total other financing sources (uses)	<u>--</u>	<u>140,271</u>	<u>140,271</u>
Net change in fund balances	<u>1,413,074</u>	<u>1,697,640</u>	<u>3,110,714</u>
Fund balances, October 1	<u>2,454,984</u>	<u>34,845,519</u>	<u>37,300,503</u>
Fund balances, September 30	<u>\$ 3,868,058</u>	<u>\$ 36,543,159</u>	<u>\$ 40,411,217</u>

The accompanying notes are an integral part of this statement.

CITY OF KERRVILLE, TEXAS
Notes to Basic Financial Statements
For the Year Ended September 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Kerrville, Texas, was founded in 1889. The City operates under the Council-Manager form of government as adopted by a home rule charter approved February 25, 1942. The City provides a full range of municipal services including public safety (police and fire), highway and streets, parks and recreation, health and social services, planning and zoning, and general administrative services. In addition, the City provides water and sewer service as a proprietary function of the City.

The accounting policies of the City of Kerrville, Texas, conform to generally accepted accounting principals issued by the Governmental Accounting Standards Board which is the recognized financial accounting standard setting body for governmental entities. The notes to the financial statements are an integral part of the City's general purpose financial statements.

The City of Kerrville is a home rule municipality governed by an elected mayor and a four member City Council who appoint a City Manager. The City's (primary government) financial statements include its component units. The accompanying general purpose financial statements comply with the provisions of the GASB Statement No. 14, "The Financial Reporting Entity," in that the financial statements include all organizations, activities, functions and component units for which the City (the "primary government") is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City.

Discretely Presented Component Units

The Kerrville Public Utility Board ("KPUB") - the electric utility, an entity legally separate from the City, is governed by a five member board appointed by the City Council. For financial statement purposes, KPUB is reported as a discretely presented component unit of the City because it appoints the governing body, is potentially obligated to finance any deficits that may occur, and receives significant franchise fees. Financial statements may be obtained from the Kerrville Public Utility Board, P.O. Box 911, Kerrville, Texas 78029. KPUB is presented as a business fund type.

The Kerrville Economic Improvement Corporation (EIC), an entity legally separate from the City, is governed by a seven member board of directors appointed by the City Council. For financial statement purposes, EIC is reported as a discretely presented component unit of the City because it appoints the governing body, and is potentially obligated to finance any deficits. EIC collects a half cent sales tax to support its activities. Separate financial statements are not prepared for EIC.

Joint Venture

Kerrville Airport Joint Venture - The City and Kerr County (the participants) operate a municipal airport under a joint venture agreement. Each participant provides financial support and is entitled to an undivided 50% interest in the physical property. The City reports its interest as "Investment in Joint Venture."

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent, on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

CITY OF KERRVILLE, TEXAS

Notes to Basic Financial Statements

For the Year Ended September 30, 2009

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, and proprietary funds. Major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual *basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The Governmental IP Fund is a capital project fund that accounts for major capital improvement projects.

The City reports the following major proprietary fund:

The *Water and Sewer* fund accounts for the provisions of water and sewer service to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

Additionally, the City reports the following fund types:

Special Revenue Funds account for the collection and disbursement of earmarked monies.

Debt Service Funds account for the accumulation and use of property and sales tax revenue to meet the debt service requirements of the City's general and revenue bonded debt.

Capital Projects Fund account for the acquisition or construction of governmental capital assets.

Internal Service Funds account for automotive maintenance facility operations, and employees health insurance services provided to other departments or agencies of the City.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are administrative fees and other charges between the City's water and wastewater function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

CITY OF KERRVILLE, TEXAS
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Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes, miscellaneous revenue, and interest income.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer, Kerrville Schreiner Park, and Golf Course enterprise funds are charges to customers for sales and services. The enterprise utility fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Use of FASB Pronouncements in Enterprise Funds

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow Financial Accounting Standards Board ("FASB") statements and interpretations issued after November 30, 1989 for its business-type and enterprise fund activities.

D. Assets, Liabilities, and Net Assets Or Equity

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments maturing within one year of date of purchase are stated at cost or amortized cost; all other investments are stated at fair value. Fair value is defined as the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. All investment income is recognized in the appropriate fund's statement of activity and or statement of revenues, expenditures and changes in fund balance.

State law and the City's investment policy restrict both time and demand deposits, including certificates of deposit ("CD"), to those depositories doing business in the State of Texas and further requires full insurance and/or pledging of collateral. CDs are limited to a stated maturity not exceeding one year. Pledged collateral, equal to not less than 102% of the covered account balance, is limited to obligations of the U.S. Government, its agencies or instrumentalities and municipal obligations rated not less than AA or equivalent by two nationally recognized rating agencies. Independent safekeeping is required outside the pledging bank's holding company with monthly reporting. Securities are monitored and priced at market on a daily basis as a contractual responsibility of the depository.

State law and the City's investment policy limit repurchase agreements to those with defined termination dates executed with a Texas bank or a primary dealer (as defined by the Federal Reserve). The agreements require an industry standard, written master repurchase agreement and a minimum of 102% margin on collateral as well as delivery versus payment settlement and independent safekeeping. Repurchase agreements may not exceed one year to stated maturity.

State law and the City's investment policy require commercial paper be rated A1/P1 or equivalent by two nationally recognized rating agencies and restricts maturity to a maximum maturity of six (6) months.

CITY OF KERRVILLE, TEXAS

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State law and the City's investment policy restrict investment in SEC registered mutual funds to money market mutual funds striving to maintain a \$1 net asset value as further defined by State law. A rating of the mutual fund is not required.

State law requires that local government investment pools be rated AAA, or equivalent, by at least one nationally recognized rating agency. The City investment policy further restricts investments to AAA rated, "2a-7 like" (constant dollar) local government investment pools.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter fund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectibles.

Property taxes are levied on October 1 by the City based on the January 1 property values as assessed by the Kerr County Central Appraisal District. Taxes are due without penalty until January 31, of the next calendar year. After January 31 the City has an enforceable lien with respect to both real and personal property. Under state law, property taxes levied on real property constitute a perpetual lien on the real property which cannot be forgiven without specific approval of the State Legislature. Taxes applicable to personal property can be deemed uncollectible by the City.

3. Inventories and Prepaid Items

All inventories are valued at cost using the weighted average cost method. The consumption method is used to account for governmental fund type inventories. Under the consumption method, inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted Assets

Certain proceeds of enterprise fund revenue bonds are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Customer deposits are also restricted.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 (amount not rounded). Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

CITY OF KERRVILLE, TEXAS
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For the Year Ended September 30, 2009

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Contributions of fixed assets to proprietary funds from external sources are recorded as revenue.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

Buildings	30 years
Improvements other than building	40 years
System infrastructure	40 years
Machinery and equipment	10 years
Office equipment	10 years
Vehicles	8 years
Drainage	50 years
Streets	N/A – use modified approach permitted by GASB-34

In the case of the initial capitalization of general infrastructure assets (i.e., streets and storm water drains), the City chose to include all such items regardless of their acquisition date or amount. The City was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the City constructs or acquires additional capital assets each year, including infrastructure assets, they are capitalized and reported at historical cost.

The City has adopted the modified approach for its streets system of capital assets. As a result, the City has made a commitment to preserve and maintain its streets system at certain condition levels determined by the City. The City Council is responsible for determining the appropriate condition level at which such assets are to be maintained. No depreciation expense is reported for such assets, nor are amounts capitalized in connection with improvements that lengthen the lives of such assets, unless the improvements also increase their service potential. The City maintains an inventory of the streets system and performs periodic condition assessments to establish that the predetermined condition level is being maintained. The City makes annual estimates of the amounts that must be expended to preserve and maintain the streets system at the predetermined condition level.

The KPUB utility plant, purchased from the Lower Colorado River Authority ("LCRA"), has been recorded at the original cost of the asset as recorded by LCRA. Accumulated depreciation includes amounts recorded by LCRA through the date of acquisition and depreciation since the date of acquisition. Utility plant additions subsequent to the acquisition are recorded at cost. Cost includes the costs of contracted services, direct materials, labor, overhead and an allowance for borrowed funds used during construction. Retirements of utility plant, together with removal costs less salvage, are charged to accumulated depreciation.

KPUB computes depreciation using the straight-line method over the estimated service lives of the various classes of depreciable property. Rates will be changed as needed based upon period engineering studies. Depreciation as a percentage of average depreciable plant was 3.8 percent for the year ended September 30, 2009.

6. Compensated Absences

Vested or accumulated vacation leave that is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

7. Long-term Obligations

In the government-wide financial statements, and proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities,

CITY OF KERRVILLE, TEXAS
Notes to Basic Financial Statements
For the Year Ended September 30, 2009

business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method which approximate the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

9. Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

II. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Cash

At year end, the carrying amount of the City's cash on hand and deposits was \$7,337,678 (including restricted cash of \$174,546). All of the bank balance was covered by federal deposit insurance and collateral pledged by the depository in the City's name and held by the City's agent.

Investments

At year end the City's investments were:

Investment Type	Carrying Amount	Fair Value	Days to Maturity	Credit Rating
US Agencies				
FNDN	\$ 1,000,000	\$ 999,900	57	AAA
FMCDN	4,600,000	4,639,408	480	AAA
Commercial Paper	2,000,000	1,998,467	91	A1P1
TexPool Local Government Pool	6,016,472	6,016,472	1	AAAm
TexSTAR Local Government Pool	7,176,933	7,176,933	1	AAAm
Total Fair Value	20,793,405	20,831,180		
Pool Participants Excluded from Primary Government				
Less: Joint Venture (Airport JV)	(494,412)	(494,412)		
Less: DCU (Kerrville EIC)	(3,901,454)	(3,901,454)		
Total Fair Value - Primary Government	\$ 16,397,539	\$ 16,435,314		

Portfolio weighted average maturity

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The Texas State Comptroller of Public Accounts exercises oversight responsibility over the Texas Local Government Investment Pool ("TexPool"). Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed both of participants in TexPool and of other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure. Finally, TexPool is rated AAA by Standard and Poors. TexPool operates in a manner consistent with the Security and Exchange Commission's Rule 2a-7 of the Investment Company Act of 1940. As such, TexPool uses amortized cost to report net assets and share prices since that amount approximates fair value.

Texas Short Term Asset Reserve Program ("TexSTAR") and Local Government Investment Cooperative (LOGIC) operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940, to the extent such rule is applicable to its operations. Accordingly, TexSTAR and LOGIC use the amortized cost method permitted by SEC Rule 2a-7 to report net assets and share prices since that amount approximates fair value. The investment activities of TexSTAR and LOGIC are administered by third party advisors. There is no regulatory oversight by the State of Texas over TexSTAR and LOGIC.

Concentration of Credit Risk. – The City's investment policy recognizes that over-concentration of assets by market sector or maturity as a risk to the portfolio. Diversification is a major object of the investment program. The investment policy has established limits for concentration by market sector as shown below:

Interest Rate Risk – In order to limit interest and market rate risk from changes in interest rates, the City has set a maximum stated maturity date of two years, with an average weighted maturity of 185 days for the total portfolio. Longer maturities may be utilized for bond proceeds, but only if matched to planned expenditures of the funds.

Custodial Credit Risk – Deposits. In the case of time and demand deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City requires all deposits to be covered by Federal Depository Insurance Corporation (FDIC) insurance and/or be collateralized by qualified securities pledged by the City's depository in the City's name and held by the depository's agent.

Custodial Credit Risk – Investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the City may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

CITY OF KERRVILLE, TEXAS
Notes to Basic Financial Statements
For the Year Ended September 30, 2009

B. Receivables

Receivables as of year-end for the government's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental			Business-type		Component Units	
	General	Other Nonmajor Governmental	Total Governmental	Water and Sewer	Internal Service	KPUB	EIC
Taxes receivable	\$ 315,975	\$ 32,889	\$ 348,864	\$ -	\$ -	\$ -	\$ -
Allowance for uncollectible taxes	(47,396)	(4,933)	(52,329)	-	-	-	-
	<u>268,579</u>	<u>27,956</u>	<u>296,535</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Accounts receivable	352,221	-	352,221	1,088,053	-	4,362,800	-
Allowance for uncollectible accounts	(56,224)	-	(56,224)	(271,087)	-	(96,715)	-
	<u>295,997</u>	<u>-</u>	<u>295,997</u>	<u>816,966</u>	<u>-</u>	<u>4,266,085</u>	<u>-</u>
Other receivables	940,084	771,829	1,711,913	-	-	-	-
Allowance for uncollectible accounts	(332,024)	-	(332,024)	-	-	-	-
	<u>608,060</u>	<u>771,829</u>	<u>1,379,889</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Due from other gov't.	769,694	-	769,694	622,439	-	-	367,199
Total	<u>\$ 1,942,330</u>	<u>\$ 799,785</u>	<u>\$ 2,742,115</u>	<u>\$ 1,439,405</u>	<u>\$ -</u>	<u>\$ 4,266,085</u>	<u>\$ 367,199</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

	Deferred	Unearned
Major Governmental Funds		
Delinquent property taxes receivable (General Fund)	\$ 234,689	\$ -
Ambulance revenue receivable (General Fund)	366,865	-
Municipal court fines receivable (General Fund)	67,435	-
Miscellaneous grants (General Fund)	34,236	-
Activity deposits (Main Street Fund)	33,927	33,927
	<u>737,152</u>	<u>33,927</u>
Nonmajor Governmental Funds		
Delinquent property taxes receivable (Debt Service Fund)	23,970	-
	<u>23,970</u>	<u>-</u>
Total deferred/unearned revenue for governmental funds	<u>761,122</u>	<u>33,927</u>
Major Enterprise Funds		
Capital improvements (Water and Sewer Fund)	13,037	13,037
	<u>13,037</u>	<u>13,037</u>
Total Primary Government	<u>\$ 774,159</u>	<u>\$ 46,964</u>

CITY OF KERRVILLE, TEXAS
Notes to Basic Financial Statements
For the Year Ended September 30, 2009

C. Capital assets

Capital asset activity for the year ended September 30, 2009 was as follows:

Primary Government

	Balance 9/30/2008	Additions	Retirements	Transfers and Completed Construction	Balance 9/30/2009
GOVERNMENTAL ACTIVITIES:					
GOVERNMENTAL FUNDS					
Capital assets, not being depreciated:					
Land	\$ 2,510,698	\$ 142,023	\$ (83,770)	\$ 70,000	\$ 2,638,951
Construction in progress	11,594,475	1,353,669	-	(1,274,551)	11,673,593
Streets	19,192,588	4,282,106	-	-	23,474,694
Total capital assets not being depreciated	<u>33,297,761</u>	<u>5,777,798</u>	<u>(83,770)</u>	<u>(1,204,551)</u>	<u>37,787,238</u>
Capital assets, being depreciated					
Buildings	9,182,257	166,042	(172,327)	1,189,551	10,365,523
Improvements other than buildings	7,579,662	767,174	-	15,000	8,361,836
Vehicles	5,199,836	463,458	(275,160)	-	5,388,134
Machinery and equipment	1,585,042	703,739	(192,258)	-	2,096,523
Total capital assets being depreciated	<u>23,546,797</u>	<u>2,100,413</u>	<u>(639,745)</u>	<u>1,204,551</u>	<u>26,212,016</u>
Less accumulated depreciation for:					
Buildings	(4,460,038)	(280,722)	61,201	-	(4,679,559)
Improvements other than buildings	(1,190,875)	(209,488)	-	(350,575)	(1,750,938)
Vehicles	(2,873,310)	(492,010)	(124,777)	350,575	(3,139,522)
Machinery and equipment	(1,144,148)	(109,992)	133,309	-	(1,120,831)
Total accumulated depreciation	<u>(9,668,371)</u>	<u>(1,092,212)</u>	<u>69,733</u>	<u>-</u>	<u>(10,690,850)</u>
Total capital assets being depreciated, net	<u>13,878,426</u>	<u>1,008,201</u>	<u>(570,012)</u>	<u>1,204,551</u>	<u>15,521,166</u>
Governmental activities capital assets, net	<u>\$ 47,176,187</u>	<u>\$ 6,785,999</u>	<u>\$ (653,782)</u>	<u>\$ -</u>	<u>\$ 53,308,404</u>

CITY OF KERRVILLE, TEXAS
Notes to Basic Financial Statements
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Although included with governmental capital assets on Exhibit A-1, capital assets of the garage internal service fund are detailed below:

	Balance 9/30/2008	Additions	Retirements	Balance 9/30/2009
GOVERNMENTAL ACTIVITIES:				
INTERNAL SERVICE FUNDS:				
Capital assets, being depreciated				
Buildings	\$ 159,000	\$ -	\$ -	\$ 159,000
Vehicles	25,556	-	-	25,556
Machinery and equipment	37,966	9,599	(14,636)	32,929
Total capital assets being depreciated	<u>222,522</u>	<u>9,599</u>	<u>(14,636)</u>	<u>217,485</u>
Less accumulated depreciation for:				
Buildings	(159,000)	-	-	(159,000)
Vehicles	(17,650)	(1,924)	-	(19,574)
Machinery and equipment	(31,016)	(2,314)	14,636	(18,694)
Total accumulated depreciation	<u>(207,666)</u>	<u>(4,238)</u>	<u>14,636</u>	<u>(197,268)</u>
Governmental activities capital assets, net	<u>\$ 14,856</u>	<u>\$ 5,361</u>	<u>\$ -</u>	<u>\$ 20,217</u>

	Balance 9/30/2008	Additions	Retirements	Transfers and Completed Construction	Balance 9/30/2009
BUSINESS-TYPE ACTIVITIES:					
Capital assets, not being depreciated:					
Land	\$ 2,439,576	\$ -	\$ -	\$ 24,255	\$ 2,463,831
Construction in progress	7,897,658	2,378,081	-	(4,581,504)	5,694,235
Total capital assets not being depreciated	<u>10,337,234</u>	<u>2,378,081</u>	<u>-</u>	<u>(4,557,249)</u>	<u>8,158,066</u>
Capital assets, being depreciated					
Buildings	8,609,405	-	-	3,633,701	12,243,106
Improvements other than buildings	45,184,385	5,052,856	-	923,548	51,160,789
Vehicles	1,339,313	-	(12,476)	-	1,326,837
Machinery and equipment	1,196,099	25,352	(16,820)	-	1,204,631
Office equipment	132,319	-	-	-	132,319
Total capital assets being depreciated	<u>56,461,521</u>	<u>5,078,208</u>	<u>(29,296)</u>	<u>4,557,249</u>	<u>66,067,682</u>
Less accumulated depreciation for:					
Buildings	(2,343,489)	(332,975)	-	-	(2,676,464)
Improvements other than buildings	(19,284,873)	(1,041,822)	-	-	(20,326,695)
Vehicles	(566,944)	(142,087)	12,476	-	(696,555)
Machinery and equipment	(783,840)	(91,375)	16,820	-	(858,395)
Office equipment	(115,251)	(2,235)	-	-	(117,486)
Total accumulated depreciation	<u>(23,094,394)</u>	<u>(1,610,494)</u>	<u>29,296</u>	<u>-</u>	<u>(24,675,595)</u>
Total capital assets being depreciated, net	<u>33,367,127</u>	<u>3,467,714</u>	<u>-</u>	<u>4,557,249</u>	<u>41,392,087</u>
Business-type activities capital assets, net	<u>\$ 43,704,361</u>	<u>\$ 5,845,795</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,550,153</u>

CITY OF KERRVILLE, TEXAS
Notes to Basic Financial Statements
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Depreciation expense was charged to functions/programs of the primary government as follows:

General government	\$ 267,332
Public safety	499,533
Culture and recreation	117,257
Public works	208,090
	<u>\$ 1,092,212</u>

Business-type Activities	
Water and sewer operations	\$ 1,407,633
Kerrville-Schreiner Park	79,422
Golf course	123,439
	<u>\$ 1,610,494</u>

Internal Service Fund:	
Garage fund	<u>\$ 4,238</u>

Construction commitments

The City has numerous active construction projects as of September 30, 2009. The projects include street, building, and storm drainage construction, park improvements, water system improvements, and sewer system improvements. These improvements are being paid with bond proceeds, EIC contributions and internally generated sources.

	<u>Spent to Date</u>	<u>Remaining Commitment</u>	<u>Total Commitment</u>
Governmental Activities:			
Drainage			
Burlison Street Off-Site Drainage	20,347	334,653	355,000
Land			
Park Lane Extension	5,746	338,254	344,000
River Trail Phase I	63,821	436,179	500,000
Structures			
Fire Facilities Refurbish	110,009	6,841	116,850
Parks Improvements	124,985	295,193	420,178
Relocate 12/30 Taxiway	676,093	255,364	931,457
	<u>\$ 1,001,001</u>	<u>\$ 1,666,484</u>	<u>\$ 2,667,485</u>
Business-type Activities			
Water System			
Harper Road Utility Extension	\$ 221,647	\$ 2,628,353	\$ 2,850,000
HWY 16 Utility Relocation	1,410,496	558,363	1,968,859
Travis Tank Project	5,408	132,092	137,500
Sewer System			
Town Creek Sanitary System	517,113	14,915	532,028
Legion Lift Station Engineering	20,095	189,905	210,000
Structures			
ASR Well #3	56,916	691,084	748,000
Belt Filter Replacement	27,325	628,375	655,700
	<u>\$ 2,259,000</u>	<u>\$ 4,843,087</u>	<u>\$ 7,102,087</u>

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	Balance 9/30/2008	Additions	Retirements	Balance 9/30/2009
KPUB				
Capital assets, not being depreciated:				
Land	\$ 117,656	\$ -	\$ -	\$ 117,656
Construction in progress	1,648,637	1,953,979	(2,546,700)	1,055,916
Total capital assets not being depreciated	<u>1,766,293</u>	<u>1,953,979</u>	<u>(2,546,700)</u>	<u>1,173,572</u>
Capital assets, being depreciated				
Distribution system	43,610,319	2,182,161	(378,423)	45,414,057
Buildings and equipment	4,172,828	139,700	(243,593)	4,068,935
Transportation equipment	1,717,022	185,745	(254,641)	1,648,126
Other	694,776	71,585	-	766,361
Total capital assets being depreciated	<u>50,194,945</u>	<u>2,579,191</u>	<u>(876,657)</u>	<u>51,897,479</u>
Less accumulated depreciation for:				
Distribution system	(19,713,909)	(1,864,741)	398,166	(21,180,484)
Buildings and equipment	(2,512,485)	(123,702)	243,593	(2,392,594)
Transportation equipment	(714,469)	(109,560)	254,642	(569,387)
Other	(280,563)	(27,131)	-	(307,694)
Total accumulated depreciation	<u>(23,221,426)</u>	<u>(2,125,134)</u>	<u>896,401</u>	<u>(24,450,159)</u>
Total capital assets being depreciated, net	<u>26,973,519</u>	<u>454,057</u>	<u>19,744</u>	<u>27,447,320</u>
Business-type activities capital assets, net	<u>\$ 28,739,812</u>	<u>\$ 2,408,036</u>	<u>\$ (2,526,956)</u>	<u>\$ 28,620,892</u>

KPUB uses a composite rate to depreciate its investment in the electric plant. The composite rate was 3.6% for the year ended September 30, 2009.

D. Interfund receivables, payables, loans, and transfers

Interfund receivables and payables:

Fund	Interfund Receivable	Interfund Payable
Due From/To Other Funds		
Business-type Funds		
Water and Sewer Fund	\$ 135,724	\$ -
Nonmajor business type funds	<u>-</u>	<u>135,724</u>
	<u>\$ 135,724</u>	<u>\$ 135,724</u>

The interfund receivable and payable listed above was necessary to prevent a cash deficit in the Golf fund at the end of the fiscal year.

CITY OF KERRVILLE, TEXAS
Notes to Basic Financial Statements
For the Year Ended September 30, 2009

Interfund transfers:

	Transfers	
	In	Out
Governmental activities:		
Major funds		
General Fund	\$ 1,329,218	\$ (817,067)
Governmental IP	231,032	(452,624)
Nonmajor funds	256,929	(156,929)
Business-type activities:		
Major funds		
Water and Sewer Fund	8,538,480	(9,046,039)
Nonmajor funds	120,000	(2,000)
Internal service funds	-	(1,000)
	<u>\$ 10,475,659</u>	<u>\$ (10,475,659)</u>

Eliminations – Interfund transfers are reported in the governmental activities and business-type activities fund financial statements. In the Government-Wide Statements, interfund transfers are eliminated within the governmental activities column and within the business-type column.

Purpose of Transfers - Interfund transfers between the general fund and the nonmajor governmental funds relate to the funding of capital projects. The same is true within the water and sewer funds. However, the water and sewer fund also provides an administrative transfer to the general fund for indirect administrative costs.

CITY OF KERRVILLE, TEXAS
Notes to Basic Financial Statements
For the Year Ended September 30, 2009

E. Long-term debt

The City of Kerrville issues general obligation bonds, certificates of obligation bonds, contractual obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. These issues are direct obligations and pledge the full faith and credit of the City.

General Debt Currently Outstanding:

<u>Purpose</u>	<u>Original Amount</u>	<u>Year of Issue</u>	<u>Final Maturity</u>	<u>Average Annual Payment</u>	<u>Interest Rate</u>	<u>Balance 9/30/2009</u>
GOVERNMENTAL TYPE ACTIVITIES DEBT						
General Obligation Bonds:						
Improvements	\$ 2,656,650	2007	2022	\$ 274,125	4.00%	\$ 2,634,400
						<u>2,634,400</u>
Certificates of Obligation:						
Improvements	6,675,000	2002	2022	564,250	3.25% - 5.00%	2,923,650
Improvements	2,035,000	2007	2027	153,500	4.00% - 4.20%	1,940,000
Improvements	4,760,000	2009	2029	345,700	3.00% - 4.25%	4,760,000
						<u>9,623,650</u>
						<u>12,258,050</u>
State Infrastructure Bank Loan	1,550,000	2007	2027	115,000	4.10%	<u>1,444,860</u>
Total Governmental Type Activities Debt						<u>13,702,910</u>
BUSINESS TYPE ACTIVITIES DEBT						
General Obligation Bonds:						
Improvements	\$ 3,313,350	1995	2007	\$ 341,900	4.25% - 5.10%	\$ 3,285,600
Refunding Revenue Bonds						
Refunding	3,313,350	1998	20089	\$ 594,300	4.25% - 4.7%	<u>580,000</u>
Certificates of Obligation:						
Improvements	8,325,000	2002	2022	544,250	3.25% - 5.00%	3,646,350
Improvements	2,675,000	2008	2022	233,350	3.33%	2,575,000
Improvements	5,025,000	2009	2029	364,800	3.00% - 4.25%	5,025,000
						<u>11,246,350</u>
State Infrastructure Bank Loan	1,550,000	2007	2027	92,800	4.10%	<u>1,165,209</u>
Total Business Type Activities Debt						<u>16,277,159</u>
Total Primary Government Long-Term Debt						<u>\$ 29,980,069</u>

CITY OF KERRVILLE, TEXAS
Notes to Basic Financial Statements
For the Year Ended September 30, 2009

Purpose	Original Amount	Year of Issue	Final Maturity	Average Annual Payment	Interest Rate	Balance 9/30/2009
KPUB						
Revenue Bonds Refunding	\$ 23,415,000	2001	2014	\$ 2,520,400	3.75% - 5.25%	\$ 11,055,000
Net unamortized bond premium						351,264
Unamortized loss on refunding						(418,580)
Total Discrete Component Unit Long-Term Debt						<u>\$ 10,987,684</u>

Purpose	Original Amount	Year of Issue	Final Maturity	Average Annual Payment	Interest Rate	Balance 9/30/2009
KERRVILLE ECONOMIC IMPROVEMENT CORPORATION						
Revenue Bonds Improvements	\$ 5,350,000	1999	2014	\$ 249,000	4.05% - 4.65%	<u>\$ 2,225,000</u>

Annual debt service requirements to maturity for general debt:

GOVERNMENT WIDE

Due Fiscal Year Ending September 30,	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2010	\$ 531,225	\$ 764,671	\$ 1,249,620	\$ 723,440	\$ 3,268,956
2011	654,088	641,909	805,891	576,556	2,678,444
2012	677,046	615,449	837,237	544,654	2,674,386
2013	705,101	587,056	878,662	510,307	2,681,126
2014	740,483	557,200	912,945	441,147	2,651,775
2015 - 2019	4,180,383	2,050,168	5,148,696	1,784,664	13,163,911
2020 - 2024	3,900,875	820,214	4,537,086	764,094	10,022,269
2025 - 2029	2,313,709	220,633	1,907,022	196,761	4,638,125
	<u>\$ 13,702,910</u>	<u>\$ 6,257,300</u>	<u>\$ 16,277,159</u>	<u>\$ 5,541,623</u>	<u>\$ 41,778,992</u>

KPUB

Due Fiscal Year Ending September 30,	Principal		Interest		Total
2010	\$ 2,085,000	\$ 518,741	\$ 2,603,741		
2011	2,195,000	409,066	2,604,066		
2012	2,295,000	294,009	2,589,009		
2013	2,415,000	171,806	2,586,806		
2014	2,065,000	54,206	2,119,206		
	<u>\$ 11,055,000</u>	<u>\$ 1,447,828</u>	<u>\$ 12,502,828</u>		

CITY OF KERRVILLE, TEXAS
Notes to Basic Financial Statements
For the Year Ended September 30, 2009

During the year ended September 30, 2009, the following changes occurred in governmental activities long-term debt:

Description	September 30, 2008	Additions	Retirements	September 30, 2009	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 2,645,525	\$ -	\$ (11,125)	\$ 2,634,400	\$ 11,125
Certificates of obligation	5,254,575	4,760,000	(390,925)	9,623,650	464,275
Total bonds payable	7,900,100	4,760,000	(402,050)	12,258,050	475,400
Bond premium/discount	(29,650)	22,924	820	(5,906)	(820)
Deferred amount on refunding	(179,066)	-	9,948	(169,118)	(9,948)
Net bonds payable	7,691,384	4,782,924	(391,282)	12,083,026	464,632
State infrastructure bank loan	1,498,486	-	(53,626)	1,444,860	55,825
Capital lease obligation	25,643	-	(25,643)	-	-
Compensated absences	659,059	516,622	(511,959)	663,722	350,977
Landfill closure and postclosure costs	2,713,155	172,389	-	2,885,544	-
	<u>\$ 12,587,727</u>	<u>\$ 5,471,935</u>	<u>\$ (982,510)</u>	<u>\$ 17,077,152</u>	<u>\$ 871,434</u>

Description	September 30, 2008	Additions	Retirements	September 30, 2009	Due Within One Year
Business-type activities					
General obligation bonds	\$ 3,299,475	\$ -	\$ (13,875)	\$ 3,285,600	\$ 13,875
Certificates of obligation	6,690,425	5,025,000	(469,075)	11,246,350	610,725
Revenue bonds	1,135,000	-	(555,000)	580,000	580,000
Total bonds payable	11,124,900	5,025,000	(1,037,950)	15,111,950	1,204,600
Bond premium/discount	(57,094)	24,201	2,964	(29,929)	(4,819)
Deferred amount on refunding	(232,147)	-	12,897	(219,250)	12,897
Net bonds payable	10,835,659	5,049,201	(1,022,089)	14,862,771	1,212,678
State infrastructure bank loan	1,208,457	-	(43,247)	1,165,210	46,020
Compensated absences	162,071	115,574	(108,487)	159,158	127,326
	<u>\$ 12,196,187</u>	<u>\$ 5,164,775</u>	<u>\$ (1,173,823)</u>	<u>\$ 16,187,139</u>	<u>\$ 1,386,024</u>

For the governmental activities, claims and judgments and compensated absences are generally liquidated by the general fund.

IV. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss relating to general liability, the accidental loss of real and personal property damage to City assets, errors and omissions and personal risks which relate to workers' compensation. The City participates in the Texas Municipal League Intergovernmental Risk Pool. As an insured, the City is not obligated to reimburse the pool for losses. Any losses reported but unsettled or incurred and not reported, are believed to be insignificant to the City's basic financial statements.

CITY OF KERRVILLE, TEXAS
Notes to Basic Financial Statements
For the Year Ended September 30, 2009

During 2008, the City discontinued operations in its health insurance benefits internal service fund. Claims payable at the end of 2008 were settled in 2009.

The change in claim liability for the fiscal years ended September 30, 2009 and 2008, are as follows:

	September 30, 2009	September 30, 2008
Claims payable beginning of year	\$ 446,176	\$ 385,742
Claims incurred	-	3,493,023
Payment on claims	<u>(446,176)</u>	<u>(3,432,589)</u>
Claims payable end of year	<u>\$ -</u>	<u>\$ 446,176</u>

Commercial insurance is purchased for the other risks of losses to which the City is exposed. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the two prior years.

B. Closure and Postclosure Care Costs

State and federal laws and regulations require that the City place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future post closure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of the landfill post closure care cost is based on the amount of the landfill used during the year. The estimated liability for landfill post closure care costs was \$2,713,155 as of September 30, 2009, which is based on 64% usage (filled) of the landfill. It is estimated that an additional \$1,599,636 will be recognized as post closure care expenses between the date of the balance sheet and the date the landfill is expected to be filled to capacity (2016). The estimated total current cost of the landfill post closure care (\$4,312,791) is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of September 30, 2009. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

The City has contractually obligated the landfill operator to bear the cost of the landfill closure. The City monitors the closure costs and meets the financial assurance requirements noted below.

The City's financial assurance requirements for closure and post closure care costs are being met through the financial test specified in TAC §37.271 (relating to Local Government Financial Test).

C. Contingent Liabilities and Commitments

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies. Any disallowed claims, including amounts already collected may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City is a party in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's management that the resolution of these matters will not have a material adverse effect on the financial condition of the City.

The City contracts for garbage disposal with a third party. Under the terms of the agreement the city bills and collects the residential billing and remits that amount to the contracting party. The contractor bills the commercial customers and remits a franchise fee to the City based on total revenues received from the contract.

CITY OF KERRVILLE, TEXAS
Notes to Basic Financial Statements
For the Year Ended September 30, 2009

D. Employee Retirement Systems and Pension Plans

Plan Description

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, Texas, 78714-9153, or by calling 800-924-8677; in addition, the report is available on the TMRS website at www.tmrs.com.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	Plan Year 2008	Plan Year 2009
Employee deposit rate:	7%	7%
Matching ratio (employer to employee):	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100%, Repeating, Transfers	100%, Repeating, Transfers
Annuity increase to retirees	70% of CPI Repeating	70% of CPI Repeating

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually, the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeated benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation (asset) are as follows:

Annual Required Contribution (ARC)	\$ 1,543,624
Interest on Net Pension Obligation	-
Adjustment to the ARC	-
Annual Pension Cost:	1,543,624
Contributions Made	1,543,624
Increase (Decrease) in Net Pension Obligation	-
Net Pension Obligation (Asset) , Beginning of Year	-
Net Pension Obligation (Asset) , End of Year	\$ -

CITY OF KERRVILLE, TEXAS
Notes to Basic Financial Statements
For the Year Ended September 30, 2009

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost/(APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation/(Asset)
2007	\$ 1,391,854	\$ 1,391,854	100%	\$ -
2008	\$ 1,384,470	\$ 1,384,470	100%	\$ -
2009	\$ 1,543,624	\$ 1,543,624	100%	\$ -

The required contribution rates for fiscal year 2009 were determined as part of the December 31, 2006 and 2007 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2008, also follows:

Valuation Date	12/31/2006	12/31/2007	12/31/2008
Actuarial Cost Method	Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining Amortization Period	25 years; open period	30 years; closed period	29 years; closed period
Asset Valuation Method	Amortized Cost	Amortized Cost	Amortized Cost
Actuarial Assumptions			
Investment Rate of Return	7.0%	7.0%	7.5%
Projected Salary Increases	Varies by age and service	Varies by age and service	Varies by age and service
Actuarial Assumptions:			
Includes Inflation at	3.00%	3.00%	3.00%
Cost-of-Living Assumptions	NA	2.1%	2.1%

The funded status as of December 31, 2008, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded ALL (UALL)	Covered Payroll	UALL as a Percentage of Covered Payroll
12/31/2008	\$ 6,911,943	\$ 10,281,884	67.2%	\$ 3,370,021	\$ 5,800,630	58.1%

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

CITY OF KERRVILLE, TEXAS
Notes to Basic Financial Statements
For the Year Ended September 30, 2009

E. Financial Information for Discrete Component Unit

As noted earlier, Kerrville Economic Improvement Corporation (a discrete component unit) does not issue separately available financial statements. Following are a balance sheet and statement of revenues, expenditures and changes in fund balance accompanied by reconciliations of fund balance to net assets and changes in fund balance to changes in net assets:

BALANCE SHEET

ASSETS:

Cash	\$ 1,910,212
Investments	3,901,453
Due from primary government	367,199
Due from other governments	-
Total Assets	<u>\$ 6,178,864</u>

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable and accrued liabilities	\$ 93,180
Total Liabilities	<u>93,180</u>

Fund Balances:

Reserved	
Reserved for debt service	314,120
Reserved for debt service	4,306,164
Unreserved	1,465,400
Total Fund Balances	<u>6,085,684</u>
Total Liabilities and Fund Balances	<u>\$ 6,178,864</u>

**RECONCILIATION OF KEIC FUND BALANCE SHEET TO
DISCRETE COMPONENT UNIT STATEMENT OF NET ASSETS**

KEIC Fund Balance	\$ 6,085,684
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Amounts reported for governmental activities in the statement of net assets are different because:

Not reported in the funds:

Deferred bond issue costs	20,068
Accrued interest	(12,694)
Sales tax revenue bonds	(2,225,000)

KEIC Net Assets	<u>\$ 3,868,058</u>
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CITY OF KERRVILLE, TEXAS
Notes to Basic Financial Statements
For the Year Ended September 30, 2009

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Revenue:	
Sales and other taxes	\$ 2,462,896
Interest and investment earnings	62,731
Miscellaneous	848,488
Total revenues	<u>3,374,115</u>
Expenditures:	
Current:	
General government	1,686,498
Culture and recreation	81,126
Public works	75,000
Debt Service	504,435
Total Expenditures	<u>2,347,059</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,027,056</u>
Change in Fund Balance	1,027,056
Fund Balance - Beginning	<u>2,301,242</u>
Fund Balance - Ending	<u>\$ 3,328,298</u>

RECONCILIATION OF KEIC FUND STATEMENT OF REVENUES, EXPENDITRES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES

KEIC Change in Fund Balance	\$ 1,027,056
Amounts reported for governmental activities in the statement of activities are different because:	
Not reported in the funds	
Amortization of bond issue costs	(6,078)
Change in accrued bond interest payable	2,096
Not reported in the SOA	
Bond principal payment	390,000
KEIC Change in Net Assets	<u>\$ 1,413,074</u>

CITY OF KERRVILLE, TEXAS
Notes to Basic Financial Statements
For the Year Ended September 30, 2009

F. Investment in Joint Venture

The City and Kerr County (the "participants") operate a municipal airport under a joint venture agreement. Each participant provides financial support and is entitled to an undivided 50% interest in the physical property. Following is a financial summary for the airport as of and for the year ended September 30, 2009:

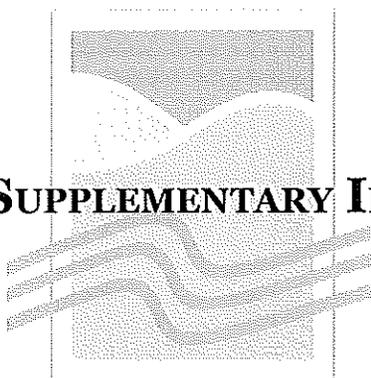
ASSETS		REVENUES	
Cash	\$ 242,072	Charges for services	\$ 727,552
Investments	494,412	Capital grants and contributions	<u>22,671</u>
Receivables		Total Revenues	<u>750,223</u>
Prepaid expenses	505,598		
Nondepreciable property		EXPENSES	
Land	2,849,809	Airport operations	667,225
Construction in progress	1,431,868	Terminal	12,234
Depreciable property (net)		Depreciation	<u>90,798</u>
Buildings	1,258,572		<u>770,257</u>
Improvements	214,805		
Vehicles	17,448	Operating income	(20,034)
Machinery and equipment	<u>7,239</u>		
Total Assets	<u>7,021,823</u>	GENERAL REVENUES	
		Unrestricted investment earnings	<u>2,639</u>
			(17,395)
LIABILITIES		Net assets - beginning	<u>6,995,095</u>
Accounts payable	32,196	Net assets - ending	<u>\$ 6,977,700</u>
Customer deposits	3,900		
Unearned revenue	<u>8,027</u>		
Total Liabilities	<u>44,123</u>		
NET ASSETS			
Invested in capital assets	\$ 5,779,741		
Restricted for capital projects	454,573		
Unrestricted	<u>743,386</u>		
Total Net Assets	<u>\$ 6,977,700</u>		

Separate financial statements are not prepared for the Airport.

G. Subsequent Events

During February, 2010, the City issued \$4,040,000 for water and sewer improvements.

REQUIRED SUPPLEMENTARY INFORMATION



CITY OF KERRVILLE, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2009

EXHIBIT B-1
Page 1 of 2

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
<i>Taxes and penalties</i>	\$ 16,097,421	\$ 15,782,150	\$ 15,098,889	\$ (683,261)
<i>Licenses and permits</i>	488,300	433,300	416,883	(16,417)
<i>Intergovernmental</i>	784,545	834,457	833,660	(797)
<i>Charges for services</i>	1,599,690	1,935,955	1,962,995	27,040
<i>Grants</i>	35,000	138,277	69,617	(68,660)
<i>Fines and forfeitures</i>	417,961	429,161	506,040	76,879
<i>Interest</i>	287,855	149,855	80,437	(69,418)
<i>Miscellaneous</i>	2,252,530	2,177,579	1,154,857	(1,022,722)
Total revenues	21,963,302	21,880,734	20,123,378	(1,757,356)
Expenditures:				
Current:				
<i>General Government</i>				
<i>City council</i>	17,300	17,300	23,496	(6,196)
<i>City clerk</i>	143,652	160,749	135,069	25,680
<i>Legal</i>	308,703	328,383	277,878	50,505
<i>Municipal court</i>	347,928	345,014	357,306	(12,292)
<i>City manager</i>	304,159	404,540	323,968	80,572
<i>Human resources</i>	334,263	320,112	306,912	13,200
<i>Finance</i>	358,983	360,803	333,602	27,201
<i>Management information systems</i>	510,458	511,495	474,095	37,400
<i>Purchasing</i>	78,018	79,313	74,352	4,961
<i>Economic development</i>	50,250	50,250	37,258	12,992
<i>Health and welfare</i>	263,385	264,054	246,988	17,066
<i>Landfill operations</i>	964,088	964,088	715,705	248,383
<i>General operations</i>	1,441,061	1,334,779	1,262,104	72,675
<i>Airport administration</i>	102,771	5,829	5,072	757
<i>Nondepartmental</i>	--	--	9	(9)
Total General Government	5,225,019	5,146,709	4,573,814	572,895
<i>Public Safety</i>				
<i>Police</i>	5,147,834	5,200,844	4,950,792	250,052
<i>Fire</i>	4,223,550	4,258,329	4,269,606	(11,277)
<i>Fire marshal</i>	192,032	192,032	168,772	23,260
<i>Emergency medical service</i>	1,688,497	1,690,038	1,652,770	37,268
Total Public Safety	11,251,913	11,341,243	11,041,940	299,303
<i>Culture and Recreation</i>				
<i>Parks administration</i>	193,339	200,506	202,373	(1,867)
<i>Golf course</i>	--	--	1,518	(1,518)
<i>Tennis center</i>	17,212	25,262	23,975	1,287
<i>Swimming pools</i>	169,481	174,944	143,608	31,336
<i>Parks maintenance</i>	995,532	988,636	878,590	110,046
<i>Recreation</i>	217,064	224,579	222,448	2,131
<i>Library</i>	811,399	819,352	750,475	68,877
Total Culture and Recreation	2,404,027	2,433,279	2,222,987	210,292

CITY OF KERRVILLE, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2009

EXHIBIT B-1
Page 2 of 2

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<i>Public works</i>				
<i>Planning</i>	294,395	385,794	311,336	74,458
<i>Construction development</i>	329,480	275,272	249,008	26,264
<i>Public services</i>	609,100	618,062	616,618	1,444
<i>Streets</i>	1,440,669	1,621,038	1,416,103	204,935
<i>Total Public works</i>	<u>2,673,644</u>	<u>2,900,166</u>	<u>2,593,065</u>	<u>307,101</u>
<i>Business programs</i>				
<i>Economic Development</i>	188,766	191,122	189,093	2,029
<i>Total Business Programs</i>	<u>188,766</u>	<u>191,122</u>	<u>189,093</u>	<u>2,029</u>
<i>Capital outlay</i>	458,429	458,429	432,458	25,971
<i>Total expenditures</i>	<u>22,201,798</u>	<u>22,470,948</u>	<u>21,053,357</u>	<u>1,417,591</u>
Excess (deficiency) of revenues over (under) expenditures	(238,496)	(590,214)	(929,979)	(339,765)
Other financing sources (uses):				
<i>Transfers in</i>	1,349,567	1,349,567	1,329,218	(20,349)
<i>Transfers out</i>	(1,674,421)	(1,674,421)	(817,067)	(857,354)
<i>Proceeds from sale of capital assets</i>	--	--	13,260	13,260
<i>Total other financing sources (uses)</i>	<u>(324,854)</u>	<u>(324,854)</u>	<u>525,411</u>	<u>(850,265)</u>
Net change in fund balances	(563,350)	(915,068)	(404,568)	510,500
Fund balances, October 1	<u>6,490,678</u>	<u>6,490,678</u>	<u>6,494,190</u>	<u>3,512</u>
Fund balances, September 30	<u>\$ 5,927,328</u>	<u>\$ 5,575,610</u>	<u>\$ 6,089,622</u>	<u>\$ 514,012</u>

CITY OF KERRVILLE, TEXAS

*Notes to Required Supplementary Information
For the Year Ended September 30, 2009*

Stewardship, Compliance, and Accountability

A. Budgetary Information

The City follows the following procedures in establishing the budgetary data reflected in the financial statements:

Prior to adoption of a formal budget, the City Manager must file by August 1 with the City Clerk a proposed operating budget for the year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.

A public hearing is conducted to obtain taxpayers' comments.

Prior to October 1, the budget is adopted and legally enacted through passage of an ordinance.

The City Manager is authorized to transfer budgeted amounts between accounts within any department; however, any revisions that alter the total expenditures of any department must be approved by the City Council. Budgeted amounts in this report include transfers and revisions to the original appropriations ordinance; most department budgets were modified during the year.

Formal budgetary integration is employed as a management control device during the year. The City uses the encumbrance basis which is comprised of GAAP basis transactions modified by encumbrances made for legal obligations incurred as of year end. Annual budgets are not adopted for capital projects funds which use project length budgets for projects which encompass more two or more fiscal years.

Budgets have been adopted for the General Fund, certain Special Revenue Funds (Library Memorial, Arcadia Theater, Hotel/Motel Tax, Remschel-Deering, and the Debt Service Fund).

Annual budgeted expenditures are adopted at the department level within funds. As described above, the City Manager is authorized to make transfers within a department. Accordingly, the level at which expenditures cannot legally exceed appropriations is the department level.

Appropriations for annually budgeted funds lapse at year-end.

B. Excess Of Expenditures Over Appropriations

The following funds had expenditures in excess of appropriations:

<u>Fund/Major Function/Department</u>	<u>Excess Expenditures</u>
General Fund	
General Government	
City council	\$ 6,196
Municipal court	12,292
Nondepartmental	9
Public Safety	
Fire	11,277
Culture and Recreation	
Parks administration	1,867
Golf course	1,518

CITY OF KERRVILLE, TEXAS
Notes to Required Supplementary Information
For the Year Ended September 30, 2009

C. Modified Approach for Capital Assets – Street System

The City implemented the modified approach for its street system in connection with implementation of GASB Statement No. 34 during the year ended September 30, 2009. Three year and five year historical information, respectively, for pavement condition and maintenance comparisons will be presented on a prospective basis.

Pavement Condition Index of Street System:

Classification	2009	2008	2007
Secondary Arterial	93	90	79
Collector	79	79	80
Industrial	92	94	96
Residential	80	80	80
Overall System	80	79	80

Comparison of Needed-to-Actual Maintenance/Preservation:

	2009	2008	2007	2006	2005
Overall System:					
Needed	\$ -	\$ -	\$ -	\$ -	\$ -
Actual	\$ 1,500,000	\$ 592,000	\$ -	\$ 333,905	\$ 190,936

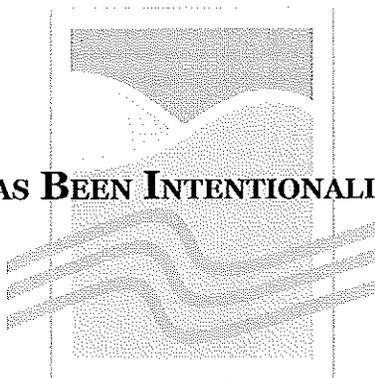
The condition of road pavement is measured using the Asphalt Institute Pavement Rating System ("AIPRS"), which is based on a weighted average of eleven visual deficiency factors found in pavement surfaces. AIPRS uses a measurement scale that is based on a Condition Index ranging from zero for a failed pavement to 100 for a pavement in perfect condition. The Condition Index is used to classify roads in very good condition (92-100), good condition (81-91), fair condition (70-80), poor condition (61-69), and very poor condition (0-50). It is the City's policy (as set forth in Resolution No. 038-2004) dated March 23, 2004) to maintain an overall weighted average Condition Index of 75. Complete condition assessments are determined every three years.

D. Schedule of Funding Progress:

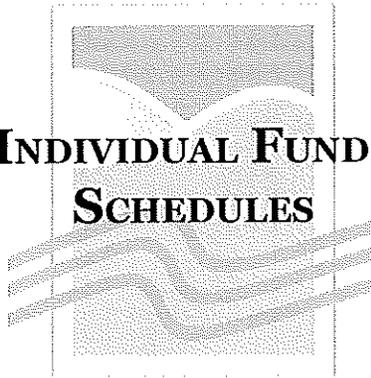
Texas Municipal Retirement System

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded ALL (UALL)	Covered Payroll	UALL as a Percentage of Covered Payroll
12/31/2008	\$ 25,243,507	\$ 32,494,762	77.7%	\$ 7,251,245	\$ 10,861,978	66.8%
12/31/2007	\$ 25,940,722	\$ 40,027,153	64.8%	\$ 14,086,431	\$ 11,833,309	119.0%
12/31/2006	\$ 25,957,288	\$ 41,318,492	62.8%	\$ 15,361,204	\$ 13,296,388	115.5%

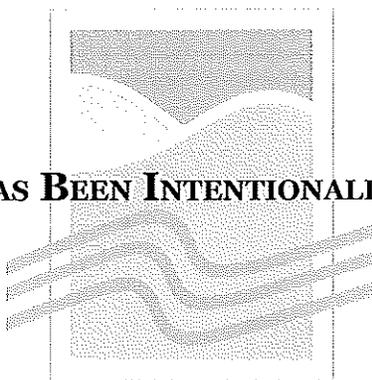
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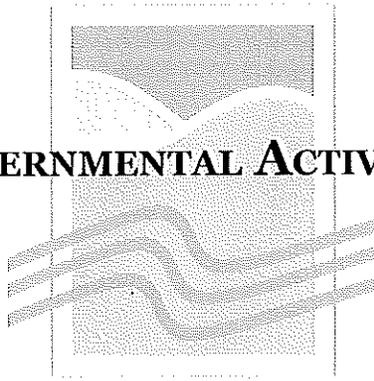
**COMBINING AND INDIVIDUAL FUND STATEMENTS AND
SCHEDULES**



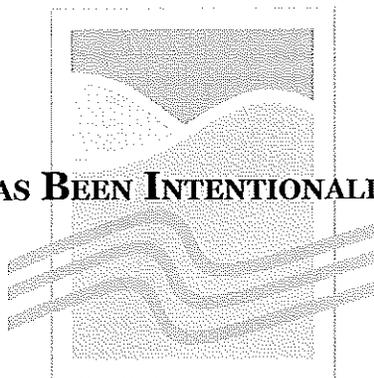
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GOVERNMENTAL ACTIVITIES



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CITY OF KERRVILLE, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2009

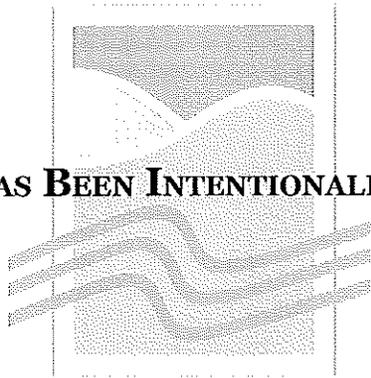
	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS				
Cash	\$ 424,562	\$ 312,000	\$ 36,031	\$ 772,593
Investments	867,087	637,234	73,589	1,577,910
Receivables (net of allowances for uncollectibles):				
Taxes	--	27,956	--	27,956
Total Assets	<u>\$ 1,291,649</u>	<u>\$ 977,190</u>	<u>\$ 109,620</u>	<u>\$ 2,378,459</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 148,464	\$ --	\$ --	\$ 148,464
Deferred revenue	--	23,970	--	23,970
Total Liabilities	<u>148,464</u>	<u>23,970</u>	<u>--</u>	<u>172,434</u>
Fund balances:				
Reserved Fund Balances				
Reserved for debt service	--	953,220	--	953,220
Reserved for donor/grantor restrictions	437,540	--	--	437,540
Unreserved, reported in nonmajor funds:				
Special Revenue Funds	705,645	--	--	705,645
Capital Projects Funds	--	--	109,620	109,620
Total fund balances	<u>1,143,185</u>	<u>953,220</u>	<u>109,620</u>	<u>2,206,025</u>
Total Liabilities and Fund Balances	<u>\$ 1,291,649</u>	<u>\$ 977,190</u>	<u>\$ 109,620</u>	<u>\$ 2,378,459</u>

CITY OF KERRVILLE, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:				
<i>Taxes and penalties</i>	\$ 882,592	\$ 1,006,014	\$ --	\$ 1,888,606
<i>Licenses and permits</i>	--	--	11,225	11,225
<i>Charges for services</i>	1,184	--	--	1,184
<i>Grants</i>	339,790	--	--	339,790
<i>Interest</i>	11,317	15,186	1,607	28,110
<i>Miscellaneous</i>	147,130	--	5,100	152,230
Total revenues	1,362,013	1,021,200	17,932	2,421,145
Expenditures:				
Current:				
<i>General government</i>	387	--	1,979	2,366
<i>Culture and recreation</i>	1,112,566	--	--	1,112,566
Debt service:				
<i>Principal, interest, and fiscal charges</i>	--	828,199	--	828,199
Total expenditures	1,112,953	828,199	1,979	1,943,131
Excess (deficiency) of revenues over (under) expenditures	269,060	193,001	15,953	478,014
Other financing sources (uses):				
<i>Transfers in</i>	256,929	--	--	256,929
<i>Transfers out</i>	(126,929)	--	(30,000)	(156,929)
Total other financing sources (uses)	130,000	--	(30,000)	100,000
Net change in fund balances	399,060	193,001	(14,047)	578,014
Fund balances, October 1	744,125	760,219	123,667	1,628,011
Fund balances, September 30	\$ 1,143,185	\$ 953,220	\$ 109,620	\$ 2,206,025

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CITY OF KERRVILLE, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2009

	Library Memorial	Arcadia Theatre
ASSETS		
<i>Cash</i>	\$ 192,611	\$ 233,130
<i>Investments</i>	393,393	326,390
Total Assets	<u>\$ 586,004</u>	<u>\$ 559,520</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
<i>Accounts payable and accrued liabilities</i>	\$ 148,464	\$ --
Total Liabilities	<u>148,464</u>	<u>--</u>
Fund balances:		
Reserved Fund Balances		
<i>Reserved for donor/grantor restrictions</i>	437,540	--
Unreserved	<u>--</u>	<u>559,520</u>
Total fund balances	<u>437,540</u>	<u>559,520</u>
Total Liabilities and Fund Balances	<u>\$ 586,004</u>	<u>\$ 559,520</u>

EXHIBIT C-3

Hotel/Motel Tax	Remschel- Deering	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
\$ (37,534)	\$ 36,355	\$ 424,562
73,102	74,202	867,087
<u>\$ 35,568</u>	<u>\$ 110,557</u>	<u>\$ 1,291,649</u>
\$ --	\$ --	\$ 148,464
--	--	148,464
--	--	437,540
35,568	110,557	705,645
<u>35,568</u>	<u>110,557</u>	<u>1,143,185</u>
<u>\$ 35,568</u>	<u>\$ 110,557</u>	<u>\$ 1,291,649</u>

CITY OF KERRVILLE, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Library Memorial	Arcadia Theatre
Revenues:		
<i>Taxes and penalties</i>	\$ --	\$ --
<i>Charges for services</i>	--	--
<i>Grants</i>	339,790	--
<i>Interest</i>	4,363	3,849
<i>Miscellaneous</i>	41,289	--
Total revenues	<u>385,442</u>	<u>3,849</u>
Expenditures:		
Current:		
<i>General government</i>	--	387
<i>Culture and recreation</i>	155,798	--
Total expenditures	<u>155,798</u>	<u>387</u>
Excess (deficiency) of revenues over (under) expenditures	229,644	3,462
Other financing sources (uses):		
<i>Transfers in</i>	--	256,929
<i>Transfers out</i>	--	--
Total other financing sources (uses)	<u>--</u>	<u>256,929</u>
Net change in fund balances	229,644	260,391
Fund balances, October 1	<u>207,896</u>	<u>299,129</u>
Fund balances, September 30	<u>\$ 437,540</u>	<u>\$ 559,520</u>

EXHIBIT C-4

Hotel/Motel Tax	Remschel- Deering	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$ 882,592	\$ --	\$ 882,592
--	1,184	1,184
--	--	339,790
1,879	1,226	11,317
--	105,841	147,130
<u>884,471</u>	<u>108,251</u>	<u>1,382,013</u>
--	--	387
947,683	9,085	1,112,566
<u>947,683</u>	<u>9,085</u>	<u>1,112,953</u>
(63,212)	99,166	269,060
--	--	256,929
(126,929)	--	(126,929)
<u>(126,929)</u>	<u>--</u>	<u>130,000</u>
(190,141)	99,166	399,060
<u>225,709</u>	<u>11,391</u>	<u>744,125</u>
<u>\$ 35,568</u>	<u>\$ 110,557</u>	<u>\$ 1,143,185</u>

CITY OF KERRVILLE, TEXAS
LIBRARY MEMORIAL FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2009

EXHIBIT C-5

	Budget	Actual	Variance Positive (Negative)
Revenues:			
<i>Grants</i>	\$ 144,913	\$ 339,790	\$ 194,877
<i>Interest</i>	14,000	4,363	(9,637)
<i>Miscellaneous</i>	40,000	41,289	1,289
Total revenues	<u>198,913</u>	<u>385,442</u>	<u>186,529</u>
Expenditures:			
Current:			
<i>Culture and Recreation</i>			
<i>Library</i>	184,913	155,798	29,115
Total Culture and Recreation	<u>184,913</u>	<u>106,148</u>	<u>29,115</u>
Total expenditures	<u>184,913</u>	<u>155,798</u>	<u>29,115</u>
Excess (deficiency) of revenues over (under) expenditures	14,000	229,644	215,644
Fund balances, October 1	<u>207,896</u>	<u>207,896</u>	--
Fund balances, September 30	<u>\$ 221,896</u>	<u>\$ 437,540</u>	<u>\$ 215,644</u>

CITY OF KERRVILLE, TEXAS
ARCADIA THEATER FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2009

EXHIBIT C-6

	Budget	Actual	Variance Positive (Negative)
Revenues:			
<i>Interest</i>	\$ 6,000	\$ 3,849	\$ (2,151)
Total revenues	<u>6,000</u>	<u>3,849</u>	<u>(2,151)</u>
Expenditures:			
Current:			
<i>General Government</i>			
<i>General operations</i>	16,690	387	16,303
Total General Government	<u>16,690</u>	<u>387</u>	<u>16,303</u>
Total expenditures	<u>16,690</u>	<u>387</u>	<u>16,303</u>
 Excess (deficiency) of revenues over (under) expenditures	 (10,690)	 3,462	 14,152
Other financing sources (uses):			
<i>Transfers in</i>	142,682	256,929	114,247
Total other financing sources (uses)	<u>142,682</u>	<u>256,929</u>	<u>114,247</u>
 Net change in fund balances	 131,992	 260,391	 128,399
 Fund balances, October 1	 <u>299,129</u>	 <u>299,129</u>	 <u>--</u>
 Fund balances, September 30	 <u>\$ 431,121</u>	 <u>\$ 559,520</u>	 <u>\$ 128,399</u>

CITY OF KERRVILLE, TEXAS
HOTEL/MOTEL TAX FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2009

EXHIBIT C-7

	Budget	Actual	Variance Positive (Negative)
Revenues:			
<i>Taxes and penalties</i>	\$ 998,775	\$ 882,592	\$ (116,183)
<i>Interest</i>	7,000	1,879	(5,121)
Total revenues	<u>1,005,775</u>	<u>884,471</u>	<u>(121,304)</u>
Expenditures:			
Current:			
<i>General Government</i>			
<i>Nondepartmental</i>	1,047,805	947,683	100,122
<i>Total General Government</i>	<u>1,047,805</u>	<u>947,683</u>	<u>100,122</u>
Total expenditures	<u>1,047,805</u>	<u>947,683</u>	<u>100,122</u>
 Excess (deficiency) of revenues over (under) expenditures	 (42,030)	 (63,212)	 (21,182)
 Other financing sources (uses):			
<i>Transfers out</i>	(142,682)	(126,929)	15,753
Total other financing sources (uses)	<u>(142,682)</u>	<u>(126,929)</u>	<u>15,753</u>
 Net change in fund balances	 (184,712)	 (190,141)	 (5,429)
 Fund balances, October 1	 225,709	 225,709	 --
 Fund balances, September 30	 <u>\$ 40,997</u>	 <u>\$ 35,568</u>	 <u>\$ (5,429)</u>

CITY OF KERRVILLE, TEXAS
REMSCHEL-DEERING FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2009

EXHIBIT C-8

	Budget	Actual	Variance Positive (Negative)
Revenues:			
<i>Charges for services</i>	\$ 675	\$ 1,184	\$ 509
<i>Interest</i>	100	1,226	1,126
<i>Miscellaneous</i>	25,700	105,841	80,141
Total revenues	<u>26,475</u>	<u>108,251</u>	<u>81,776</u>
Expenditures:			
Current:			
<i>Culture and Recreation</i>			
<i>History center</i>	32,219	9,085	23,134
Total Culture and Recreation	<u>32,219</u>	<u>9,085</u>	<u>23,134</u>
Total expenditures	<u>32,219</u>	<u>9,085</u>	<u>23,134</u>
Excess (deficiency) of revenues over (under) expenditures	(5,744)	99,166	104,910
Fund balances, October 1	<u>11,391</u>	<u>11,391</u>	--
Fund balances, September 30	\$ <u>5,647</u>	\$ <u>110,557</u>	\$ <u>104,910</u>

CITY OF KERRVILLE, TEXAS
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2009

EXHIBIT C-9

	Budget	Actual	Variance Positive (Negative)
Revenues:			
<i>Taxes and penalties</i>	\$ 785,747	\$ 1,006,014	\$ 220,267
<i>Interest</i>	--	15,186	15,186
Total revenues	<u>785,747</u>	<u>1,021,200</u>	<u>235,453</u>
Expenditures:			
Debt service:			
<i>Principal, interest, and fiscal charges</i>	847,890	828,199	19,691
Total expenditures	<u>847,890</u>	<u>828,199</u>	<u>19,691</u>
 Excess (deficiency) of revenues over (under) expenditures	 (62,143)	 193,001	 255,144
Other financing sources (uses):			
<i>Transfers in</i>	64,800	--	(64,800)
Total other financing sources (uses)	<u>64,800</u>	<u>--</u>	<u>(64,800)</u>
Net change in fund balances	2,657	193,001	190,344
Fund balances, October 1	<u>760,219</u>	<u>760,219</u>	<u>--</u>
Fund balances, September 30	<u>\$ 762,876</u>	<u>\$ 953,220</u>	<u>\$ 190,344</u>

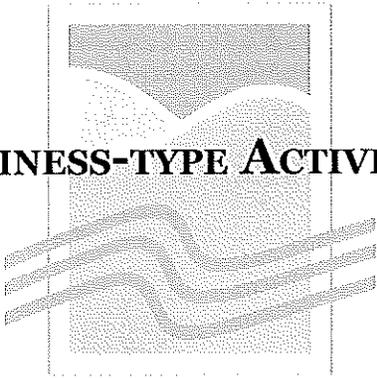
CITY OF KERRVILLE, TEXAS
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
SEPTEMBER 30, 2009

	<u>Park Land Dedication</u>	<u>433 Water Street</u>	<u>Total Nonmajor Capital Projects Funds (See Exhibit C-1)</u>
ASSETS			
<i>Cash</i>	\$ 17,622	\$ 18,409	\$ 36,031
<i>Investments</i>	35,990	37,599	73,589
Total Assets	<u>\$ 53,612</u>	<u>\$ 56,008</u>	<u>\$ 109,620</u>
FUND BALANCES			
Unreserved	<u>\$ 53,612</u>	<u>\$ 56,008</u>	<u>\$ 109,620</u>
Total fund balances	<u>53,612</u>	<u>56,008</u>	<u>109,620</u>
Total Liabilities and Fund Balances	<u>\$ 53,612</u>	<u>\$ 56,008</u>	<u>\$ 109,620</u>

CITY OF KERRVILLE, TEXAS

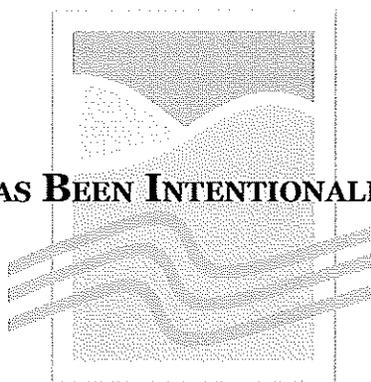
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Park Land Dedication	433 Water Street	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
Revenues:			
<i>Licenses and permits</i>	\$ 11,225	\$ --	\$ 11,225
<i>Interest</i>	989	618	1,607
<i>Miscellaneous</i>	--	5,100	5,100
Total revenues	<u>12,214</u>	<u>5,718</u>	<u>17,932</u>
Expenditures:			
Current:			
<i>General government</i>	--	1,979	1,979
Total expenditures	<u>--</u>	<u>1,979</u>	<u>1,979</u>
Excess (deficiency) of revenues over (under) expenditures	12,214	3,739	15,953
Other financing sources (uses):			
<i>Transfers out</i>	(30,000)	--	(30,000)
Total other financing sources (uses)	<u>(30,000)</u>	<u>--</u>	<u>(30,000)</u>
Net change in fund balances	(17,786)	3,739	(14,047)
Fund balances, October 1	71,398	52,269	123,667
Fund balances, September 30	<u>\$ 53,612</u>	<u>\$ 56,008</u>	<u>\$ 109,620</u>



BUSINESS-TYPE ACTIVITIES

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CITY OF KERRVILLE, TEXAS
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
SEPTEMBER 30, 2009

	Enterprise Fund	Enterprise Fund	Total Nonmajor Enterprise Funds (See Exhibit A-7)
	Kerrville- Schreiner Park	Golf Course	
ASSETS			
Current Assets:			
<i>Cash</i>	\$ 47,941	\$ 600	\$ 48,541
<i>Investments</i>	95,871	--	95,871
<i>Inventories</i>	149	73,427	73,576
<i>Prepaid assets</i>	--	3,250	3,250
Total Current Assets	<u>143,961</u>	<u>77,277</u>	<u>221,238</u>
<i>Property, plant and equipment</i>			
<i>Land</i>	2,000,000	--	2,000,000
<i>Buildings</i>	1,482,786	277,389	1,760,175
<i>Improvements other than buildings</i>	88,137	1,850,000	1,938,137
<i>Vehicles</i>	61,365	--	61,365
<i>Machinery and equipment</i>	19,754	341,396	361,150
<i>Accumulated depreciation</i>	(236,072)	(1,129,385)	(1,365,457)
Net Property, Plant and Equipment	<u>3,415,970</u>	<u>1,339,400</u>	<u>4,755,370</u>
Total Assets	<u>3,559,931</u>	<u>1,416,677</u>	<u>4,976,608</u>
LIABILITIES			
Current Liabilities:			
<i>Accounts payable and accrued liabilities</i>	13,482	38,272	51,754
<i>Accrued compensated absences</i>	8,803	29,426	38,229
<i>Due to other funds</i>	--	135,724	135,724
Total Current Liabilities	<u>22,285</u>	<u>203,422</u>	<u>225,707</u>
Total Liabilities	<u>22,285</u>	<u>203,422</u>	<u>225,707</u>
NET ASSETS			
<i>Invested in capital assets, net of related debt</i>	3,415,970	1,339,400	4,755,370
<i>Unrestricted</i>	121,676	(126,145)	(4,469)
Total Net Assets	<u>\$ 3,537,646</u>	<u>\$ 1,213,255</u>	<u>\$ 4,750,901</u>

CITY OF KERRVILLE, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Enterprise Fund	Enterprise Fund	Total Nonmajor Enterprise Funds (See Exhibit A-8)
	Kerrville- Schreiner Park	Golf Course	
OPERATING REVENUES:			
Charges for service	\$ 373,783	\$ 937,405	\$ 1,311,188
Total Operating Revenues	373,783	937,405	1,311,188
OPERATING EXPENSES:			
Personnel services	339,014	616,621	955,635
Repairs and maintenance	33,184	31,783	64,967
Supplies and materials	61,290	85,246	146,536
Utilities	57,046	57,153	114,199
Depreciation and amortization	79,422	123,439	202,861
General administration	12,199	80,153	92,352
Total Operating Expenses	582,155	994,395	1,576,550
Operating Income (Loss)	(208,372)	(56,990)	(265,362)
NON-OPERATING REVENUES (EXPENSES):			
Interest income	1,883	--	1,883
Miscellaneous income	4,744	2,381	7,125
Intergovernmental revenue	3,920	--	3,920
Gain/loss from disposal capital assets	--	1,550	1,550
Interest expense	--	(1,801)	(1,801)
Total Non-operating Revenues (Expenses)	10,547	2,130	12,677
Net Income (Loss) before Capital Contributions and Transfers	(197,825)	(54,860)	(252,685)
CAPITAL CONTRIBUTIONS AND TRANSFERS:			
Transfers in	80,000	40,000	120,000
Transfers out	--	(2,000)	(2,000)
Total Capital Contributions and Transfers	80,000	38,000	118,000
Change in net assets	(117,825)	(16,860)	(134,685)
Net Assets, October 1	3,655,471	1,230,115	4,885,586
Net Assets, September 30	\$ 3,537,646	\$ 1,213,255	\$ 4,750,901

CITY OF KERRVILLE, TEXAS
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Kerrville- Schreiner Park	Golf Course	Total Nonmajor Enterprise Funds (See Exhibit A-9)
Cash Flows from Operating Activities:			
<i>Cash Received from Customers</i>	\$ 382,447	\$ 941,336	\$ 1,323,783
<i>Cash Payments to Employees</i>	(338,441)	(617,251)	(955,692)
<i>Cash Payments to Suppliers for Goods and Services</i>	(190,567)	(330,221)	(520,788)
Net Cash Provided (Used) by Operating Activities	<u>(146,561)</u>	<u>(6,136)</u>	<u>(152,697)</u>
Cash Flows from Non-capital Financing Activities:			
<i>Transfers From (To) Other Funds</i>	85,739	135,781	221,520
Net Cash Provided (Used) by Non-capital Financing Activities	<u>85,739</u>	<u>135,781</u>	<u>221,520</u>
Cash Flows from Capital and Related Financing Activities:			
<i>Principal and Interest Paid</i>	--	(129,745)	(129,745)
<i>Acquisition or Construction of Capital Assets</i>	--	--	--
<i>Proceeds from Sale of Capital Assets</i>	--	--	--
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>--</u>	<u>(129,745)</u>	<u>(129,745)</u>
Cash Flows from Investing Activities:			
<i>Proceeds from Sale and Maturities of Securities</i>	--	--	--
<i>Interest and Dividends on Investments</i>	1,883	--	1,883
Net Cash Provided (Used) for Investing Activities	<u>1,883</u>	<u>--</u>	<u>1,883</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(58,939)	(100)	(59,039)
Cash and Cash Equivalents at Beginning of Year	202,752	700	203,452
Cash and Cash Equivalents at End of Year	<u>\$ 143,813</u>	<u>\$ 600</u>	<u>\$ 144,413</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	\$ (208,372)	\$ (56,990)	\$ (265,362)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
<i>Depreciation</i>	79,422	123,439	202,861
<i>Miscellaneous revenue and expense</i>	8,664	3,931	12,595
Change in Assets and Liabilities:			
<i>Decrease (Increase) in Inventories</i>	--	(20,939)	(20,939)
<i>Decrease (Increase) in Prepaid Expenses</i>	--	(1,000)	(1,000)
<i>Increase (Decrease) in Accounts Payable</i>	(26,848)	(53,947)	(80,795)
<i>Increase (Decrease) in Accrued Wages Payable</i>	573	(630)	(57)
<i>Increase (Decrease) in Unearned Revenue</i>	--	--	--
Total Adjustments	61,811	50,854	112,665
Net Cash Provided (Used) by Operating Activities	<u>\$ (146,561)</u>	<u>\$ (6,136)</u>	<u>\$ (152,697)</u>

CITY OF KERRVILLE, TEXAS
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2009

	Garage	Flexfund Insurance	Flexible Spending	Total Internal Service Funds (See Exhibit A-7)
ASSETS				
Current Assets:				
<i>Cash</i>	\$ 15,325	\$ 182,631	\$ 14,656	\$ 212,612
<i>Investments</i>	31,301	373,012	--	404,313
<i>Inventories</i>	21,775	--	--	21,775
<i>Other assets</i>	--	16,838	--	16,838
Total Current Assets	<u>68,401</u>	<u>572,481</u>	<u>14,656</u>	<u>655,538</u>
<i>Property, plant and equipment</i>				
<i>Buildings</i>	159,000	--	--	159,000
<i>Vehicles</i>	25,556	--	--	25,556
<i>Machinery and equipment</i>	32,930	--	--	32,930
<i>Accumulated depreciation</i>	(197,269)	--	--	(197,269)
Net Property, Plant and Equipment	<u>20,217</u>	<u>--</u>	<u>--</u>	<u>20,217</u>
Total Assets	<u>88,618</u>	<u>572,481</u>	<u>14,656</u>	<u>675,755</u>
LIABILITIES				
Current Liabilities:				
<i>Accounts payable and accrued liabilities</i>	6,120	64,589	--	70,709
<i>Accrued compensated absences</i>	15,736	--	--	15,736
<i>Due to other funds</i>	3,151	--	--	3,151
Total Current Liabilities	<u>25,007</u>	<u>64,589</u>	<u>--</u>	<u>89,596</u>
Total Liabilities	<u>25,007</u>	<u>64,589</u>	<u>--</u>	<u>89,596</u>
NET ASSETS				
<i>Unrestricted</i>	58,325	507,892	14,656	580,873
Total Net Assets	<u>\$ 63,611</u>	<u>\$ 507,892</u>	<u>\$ 14,656</u>	<u>\$ 586,159</u>

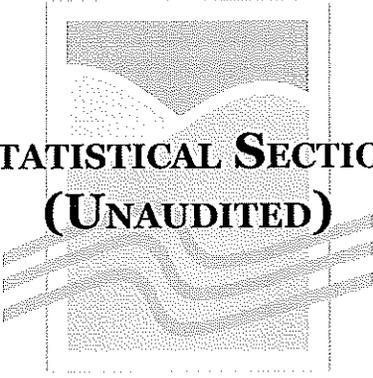
CITY OF KERRVILLE, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Garage	Flexfund Insurance	Flexible Spending	Total Internal Service Funds (See Exhibit A-8)
OPERATING REVENUES:				
<i>Charges for service</i>	\$ 243,318	\$ 3,059,005	\$ 35,524	\$ 3,337,847
Total Operating Revenues	243,318	3,059,005	35,524	3,337,847
OPERATING EXPENSES:				
<i>Personnel services</i>	222,643	--	--	222,643
<i>Repairs and maintenance</i>	3,805	--	--	3,805
<i>Supplies and materials</i>	8,689	--	--	8,689
<i>Utilities</i>	6,099	--	--	6,099
<i>Depreciation and amortization</i>	4,238	--	--	4,238
<i>General administration</i>	3,878	--	14	3,892
<i>Claims expense</i>	--	338,702	30,976	369,678
<i>Administration fees</i>	--	2,732,924	163	2,733,087
Total Operating Expenses	249,352	3,071,626	31,153	3,352,131
Operating Income (Loss)	(6,034)	(12,621)	4,371	(14,284)
NON-OPERATING REVENUES (EXPENSES):				
<i>Interest income</i>	--	3,993	--	3,993
<i>Miscellaneous income</i>	--	14	--	14
Total Non-operating Revenues (Expenses)	--	4,007	--	4,007
Net Income (Loss) before Transfers	(6,034)	(8,614)	4,371	(10,277)
TRANSFERS:				
<i>Transfers out</i>	(1,000)	--	--	(1,000)
Change in net assets	(7,034)	(8,614)	4,371	(11,277)
Net Assets, October 1	70,645	516,506	10,285	597,436
Net Assets, September 30	\$ 63,611	\$ 507,892	\$ 14,656	\$ 586,159

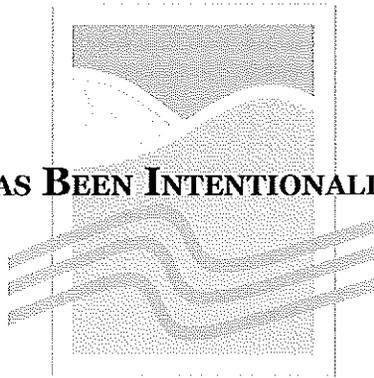
CITY OF KERRVILLE, TEXAS
COMBINING STATEMENT OF CASH FLOWS
ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Garage	Flexfund Insurance	Flexible Spending	Total Internal Service Funds (See Exhibit A-9)
Cash Flows from Operating Activities:				
<i>Cash Received from Customers</i>	\$ 243,318	\$ 3,059,018	\$ 35,524	\$ 3,337,860
<i>Cash Payments to Employees</i>	(220,772)	--	--	(220,772)
<i>Cash Payments to Suppliers for Goods and Services</i>	(29,498)	(3,196,946)	(31,153)	(3,257,597)
Net Cash Provided (Used) by Operating Activities	(6,952)	(137,928)	4,371	(140,509)
Cash Flows from Non-capital Financing Activities:				
<i>Transfers From (To) Other Funds</i>	2,151	--	--	2,151
Net Cash Provided (Used) by Non-capital Financing Activities	2,151	--	--	2,151
Cash Flows from Capital and Related Financing Activities:				
<i>Disposal of capital assets</i>	(9,599)	--	--	(9,599)
Net Cash Provided (Used) for Capital & Related Activities	(9,599)	--	--	(9,599)
Cash Flows from Investing Activities:				
<i>Interest and Dividends on Investments</i>	--	3,993	--	3,993
Net Cash Provided (Used) for Investing Activities	--	3,993	--	3,993
Net Increase (Decrease) in Cash and Cash Equivalents	(14,400)	(133,935)	4,371	(143,964)
Cash and Cash Equivalents at Beginning of Year	61,026	689,578	10,285	760,889
Cash and Cash Equivalents at End of Year	\$ 46,626	\$ 555,643	\$ 14,656	\$ 616,925
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	\$ (6,034)	\$ (12,621)	\$ 4,371	\$ (14,284)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
<i>Depreciation</i>	4,238	--	--	4,238
<i>Miscellaneous revenue and expense</i>	--	14	--	14
Change in Assets and Liabilities:				
<i>Decrease (Increase) in Receivables</i>	--	273,105	--	273,105
<i>Decrease (Increase) in Inventories</i>	7,305	--	--	7,305
<i>Decrease (Increase) in Prepaid Assets</i>	--	(16,838)	--	(16,838)
<i>Increase (Decrease) in Accounts Payable</i>	(14,332)	(381,588)	--	(395,920)
<i>Increase (Decrease) in Accrued Wages Payable</i>	1,871	--	--	1,871
Total Adjustments	(918)	(125,307)	--	(126,225)
Net Cash Provided (Used) by Operating Activities	\$ (6,952)	\$ (137,928)	\$ 4,371	\$ (140,509)



**STATISTICAL SECTION
(UNAUDITED)**

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CITY OF KERRVILLE, TEXAS

**Comprehensive Annual Financial Report
Year Ended September 30, 2009**

STATISTICAL SECTION

This part of the City of Kerrville’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City’s over all financial health.

<u>Contents</u>	Exhibit
Financial Trends.....	D-1
These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	
Revenue Capacity	D-6
These schedules contain trend information to help the reader assess the factors affecting the City’s ability to generate its property and sales taxes.	
Debt Capacity.....	D-13
These schedules contain trend information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.	
Demographic and Economic Information	D-18
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place and to help make comparisons over time with other governments.	
Operating Information	D-21
The schedules contain information about the City’s operations and resources to help the reader understand how the City’s financial information relates to the services the City provides and the activities it performs.	

Sources: Unless otherwise noted, the information in the schedules is derived from comprehensive annual financial reports for the relative year.

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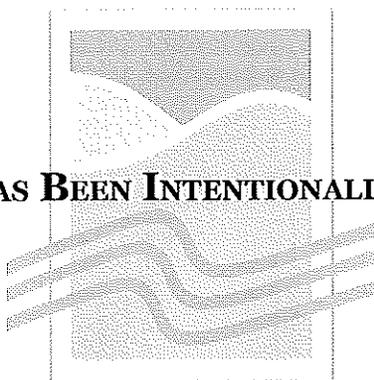


TABLE D-1

CITY OF KERRVILLE, TEXAS
NET ASSETS BY COMPONENT
LAST SEVEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(Amounts Expressed in Thousands)
(Unaudited)

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Governmental Activities							
Invested in Capital Assets,							
Net of Related Debt	\$ 21,165	\$ 19,649	\$ 28,690	\$ 31,632	\$ 38,146	\$ 38,524	\$ 50,261
Restricted	9,668	10,072	4,268	3,446	1,468	3,640	2,207
Unrestricted	773	5,603	8,399	10,432	9,212	8,101	2,756
Total Governmental							
Activities Net Assets	\$ 31,606	\$ 35,324	\$ 41,357	\$ 45,510	\$ 48,826	\$ 50,265	\$ 55,224
Business-type Activities							
Invested in Capital Assets,							
Net of Related Debt	\$ 22,455	\$ 17,893	\$ 21,902	\$ 25,937	\$ 29,487	\$ 31,994	\$ 39,572
Restricted	1,345	10,540	8,561	5,711	5,345	6,611	4,809
Unrestricted	--	--	--	--	--	--	--
Total Business-type							
Activities Net Assets	\$ 23,800	\$ 28,433	\$ 30,463	\$ 31,648	\$ 34,832	\$ 38,605	\$ 44,381
Primary Government							
Invested in Capital Assets,							
Net of Related Debt	\$ 43,620	\$ 37,542	\$ 50,592	\$ 57,569	\$ 67,633	\$ 70,518	\$ 89,833
Restricted	9,668	10,072	4,268	3,446	1,468	3,640	2,207
Unrestricted	2,118	16,143	16,960	16,143	14,557	14,712	7,565
Total Primary							
Government Net Assets	\$ 55,406	\$ 63,757	\$ 71,820	\$ 77,158	\$ 83,658	\$ 88,870	\$ 99,605

Note: The city began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

CITY OF KERRVILLE, TEXAS

EXPENSES, PROGRAM REVENUES, AND NET (EXPENSE)/REVENUE
 LAST SEVEN FISCAL YEARS
 (ACCRUAL BASIS OF ACCOUNTING)
 (Amounts Expressed in Thousands)
 (Unaudited)

	Fiscal Year				
	2003	2004	2005	2006	2007
Expenses					
Governmental Activities:					
General Government	\$ 2,528	\$ 3,987	\$ 4,292	\$ 5,345	\$ 8,253
Public safety	7,249	7,768	7,934	8,122	9,854
Culture and recreation	2,544	2,559	2,862	3,023	3,685
Development and public works	3,883	2,085	2,295	2,311	2,417
Business programs	216	158	188	211	314
Non departmental	995	687	168	--	--
Interest on Long-Term Debt	790	506	491	467	572
Total Governmental Activities Expenses	18,205	17,750	18,230	19,479	25,095
Business-type Activities					
Water and Sewer Services	5,028	4,899	4,939	5,709	6,104
Emergency Medical Services	1,486	1,631	1,627	1,863	--
Kerrville Schreiner Park	--	250	375	450	492
Golf Course	1,066	934	882	923	929
Total Business-type Activities Expenses	7,580	7,714	7,823	8,945	7,525
Total Primary Government Expenses	\$ 25,785	\$ 25,464	\$ 26,053	\$ 28,424	\$ 32,620
Program Revenues					
Governmental Activities:					
Charges for Services:					
General government	\$ 1,028	\$ 1,803	\$ 2,110	\$ 2,376	\$ 2,486
Public safety	483	427	549	761	3,399
Culture and recreation	135	110	159	479	172
Development and public works	15	243	282	417	359
Business programs	85	--	--	--	--
Non departmental	65	212	--	--	--
Operating Grants and Contributions	2,292	1,425	1,089	879	205
Capital Grants and Contributions	108	274	1,347	382	1,707
Total Governmental Activities Program Revenues	4,211	4,494	5,536	5,294	8,328
Business-type Activities:					
Charges for Services:					
Water and Sewer Services	6,045	6,229	6,509	7,714	7,537
Emergency Medical Services	1,465	1,604	1,429	1,493	--
Kerrville Schreiner Park	--	214	310	352	357
Golf Course	914	792	797	852	794
Operating Grants and Contributions	168	627	38	779	32
Capital Grants and Contributions	665	3,004	130	38	2,077
Total Business-type Activities Program Revenues	9,257	12,470	9,213	11,228	10,797
Total Primary Government Program Revenues	\$ 13,468	\$ 16,964	\$ 14,749	\$ 16,522	\$ 19,125
Net (Expense)/Revenue					
Governmental Activities	\$ (13,994)	\$ (13,256)	\$ (12,694)	\$ (14,185)	\$ (16,767)
Business-type Activities	1,677	4,756	1,390	2,283	3,272
Total Primary Government Net Expense	\$ (12,317)	\$ (8,500)	\$ (11,304)	\$ (11,902)	\$ (13,495)

Note: The city began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

TABLE D-2

	2008	2009
\$	4,938	\$ 4,927
	11,533	12,001
	3,262	3,656
	3,009	4,277
	180	189
	--	--
	459	372
	<u>23,381</u>	<u>25,422</u>
	6,612	8,601
	--	--
	545	582
	898	996
	8,055	10,179
\$	<u>31,436</u>	<u>\$ 35,601</u>
\$	2,474	\$ 1,599
	2,339	2,448
	150	214
	85	45
	--	--
	--	--
	904	1,564
	1,234	6,883
	<u>7,186</u>	<u>12,753</u>
	8,803	8,758
	--	--
	403	371
	912	937
	685	--
	1,421	5,935
	<u>12,224</u>	<u>16,001</u>
\$	<u>19,410</u>	<u>\$ 28,754</u>
\$	(16,195)	\$ (12,669)
	4,169	5,822
\$	<u>(12,026)</u>	<u>\$ (6,847)</u>

CITY OF KERRVILLE, TEXAS

GENERAL REVENUES AND TOTAL CHANGE IN NET ASSETS

LAST SEVEN FISCAL YEARS

(ACCRUAL BASIS OF ACCOUNTING)

(Amounts Expressed in Thousands)

(Unaudited)

	Fiscal Year			
	2003	2004	2005	2006
Net (Expense)/Revenue				
Governmental Activities	\$ (13,994)	\$ (13,256)	\$ (12,694)	\$ (14,185)
Business-type Activities	1,677	4,756	1,390	2,283
Total Primary Government Net Expense	(12,317)	(8,500)	(11,304)	(11,902)
General Revenues and Other Changes in Net Assets				
Governmental Activities:				
Taxes				
Property taxes levied for general purposes	6,172	5,829	6,296	6,913
Property taxes levied for debt service	--	648	593	609
Sales and use taxes	5,724	5,998	6,465	6,967
Hotel occupancy taxes	653	692	801	906
Franchise taxes	1,340	1,321	1,436	1,749
Alcoholic beverage taxes	54	55	55	66
Capital contributions	--	225	--	--
Investment income	299	(32)	382	588
Miscellaneous income	--	--	25	201
Gain/(Loss) on sale of assets	--	--	--	70
Transfers	288	451	(219)	(501)
Total Governmental Activities	14,530	15,187	15,834	17,568
Business-type Activities:				
Investment income	133	129	255	302
Miscellaneous income	42	200	208	256
Gain/(Loss) on sale of assets	--	--	--	--
Transfers	(288)	(451)	219	501
Total Business-type Activities	(113)	(122)	682	1,059
Total Primary Government	\$ 14,417	\$ 15,065	\$ 16,516	\$ 18,627
Change In Net Assets				
Governmental Activities	\$ 536	\$ 1,931	\$ 3,140	\$ 3,383
Business-type Activities	1,564	4,634	2,072	3,342
Total Primary Government	\$ 2,100	\$ 6,565	\$ 5,212	\$ 6,725

Note: The city began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

TABLE D-3

	2007	2008	2009
\$	(16,767)\$	(16,195)\$	(12,669)
	3,272	4,169	5,822
	(13,495)	(12,026)	(6,847)
	14	7,693	8,130
	1	894	1,006
	7,212	4,966	4,926
	938	977	882
	1,752	2,019	1,930
	89	72	67
--	--	--	--
	850	392	168
	525	--	115
	11	(202)	13
	984	824	390
	12,376	17,635	17,627
	289	251	138
	257	212	205
	(7)	(35)	2
	(839)	(824)	(390)
	(300)	(396)	(45)
\$	12,076 \$	17,239 \$	17,582
\$	(4,391)\$	1,440 \$	4,958
	2,972	3,773	5,777
\$	(1,419)\$	5,213 \$	10,735

TABLE D-4

CITY OF KERRVILLE, TEXAS
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(Amounts Expressed in Thousands)
(Unaudited)

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Fund										
Reserved	\$ 2,029	\$ 1,285	\$ 1,755	\$ 3,174	\$ 1,544	\$ 1,290	\$ 1,475	\$ 1,812	\$ 73	\$ 2,335
Unreserved	851	2,174	2,349	2,224	3,677	4,863	5,859	5,837	6,421	3,755
Total General Fund	\$ 2,880	\$ 3,459	\$ 4,104	\$ 5,398	\$ 5,221	\$ 6,153	\$ 7,334	\$ 7,649	\$ 6,494	\$ 6,090
All Other Governmental Funds										
Reserved	\$ 3,924	\$ 6,844	\$ 10,743	\$ 10,012	\$ 8,743	\$ 5,456	\$ 4,540	\$ 6,425	\$ 969	\$ 1,390
Unreserved, Reported In:										
Special Revenue Funds	3,244	1,411	2,029	2,108	1,555	1,544	2,632	3,219	536	706
Capital Projects Funds	(163)	(31)	--	--	--	--	--	--	2,929	5,970
Total All Other Governmental Funds	\$ 7,005	\$ 8,224	\$ 12,772	\$ 12,120	\$ 10,298	\$ 7,000	\$ 7,172	\$ 9,644	\$ 4,434	\$ 8,066

TABLE D-5

CITY OF KERRVILLE, TEXAS
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(Amounts Expressed in Thousands)
(Unaudited)

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Revenues										
Taxes and penalties	\$ 11,696	\$ 12,339	\$ 13,178	\$ 14,027	\$ 14,605	\$ 15,655	\$ 17,201	\$ 17,936	\$ 16,554	\$ 16,987
Licenses and permits	202	332	363	390	430	480	624	501	491	428
Intergovernmental	1,146	1,000	1,174	2,253	1,514	949	1,357	830	937	1,243
Charges for Services	209	195	175	119	1,210	1,464	1,523	3,084	1,938	1,964
Grants	224	146	242	84	33	1,488	961	422	341	409
Fines and forfeitures	232	229	261	281	394	322	307	341	420	506
Interest	599	606	372	298	226	374	581	820	392	168
Miscellaneous	516	800	640	968	768	843	875	906	1,250	1,307
Total Revenues	14,824	15,647	16,405	18,420	19,180	21,575	23,429	24,840	22,323	23,012
Expenditures										
General Government	2,648	2,500	2,763	2,758	3,907	4,032	4,422	5,755	4,439	4,576
Public safety	5,508	6,080	6,625	6,926	7,613	7,452	7,839	10,243	10,775	11,042
Culture and recreation	2,908	2,594	2,750	2,367	2,409	2,629	3,036	3,717	3,147	3,336
Development and public works	2,167	1,725	1,908	2,652	2,080	2,073	2,199	2,297	4,731	4,562
Business programs	-	-	-	-	158	181	212	323	180	189
Not departmental	-	4	209	1,230	279	168	862	890	-	432
Capital outlay	788	995	3,731	1,193	4,322	6,192	2,365	2,814	363	-
Debt Service										
Principal	405	540	570	590	620	589	605	629	347	456
Interest	423	291	416	711	514	480	456	436	460	371
Other charges	2	2	2	2	2	2	1	166	1	1
Total Expenditures	14,849	14,731	18,974	18,429	21,904	23,798	21,997	27,270	24,443	24,965
Excess of Revenues	(25)	916	(2,569)	(9)	(2,724)	(2,223)	1,432	(2,430)	(2,120)	(1,953)
Other Financing Sources (Uses)										
Capital contributions	-	-	-	-	274	-	-	-	-	-
Capital lease obligation proceeds	-	-	-	70	-	-	-	-	-	-
Proceeds from debt issuance	-	-	6,675	-	-	-	-	6,242	-	4,760
Bond premium/discount	-	-	-	-	-	-	-	4	-	18
Proceeds from sale of assets	-	-	-	-	-	-	70	66	33	13
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	(2,526)	-	-
Transfers In	1,536	9,096	3,481	14,109	3,214	5,761	5,796	4,410	2,479	1,817
Transfers Out	(1,027)	(8,392)	(2,719)	(13,820)	(2,763)	(5,944)	(6,296)	(3,343)	(1,655)	(1,427)
Total Other Financing Sources (Uses)	509	704	7,437	359	725	(183)	(430)	4,853	857	5,181
Net Change in Fund Balances	484	1,620	4,868	350	(1,999)	(2,406)	1,002	2,423	(1,263)	3,228
Debt Service As A Percentage Of Noncapital Expenditures	5.9%	6.1%	6.5%	7.6%	6.5%	6.1%	5.4%	5.0%	3.7%	3.5%

TABLE D-6

CITY OF KERRVILLE, TEXAS

TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

(Amounts Expressed in Thousands)

(Unaudited)

Fiscal Year	Property Tax	Sales & Use Tax	Occupancy Tax	Franchise Tax	Mixed Beverage Tax	Total
2000	\$ 5,043	\$ 5,083	\$ 577	\$ 958	\$ 48	\$ 11,709
2001	5,248	5,092	616	1,263	49	12,268
2002	5,600	5,472	768	1,205	51	13,096
2003	6,161	5,707	652	1,285	54	13,859
2004	6,540	5,978	692	1,322	55	14,587
2005	6,833	6,444	802	1,437	55	15,571
2006	7,522	6,967	906	1,749	66	17,210
2007	7,960	7,212	938	1,753	70	17,933
2008	8,519	4,966	977	2,019	73	16,554
2009	9,097	4,926	883	2,014	67	16,987
Percent Change 2000-2009	80.4%	-3.1%	53.0%	110.2%	39.6%	45.1%

TABLE D-7

CITY OF KERRVILLE, TEXAS**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY****LAST TEN FISCAL YEARS**

(Amounts Expressed in Thousands)

(Unaudited)

Fiscal Year	Assessed Value	Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
2000	\$ 963,240	\$ 22,052	\$ 941,188	\$ 0.5353	\$ 941,188	100.00%
2001	1,072,595	20,825	1,051,770	0.5353	1,051,770	100.00%
2002	1,111,252	18,064	1,093,188	0.5353	1,093,188	100.00%
2003	1,113,458	17,780	1,095,678	0.5633	1,095,678	100.00%
2004	1,166,141	17,433	1,148,708	0.5633	1,148,708	100.00%
2005	1,326,954	114,244	1,212,710	0.5633	1,212,710	100.00%
2006	1,380,357	84,707	1,295,650	0.5578	1,295,650	100.00%
2007	1,686,874	116,651	1,570,223	0.5513	1,570,223	100.00%
2008	1,685,474	122,418	1,563,056	0.5500	1,563,056	100.00%
2009	1,847,126	594,562	1,252,564	0.5500	1,252,564	100.00%

Source: Kerr County Central Appraisal District

CITY OF KERRVILLE, TEXAS
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(Per \$100 of Taxable Assessed Value)
(Unaudited)

Fiscal Year	City of Kerrville Direct Tax Rate			Overlapping Tax Rates				Total Direct & Overlapping Rates
	General Government	Debt Service	Total	School District	Kerr County	Guadalupe River Authority		
2000	\$ 0.5002	\$ 0.0351	\$ 0.5353	\$ 1.4350	\$ 0.3513	\$ 0.0388	\$	2.3604
2001	0.5013	0.0340	0.5353	1.7331	0.3721	0.0435		2.6840
2002	0.5027	0.0326	0.5353	1.7331	0.3721	0.0435		2.6840
2003	0.5066	0.0567	0.5633	1.7530	0.3721	0.0434		2.7318
2004	0.5079	0.0554	0.5633	1.7520	0.3721	0.0434		2.7308
2005	0.5149	0.0484	0.5633	1.6700	0.3896	0.0374		2.6603
2006	0.5126	0.0452	0.5578	1.5000	0.3896	0.0275		2.4749
2007	0.5149	0.0364	0.5513	1.1500	0.3896	0.0363		2.1272
2008	0.4932	0.0568	0.5500	1.1800	0.4293	0.0329		2.1922
2009	0.4851	0.0774	0.5500	1.1800	0.4293	0.0329		2.1922

Source: Kerr County Tax Collector and the Kerrville Independent School District

Overlapping rates are those of local and county governments that apply to property owners within the City of Kerrville. Not all overlapping rates apply to all City of Kerrville property owners (e.g., the rates for special districts apply only to the proportion of the government's property owners whose property is located within the geographic boundaries of the special district).

TABLE D-9

CITY OF KERRVILLE, TEXAS
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO
(Unaudited)

Taxpayer	2009			2000		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Windstream Comm Kerrville	\$ 29,923,101	1	2.39%	\$ 22,738,100	1	2.42%
Sunwest Management Inc.	9,342,004	2	0.75%			
Home Depot USA Inc.	8,021,774	3	0.64%			
Wal-Mart Stores	8,018,426	4	0.64%	6,731,384	5	0.72%
Wal-Mart Real Estate	7,784,640	5	0.62%	7,872,352	4	0.84%
Lowe's Home Centers, Inc.	6,656,554	6	0.53%			
Mooney Airplane Company	6,267,943	7	0.50%	19,182,947	2	2.04%
Lowe's	5,734,271	8	0.46%			
Comanche Trace Ranch & Golf	5,413,566	9	0.43%			
Home Depot USA Inc.	4,567,748	10	0.36%			
Amerpark Kerrville Corp.				15,632,540	3	1.66%
Kerrville Bus Company, Inc.				5,527,683	6	0.59%
Albertson's Inc.				4,781,980	2	0.51%
H. E. Butt Stores				3,797,027	8	0.40%
Y. O. Hotel Investors LP				3,500,003	9	0.37%
Living Centers of Texas, Inc.				3,480,142	10	0.37%
	<u>91,730,027</u>		<u>7.32%</u>	<u>93,244,158</u>		<u>9.91%</u>
All other	<u>1,160,833,973</u>		<u>92.68%</u>	<u>847,943,842</u>		<u>90.09%</u>
Total	\$ <u>1,252,564,000</u>		<u>100.00%</u>	\$ <u>941,188,000</u>		<u>100.00%</u>

Source: Kerr Central Appraisal District

TABLE D-10

CITY OF KERRVILLE, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
 (Amounts Expressed in Thousands)
 (Unaudited)

Fiscal Year	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections In Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2000	\$ 5,034	\$ 4,958	98.49%	\$ 70	\$ 5,028	99.9%
2001	5,038	5,022	99.68%	8	5,030	99.8%
2002	5,375	5,369	99.89%	-	5,369	99.9%
2003	6,058	6,031	99.55%	20	6,051	99.9%
2004	6,470	6,387	98.72%	73	6,460	99.8%
2005	6,811	6,742	98.99%	56	6,798	99.8%
2006	7,384	7,339	99.39%	24	7,363	99.7%
2007	7,895	7,785	98.61%	78	7,863	99.6%
2008	8,455	8,362	98.90%	54	8,416	99.5%
2009	9,040	8,881	98.24%		8,881	98.2%

Source: Kerr County Tax Assessor

TABLE D-11

CITY OF KERRVILLE, TEXAS
TAXABLE SALES BY CATEGORY
LAST SEVEN FISCAL YEARS
(Unaudited)

	2003	2004	2005	2006	2007	2008	2009
Accommodation/Food Services	\$ 46,986,818	\$ 50,266,813	\$ 53,380,231	\$ 56,175,959	\$ 58,167,810	\$ 61,442,167	\$ 61,079,616
Admin/Support/Waste Mgmt/Remediation Svcs	6,326,882	6,644,284	7,340,745	7,613,041	8,612,351	9,422,588	8,319,531
Agriculture/Forestry/Fishing/Hunting	—	212	19,332	33,524	133,230	125,677	120,513
Arts/Entertainment/Recreation	2,719,908	2,769,089	3,066,899	3,855,085	3,872,616	4,238,914	4,351,334
Construction	8,032,764	8,150,358	10,872,268	11,630,941	12,095,226	13,167,495	10,055,701
Educational Services	6,943	1,381,669	1,502,694	1,755,189	1,993,823	2,259,794	2,484,176
Finance/Insurance	58,593	58,568	32,936	7,833	9,738	25,059	57,500
Health Care/Social Assistance	954,957	834,307	748,225	941,972	839,379	941,249	891,279
Information	24,152,140	17,912,160	19,002,476	19,773,396	19,849,771	19,275,374	18,898,569
Manufacturing	9,167,784	10,356,138	12,062,660	15,051,152	15,476,101	17,389,906	12,355,462
Mining/Quarrying/Oil and Gas Extraction	—	—	—	—	36,500	130,499	169,895
Nonclassifiable	2,229,356	800,023	698,621	636,378	741,605	724,745	347,452
Other	2,299,628	728,347	68,248	2,524	—	—	—
Other Services (except Public Administration)	11,142,109	12,377,228	13,286,388	14,040,303	15,191,310	16,468,176	15,506,764
Professional/Scientific/Technical Services	3,602,904	3,913,280	3,767,474	4,601,865	4,440,117	3,940,290	3,272,573
Public Administration	9,559,517	9,385,809	9,719,068	11,871,398	11,491,882	12,661,528	12,733,241
Real Estate/Rental/Leasing	1,247,788	1,543,853	1,830,775	2,536,600	2,364,473	907,670	955,437
Retail Trade	228,312,303	246,509,242	262,114,816	270,377,763	273,387,411	277,869,976	261,796,296
Transportation/Warehousing	440,171	424,572	298,537	349,918	414,632	387,685	457,161
Wholesale Trade	9,511,541	9,671,891	11,742,172	19,487,783	23,805,282	26,928,969	22,879,422
Management of Companies/Enterprises	—	137,960	18,661	—	—	—	—
Total	\$ 366,752,106	\$ 383,865,803	\$ 411,573,226	\$ 440,742,624	\$ 452,923,257	\$ 468,307,761	\$ 436,731,922
Direct Sales Tax Rate	1.50%						

Source: Texas Comptroller of Public Accounts, information before 2003 is not available.

TABLE D-12

CITY OF KERRVILLE, TEXAS
DIRECT AND OVERLAPPING SALES TAX RATES
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	City Direct Rate	Economic Improvement Corporation	Kerr County	State	Total
2000	1.00%	0.50%	0.50%	6.25%	8.25%
2001	1.00%	0.50%	0.50%	6.25%	8.25%
2002	1.00%	0.50%	0.50%	6.25%	8.25%
2003	1.00%	0.50%	0.50%	6.25%	8.25%
2004	1.00%	0.50%	0.50%	6.25%	8.25%
2005	1.00%	0.50%	0.50%	6.25%	8.25%
2006	1.00%	0.50%	0.50%	6.25%	8.25%
2007	1.00%	0.50%	0.50%	6.25%	8.25%
2008	1.00%	0.50%	0.50%	6.25%	8.25%
2009	1.00%	0.50%	0.50%	6.25%	8.25%

Sources: Texas Comptroller of Public Accounts

CITY OF KERRVILLE, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(Amounts Expressed in Thousands)
(Unaudited)

Fiscal Year	Governmental Activities					Business-type Activities					Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Certificates of Obligation	Bank Loans	Bank Loans	Capital Leases	General Obligation Bonds	Certificates of Obligation	Water & Sewer Bonds	Bank Loans	Capital Leases			
2000	\$ 710	\$ 555	\$ --	\$ --	--	\$ 3,335	--	\$ 6,445	--	--	\$ 11,045	3.94%	538
2001	545	455	--	--	--	2,880	--	5,765	--	127	9,772	3.51%	470
2002	370	7,025	--	--	--	2,465	8,325	5,045	--	93	23,323	6.58%	1,108
2003	190	6,915	--	--	183	2,009	8,242	4,289	--	58	21,886	5.85%	1,032
2004	--	6,800	--	--	165	1,538	8,246	3,493	--	20	20,262	5.34%	934
2005	--	6,542	--	--	147	1,046	8,084	2,611	--	--	18,430	4.58%	837
2006	--	6,277	--	--	128	515	7,759	2,141	--	--	16,820	4.18%	751
2007	2,657	5,539	1,550	--	35	3,062	4,333	1,651	1,250	--	20,077	4.70%	879
2008	2,646	5,255	1,498	--	26	3,299	4,015	1,135	1,208	--	19,082	4.61%	819
2009	2,634	9,624	1,445	--	--	3,286	11,246	580	1,165	--	29,980	6.48%	1,308

TABLE D-14

CITY OF KERRVILLE, TEXAS
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(Amounts Expressed in Thousands, Except Per Capita)
(Unaudited)

Fiscal Year	General Bonded Debt Outstanding			Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total		
2000	\$ 710	\$ 53	\$ 657	0.70%	\$ 32
2001	545	39	506	0.50%	24
2002	370	89	281	0.30%	13
2003	190	--	190	0.20%	9
2004	--	78	--	--	--
2005	--	226	--	--	--
2006	--	395	--	--	--
2007	2,657	620	2,037	0.13%	89
2008	2,646	760	1,886	0.11%	81
2009	2,634	953	1,681	0.13%	73

TABLE D-15

CITY OF KERRVILLE, TEXAS
 DIRECT AND OVERLAPPING
 GOVERNMENTAL ACTIVITIES DEBT
 (Unaudited)

Governmental Unit	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Debt Repaid With Property Taxes			
Kerrville Independent School District	\$ 29,480,050	74.0%	\$ 21,815,237
Kerr County	4,346,287	49.0%	<u>2,129,681</u>
Subtotal, Overlapping Debt			23,944,918
City Direct Debt	2,634,000	100.0%	<u>2,634,000</u>
Total Direct and Overlapping Debt			<u>\$ 26,578,918</u>
Average debt per capita			<u>\$ 1,141</u>

Sources: Assessed value data used to estimate applicable percentages provided by the Kerr Central Appraisal District.
 Debt outstanding data provided by each governmental unit.

CITY OF KERRVILLE, TEXAS
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(Amounts Expressed in Thousands)
(Unaudited)

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Debt Limit	\$ 96,324	\$ 107,260	\$ 111,125	\$ 111,346	\$ 116,614	\$ 132,695	\$ 138,036	\$ 168,687	\$ 168,547	\$ 184,712
Total Net Debt Applicable to Limit	710	545	370	190	--	--	--	1,733	1,886	2,646
Legal Debt Margin	95,614	106,715	110,755	111,156	116,614	132,695	138,036	166,954	166,661	182,066
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	0.74%	0.51%	0.33%	0.17%	--	--	--	1.03%	1.12%	1.43%

Legal Debt Margin Calculation for the Current Fiscal Year

Assessed Value	\$ 1,252,564
Add Back: exempt real property	594,562
	<u>1,847,126</u>
Debt Limit (10% of Assessed Value)	<u>184,713</u>
Debt Applicable to Limit:	
General Obligation Bonds	2,646
Less: Amount Set Aside for Repayment of General Obligation Debt	<u>953</u>
Total Net Debt Applicable to Limit	<u>1,693</u>
Legal Debt Margin	\$ <u>183,020</u>

CITY OF KERRVILLE, TEXAS
PLEGGED-REVENUE COVERAGE
LAST TEN FISCAL YEARS
(Amounts Expressed in Thousands)
(Unaudited)

Fiscal Year	Water and Sewer Revenue Bonds						Coverage
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest		
2000	\$ 5,514	\$ 4,122	\$ 1,392	\$ 1,075	\$ 469	0.90	
2001	6,066	4,054	2,012	1,135	421	1.29	
2002	6,163	4,395	1,768	1,135	371	1.17	
2003	6,071	4,380	1,691	1,195	912	0.80	
2004	6,381	3,617	2,764	1,270	649	1.44	
2005	6,679	3,727	2,952	1,497	588	1.42	
2006	7,935	4,357	3,578	1,350	525	1.91	
2007	7,785	4,700	3,085	941	464	2.20	
2008	8,803	5,030	3,773	927	504	2.64	
2009	8,757	6,849	1,908	1,271	325	1.20	

TABLE D-18

CITY OF KERRVILLE, TEXAS
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST TEN CALENDAR YEARS
 (Unaudited)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Population	20,526	20,805	21,054	21,209	21,696	22,010	22,391	22,846	23,303	22,927
Personal Income (000's)	\$ 414,482	\$ 420,115	\$ 425,143	\$ 428,273	\$ 438,107	\$ 444,448	\$ 452,141	\$ 461,329	\$ 470,557	\$ 462,965
Per Capita Personal Income	\$ 20,193	\$ 20,193	\$ 20,193	\$ 20,193	\$ 20,193	\$ 20,193	\$ 20,193	\$ 20,193	\$ 20,193	\$ 20,193
Median Age	43.8	43.8	43.8	43.8	43.8	43.8	43.8	43.8	45.0	45.0
Education Level in Years of Schooling:										
% with high school diploma or greater	81.2	81.2	81.2	81.2	81.2	81.2	81.2	81.2	81.2	81.2
School Enrollment	4,722	4,678	4,807	5,899	5,880	5,662	5,791	5,726	5,834	2,976
Unemployment rate	2.3%	3.3%	3.7%	3.7%	2.5%	4.2%	3.7%	3.5%	4.3%	5.6%

Sources: U.S. Census, Texas Workforce Commission and Kerrville Independent School District

Population based on annual reports by City of Kerrville Planning and Development

Personal income based on U.S. Census Median Household Income

CITY OF KERRVILLE, TEXAS
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
(Unaudited)

Employer	2009			2000 (1)		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Peterson Regional Medical Center	851	1	3.85%	--	--	--
Kerrville I. S. D	741	2	3.35%	--	--	--
Kerrville State Hospital	535	3	2.42%	--	--	--
So. Texas Veterans Health Care	460	4	2.08%	--	--	--
Wal-Mart	400	6	1.81%	--	--	--
James Avery Craftsman, Inc.	365	6	1.65%	--	--	--
H.E.B. Food and Drug Store	332	7	1.50%	--	--	--
City of Kerrville	304	8	1.37%	--	--	--
Kerr County	299	9	1.35%	--	--	--
Sava Senior Center	281	10	1.27%	--	--	--
	4,568		20.65%	--	--	--
All others	17,549		79.35%	--	--	--
Total	22,117		100.00%	--	--	--

Source: City Economic Development Division

(1) Information not available

CITY OF KERRVILLE, TEXAS

FULL-TIME-EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

(Unaudited)

	Full-Time-Equivalent Employees as of Year End							
	2000	2001	2002	2003	2004	2005	2006	2007
GENERAL FUND								
City Clerk	1	1	1	1	1	1	1	2
Legal Services	3	3	3	3	3	3	3	3
City Manager	3	3	3	3	3	3	3	3
Human Resources	3	4	4	4	4	4	4	4
Finance	6	6	6	6	5	5	5	5
Information Systems	2	3	3	3	3	3	3	3
Purchasing	1	1	1	1	1	1	1	1
Municipal Court	2	3	3	3	5	5	5	5
Police	60	59	62	63	66	66	69	70
Fire	39	39	40	42	42	42	42	43
Fire Prevention	2	2	2	2	2	2	2	2
EMS	18	18	20	20	21	21	21	21
Planning & GIS	3	3	5	5	3	1	3	3
Building Inspection	4	4	5	5	6	6	5	5
Code Enforcement	1	1	1	2	2	2	2	2
Environment Health	1	1	1	2	2	2	2	2
Airport Administration	--	--	--	--	--	1	1	1
Business Programs	1	1	1	2	2	2	2	2
Parks and Recreation	2	2	2	2	2	2	2	2
Swimming Pools	1	1	1	1	1	1	1	1
Parks Maintenance	12	12	12	12	12	12	12	13
Performing Arts Center	3	3	1	1	1	1	1	1
Recreation	2	2	3	3	3	3	3	3
Public Works	10	8	9	9	7	7	7	7
Streets and Drainage	14	14	14	14	11	11	11	11
Construction Development	--	--	--	--	--	--	--	--
Library	12	12	12	13	13	13	13	13
Total General Fund	206	206	215	222	221	220	224	228
UTILITY FUND								
Water Records	8	8	8	8	8	8	8	8
Utility Administration	4	4	5	5	5	5	6	3
Water Production	9	9	9	9	9	9	11	11
Utility Construction	9	9	9	9	9	9	9	9
Wastewater Services	11	11	13	13	13	13	12	11
Utility Information System	--	--	--	--	--	--	--	3
Utilities Laboratory	4	4	4	4	4	4	4	4
Total Utility Fund	45	45	48	48	48	48	50	49
KERRVILLE SCHREINER PARK FUND								
Kerrville Schreiner Park	--	--	--	--	8	8	8	8
Total Kerrville Schreiner Park	--	--	--	--	8	8	8	8
GOLF COURSE FUND								
Golf Course Maintenance	7	8	8	8	8	8	8	8
Pro Shop	3	4	4	4	3	3	3	3
Golf Carts	--	--	--	--	--	--	--	--
Total Golf Course Fund	10	12	12	12	11	11	11	11
Landfill	--	--	--	--	4	4	5	5
Garage	4	4	4	4	4	4	4	4
History Center	--	--	--	--	--	--	--	--
Total	265	267	279	286	296	295	302	305

Source: City Budget Office

TABLE D-20

2008	2009
2	2
3	2
3	2
4	4
5	6
3	2
1	1
5	5
70	67
52	53
2	1
21	20
3	3
5	4
2	2
2	2
1	--
2	2
2	2
1	1
13	15
1	--
3	3
8	8
11	8
--	--
13	10
238	225
8	6
3	3
11	10
9	9
11	13
3	3
4	4
49	48
8	8
8	8
8	8
3	3
--	--
11	11
5	5
4	4
--	--
315	301

CITY OF KERRVILLE, TEXAS
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST SEVEN FISCAL YEARS
(Unaudited)

Function/Program	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Police							
Calls for service	21,151	23,350	23,117	23,658	24,442	26,483	24,886
Avg. response time per call (minutes)	5.6	5.1	5.1	4.9	4.0	4.0	4.6
Clearance rate	45%	60%	60%	60%	48%	49%	48%
Fire							
Number of calls answered	6,367	6,973	6,456	6,790	7,540	7,580	7,701
Reports processed	6,464	6,847	6,793	6,800	7,592	7,581	8,007
Inspections	975	1,107	1,079	634	314	538	428
Highways and streets							
Street maintenance - man hours	20,111	20,083	20,083	21,085	21,170	21,360	18,930
Pothole repairs - man hours	1,526	1,549	1,549	1,626	2,109	1,936	1,450
Traffic control (signs) - man hours	2,045	2,012	2,021	2,122	2,294	2,102	1,900
Sanitation							
Annual tonnage at landfill	45,471	45,417	48,200	54,429	51,992	57,984	55,840
Annual tonnage diverted by recycling	1,945	1,419	1,950	1,968	1,963	1,666	2,376
Culture and Recreation							
Park maintenance - man hours	24,460	24,493	24,532	24,437	26,525	22,464	27,391
Golf Course - rounds of golf played	42,387	37,750	37,812	38,387	35,570	37,999	36,643
Swimming Pool attendance	13,684	13,474	18,257	16,586	11,476	12,204	13,461
Kerrville Schreiner Park							
Entrance permits processed	--	26,818	39,824	39,495	31,593	45,100	6,396
Phone reservations processed	--	1,827	3,274	3,026	3,235	6,004	4,254
Vehicles entering park	--	25,887	41,703	44,872	34,110	51,069	--
Water							
Water meters read	103,776	104,344	105,648	106,705	108,839	113,970	114,654
Work orders processed	7,547	7,764	7,812	7,910	7,864	8,147	12,011
Water main breaks	58	88	64	65	48	28	58
Total Water Consumption (thousands of gallons)	1,147,031	1,104,828	1,013,137	1,126,497	1,063,816	1,181,774	1,288,848
Cost per thousand gallons	\$0.92	\$0.85	\$1.05	\$1.20	\$1.25	\$1.30	\$1.16
Wastewater							
Average Daily Sewage Treatment (thousands of gallons)	2,300	2,300	2,400	2,400	2,770	2,254	2,287

Note: Information for years preceding 2003 is not available.

CITY OF KERRVILLE, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
(Unaudited)

Function/Program	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Public Safety										
Police and Fire:										
Police stations	1	1	1	1	1	1	1	1	1	1
Fire stations	3	3	3	3	3	3	3	3	4	4
Highways and Streets										
Streets (miles)	155	156	130	129	130	130	135	138	140	142
Area in square miles	17	18.5	19.5	19.5	18.8	18.8	19.5	19.5	20.6	21.1
Culture and Recreation										
Parks acreage	400	400	400	400	917	917	917	917	937	937
Swimming pools	2	2	2	2	2	2	2	2	2	2
Picnic areas & playgrounds	17	17	17	17	21	21	21	21	35	36
Municipal auditoriums	1	1	1	1	1	1	1	1	1	1
Golf course	1	1	1	1	1	1	1	1	1	1
Tennis center	1	1	1	1	1	1	1	1	1	1
Water										
Water main (miles)	158	162	162	169	197	217	218	220	227	234
Average daily consumption (millions of gallons)	3.40	3.09	3.14	3.03	3.50	3.71	4.20	2.90	4.18	3.45
Sewer										
Sanitary sewers (miles)	164	166	146	162	176	186	189	191	196	195
Storm sewers (miles)	6	6	6	6	6	9	10	10	12	13
Maximum treatment capacity (millions of gallons)	4.50	3.09	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50

Sources: Various city departments

**TO BE CONSIDERED BY THE CITY COUNCIL
CITY OF KERRVILLE, TEXAS**

SUBJECT OF REQUEST: Require e-verify from all City-wide business/employers

AGENDA DATE: 5-11-2010 **DATE SUBMITTED:** 05/01/2010

REQUESTED/SUBMITTED BY: Susan Baker **PHONE:** 830-777-2708

ORGANIZATION REPRESENTING:
MAILING ADDRESS: 334 Cottage St. Kerrville, TX 78028

EMAIL ADDRESS: susied1945@msn.com

EXHIBITS/INFORMATION:

APPROVED FOR SUBMITTAL BY CITY MANAGER: *W*

**WILL THIS ITEM REQUIRE CITY COUNCIL TO AUTHORIZE THE
EXPENDITURE OF CITY FUNDS? YES: _____ NO: X**

IF YES, STATE AMOUNT REQUESTED: \$ _____

DESCRIPTION OF REQUEST

Many states and cities across the nation are now using this program to certify that employees hired by companies are legally authorized to work in the United States. This would help cut down on illegal immigration and provide more jobs in Kerrville for our legal citizens who so badly need work. This would also cut down on the crime that is invading our city and the additional financial burden on law enforcement, hospitals and welfare organizations.

RECOMMENDED COUNCIL ACTION

PERFORMING ARTS CENTER DEVELOPMENT AND OPERATION AGREEMENT

BY AND BETWEEN

THE CITY OF KERRVILLE, TEXAS

AND

PLAYHOUSE 2000, INC.

Amended by:
Resolution No. 174-2000

Approved by City Council
Date: January 11, 2000
Volume 34 Page 315
Resolution No. 006-2000

PERFORMING ARTS CENTER DEVELOPMENT AND OPERATION AGREEMENT

THIS PERFORMING ARTS CENTER DEVELOPMENT AND OPERATION AGREEMENT ("Agreement") is entered into this 11th day of January, 2000, by and between the CITY OF KERRVILLE, a Texas home rule municipal corporation of Kerr County, Texas ("City"), and PLAYHOUSE 2000, INC., a Texas nonprofit corporation ("Playhouse"), whose principal offices are located in Kerr County, Texas.

WHEREAS, City and Playhouse desire to redevelop and reconstruct the Kerrville Municipal Auditorium ("Auditorium") owned by City, and to provide for the financing of same and for the management, maintenance and operation thereof by Playhouse upon completion of its reconstruction, for the mutual benefit of the parties hereto;

NOW, THEREFORE, City and Playhouse, in consideration of the mutual covenants, terms and conditions contained in this Agreement, and for other good and valuable consideration, do hereby agree as follows:

Article I SUBJECT OF AGREEMENT; TERM AND DEFINITIONS

Section 1.1 Purpose:

The purpose of this Agreement is to set forth the terms and conditions by which Playhouse shall (1) remodel, reconstruct, and develop the Auditorium into a performing arts center of first class quality, and (2) use, operate, manage, and maintain the Facilities.

Section 1.2 Commencement and Initial Term:

The Term of this Agreement shall commence on February 1, 2000, and shall terminate twenty (20) years after the first day of the calendar month following the date of commencement of the Construction Phase of this Agreement, unless terminated at an earlier date in accordance with the terms of this Agreement.

Section 1.3 Renewal Term:

Playhouse, at its option, may renew this Agreement on the same provisions and conditions hereof, for a period of up to ten (10) years by providing written notice to City not less than one year, but not earlier than two years, prior to the termination of the Initial Term; provided, however, if the final costs of the Project Improvements exceed \$5,000,000.00, the option to renew for the entire ten year period described in this Section 1.3, shall be deemed to have been exercised without any additional requirement to notify City.

Section 1.4 Annual Renewal:

This Agreement shall renew for subsequent periods of one year pursuant to the same provisions and conditions hereof if:

- a. Playhouse fails to exercise the option to renew granted in Section 1.3, above; or
- b. Upon termination of the renewal term described in Section 1.3, above.

Either party shall have the right to terminate this Agreement during any extension of the term of this Agreement pursuant to this Section 1.4 by providing written notice to the other party not less than one year prior to the date of termination.

Section 1.5 Termination by Playhouse:

Playhouse may terminate this Agreement at any time by providing written notice to City not less than one year prior to the date of termination.

Section 1.6 Definitions:

Unless the context clearly indicates otherwise, the following words and phrases used in this Agreement shall have the following meaning:

- a. **"Auditorium"** shall mean the building which upon the effective date of this Agreement is commonly known as the "Kerrville Municipal Auditorium" and which is owned by the City of Kerrville and located on the Property.
- b. **"Facilities"** shall mean collectively:
 - (1) the Auditorium;
 - (2) existing or subsequently constructed facilities and improvements used in association with the management and operation of the Auditorium, including, but not limited to, all parking lots, driveways, easements, and accessory buildings; and
 - (3) the Property.
- c. **"Project Budget"** shall mean the estimated costs to be incurred by Playhouse in the construction of the Project Improvements.
- d. **"Project Improvements"** shall mean the construction, remodeling, and reconstruction of the Auditorium and other related work approved by Playhouse and City performed during the Construction Phase of this Agreement, the total cost of which is reasonably believed to equal or exceed \$3,000,000.00.
- e. **"Project Plans"** shall mean the plans and specifications for the Project Improvements approved by City and Playhouse which are produced by architects employed by Playhouse.
- f. **"Project Schedule"** shall mean the proposed schedule of construction of the Project Improvements developed Playhouse in conjunction with the Playhouse's architects.
- g. **"Property"** shall mean:
 - (1) the real property owned by City consisting of Lot Nos. 159, 160, 161, 162, 163, and 164, Block 20, J.D. Brown Addition to the City of Kerrville, Texas, along with all other real property, parking lots, easements and appurtenances thereto presently being used for Auditorium purposes; and
 - (2) any additional property acquired by City either from Playhouse or a third party and used for the operation of the Facilities pursuant to the provisions of this Agreement.

- h. "City Personal Property" shall mean piano, curtains, chairs, lighting equipment, sound equipment, video equipment, projection equipment, recording equipment, and all other tangible personal property presently used for the operation of the Auditorium, but not including the office equipment, furniture, and other tangible personal property located in the offices of the City Parks and Recreation Department. It is agreed that City shall use its best efforts to prepare an inventory of City Personal Property prior to commencement of the Construction Phase of this Agreement.

Article II PRELIMINARY PHASE

Section 2.1 Preliminary Phase Defined:

The Preliminary Phase shall be that period commencing with the effective date of this Agreement and ending on the earlier of:

- a. the satisfaction of all conditions precedent to commencing the Construction Phase; or
- b. September 1, 2001.

Section 2.2 Extension of Preliminary Phase:

The City may extend the Preliminary Phase if it determines that Playhouse is continuing to work diligently in good faith to finalize the Plans and satisfy the conditions precedent to commencing the Construction Phase and can demonstrate positive results to the City for the time and effort already expended.

Section 2.3 Exclusive Rights During Preliminary Phase:

During the Preliminary Phase, City agrees to recognize Playhouse as the exclusive entity to arrange for the preparation of preliminary plans for the design and construction of the Project Improvements. During the Preliminary Phase, the City agrees to not negotiate or enter into any new agreement with any third party that contemplates the major upgrade or long term management or operation of the Facilities.

Section 2.4 Termination After Preliminary Phase:

If Playhouse fails to satisfy the conditions precedent to the commencement of the Construction Phase prior to the end of the Preliminary Phase, this Agreement shall terminate.

Section 2.5 Joint Cooperation; Access to Documents:

City and Playhouse agree in good faith to cooperate and coordinate with each other with respect to the performance of this Agreement. City will allow Playhouse and its consultants reasonable access to the Auditorium, and to City's records related to the Auditorium's prior construction and renovation (if any), during normal business hours, upon advance notice and scheduling with the City's assigned personnel. On the same basis, Playhouse will allow the City's assigned personnel reasonable access to all the documents and information developed by Playhouse, its consultants and contractors, related to this Agreement and the Project Improvements.

Section 2.6 Project Fund Account:

Playhouse shall enter into an agreement with a federally insured commercial bank or savings and loan association acceptable to Playhouse located in the city limits of the City of Kerrville, Kerr County, Texas, to serve as a depository for funds designated for the construction of the Project Improvements (the "Project Fund Account"), subject to the following provisions:

- a. City shall at all times have a right to audit such accounts, and the depository institution(s) shall sign such agreements evidencing City's authority to conduct such audits or receive such accountings as the depository institution deems reasonably necessary to grant City such right;
- b. Payments in excess of \$2500.00 made from the Project Fund Account shall require the co-signature of the City Manager, Assistant City Manager-Director of Finance, or at least one other City staff member designated by the City Manager to have such authority;
- c. Playhouse's choice of federally insured commercial bank or savings and loan association shall be considered to be located in the city limits of the City of Kerrville, Kerr County, Texas, as long as the institution maintains a permanent branch office in the city limits of the City of Kerrville, Kerr County, Texas, and all audits and accountings are performable in the local branch office;
- d. The City shall be granted a right of survivorship in the funds of the account in the event Playhouse becomes an inactive or dissolved corporation in accordance with the provisions of the Texas Non-Profit Corporation Act; and
- e. The Project Fund Account shall be closed upon completion of construction of the Project Improvements and all bills related to the design and construction of the Project Improvement have been paid, at which time, City agrees it will release any rights City may have in the unspent funds remaining in said account.

Section 2.7 Conditions Precedent to Construction Phase:

Commencement of the Construction Phase shall not commence until satisfaction of the following conditions:

- a. Completion and delivery to the City of the Project Budget by Playhouse;
- b. The Project Fund Account has been established;
- c. Delivery to the City of a realistic five year plan prepared by Playhouse for the operation and utilization of the Facilities by Playhouse, which, as a minimum, includes:
 - (1) anticipated sources and estimated amounts of revenue, on an annual basis;
 - (2) estimated expenses on an annual basis;

(3) the names and vitae of all officers and directors of Playhouse and the person Playhouse anticipates will be employed by Playhouse to manage the facilities at the commencement of the Management Phase;

d. Playhouse provides City evidence that upon commencement of the Construction Phase the Project Improvements shall be constructed in accordance with the Project Plans and Project Schedule and that Playhouse has, or will have, the funds to pay in full the costs for the design and construction of the Project Improvements, the sufficiency of which evidence shall be determined solely by City.

Article III CONSTRUCTION PHASE

Section 3.1 Construction Phase Defined:

The Construction Phase is the period of this Agreement beginning upon satisfaction of all conditions described in Section 2.7, above, and ending upon completion of construction of the Project Improvements.

Section 3.2 Construction Phase License:

During the Construction Phase, City grants Playhouse a license to enter upon the Property for the purpose of preparing the site, constructing the Project Improvements, and equipping, operating, managing and maintaining the Facilities in accordance with this Article III ("Construction Phase License"). Except as set forth in Section 3.26, below, City agrees not to revoke the Construction Phase License at any time during the term of this Agreement unless Playhouse has breached this Agreement and has failed or refused to cure the breach within a reasonable period of time after being requested in writing by the City to do so.

Section 3.3 Design and Construction of the Facilities:

Playhouse shall, at its cost, be solely responsible for the completion of design and construction of the Project Improvements, subject to the terms of this Agreement. In this regard, Playhouse hereby agrees to enter into and perform all contracts necessary to fully complete the construction of the Project Improvements. All Playhouse contracts relating to the design and construction of the Project Improvements shall contain language that City is not liable for any obligations and liability thereunder.

Section 3.4 Review of Construction Documents by City:

All schematic design, design development, and construction plans and specifications for the construction of the Project Improvements, including all proposed changes, shall be reviewed and approved by City prior to commencement of any work. All design and construction shall conform to applicable City codes, ordinances, regulations, design criteria, building standards and specifications. Any material changes to the final plans and specifications shall require the approval of the City, which shall be timely and not unreasonably withheld. Any revisions reasonably required by the City to meet the requirements of applicable City codes and building standards shall be paid for by Playhouse. City and Playhouse acknowledge and agree that the Auditorium parking lot does not on the effective date of this Agreement contain the number of parking spaces required by the City's zoning ordinance as it relates to the seating capacity of the Auditorium. City agrees that this Agreement imposes no obligation on Playhouse to cure such insufficiency, even if the Project Improvements result in an increase in the seating capacity of the Auditorium.

Section 3.5 Review of Construction Documents by Texas Department of Licensing and Regulation:

Prior to commencement of construction of the Project Improvements, Playhouse, by and through its Architect, must submit the Project Plans to the Texas Department of Licensing and Regulation ("TDLR") or a contract reviewer authorized to act on behalf of TDLR ("TDLR Reviewer") for review and approval in accordance with the Texas Architectural Barriers Act and the regulations promulgated thereunder. Any costs incurred in modifying the Project Plans in order to comply with the requirements of TDLR or the TDLR Reviewer shall be solely the responsibility of Playhouse.

Section 3.6 Construction Documents Provided to City:

Playhouse shall provide construction documents to City related to the Project Improvements as follows:

- a. Playhouse shall provide at least one set of construction documents to the City on or before the date of distribution of the documents to potential contractors;
- b. Playhouse shall provide City with a set of approved drawings in halfsize and reproducible form prior to commencement of construction of the portion of the Project Improvements covered thereby, signed and sealed by one or more registered professional architects or engineers licensed in the State of Texas;
- c. Not later than sixty (60) days after completion of construction of the Project Improvements, Playhouse shall furnish City with complete as-built drawings in both full size and reproducible formats.

Section 3.7 Use and Ownership of Contract Documents and Drawings:

The Drawings, Specifications and other documents prepared pursuant to this Agreement shall be owned by Playhouse. The Drawings, Specifications and other documents furnished to City pursuant to this Agreement may be used by City for any purpose.

Section 3.8 Permits and Other Approvals:

Playhouse shall obtain all City-required permits. Playhouse will pay the same permit fees that the City would pay if the City were obtaining the permits and performing the work itself. Playhouse shall not direct its contractors to commence work within City property or right of way until any and all City required permits and approvals have been obtained.

Section 3.9 Relocation of Parks and Recreation Offices:

City agrees as expeditiously as reasonably possible after termination of the Preliminary Phase to relocate all City Parks and Recreation Department offices and employees out of the Auditorium.

Section 3.10 City Required Insurance:

All construction contracts entered into between Playhouse and its contractor(s) for the purpose of constructing the Project Improvements, including any construction performed by the construction manager, must require the contractor to obtain and maintain continuously in effect at all times during the performance of the contract, at the contractor's sole expense, at least the following

minimum insurance with a carrier or carriers licensed to do business in the State of Texas and satisfactory to the City and Playhouse:

TYPE OF INSURANCE	MINIMUM LIMITS
a. Worker's Compensation covering all employees as required by Tex. Labor Code sec. 406.096, as amended.	Statutory
b. Employer's Liability	\$100,000.00
c. Comprehensive General Liability (which must include, but not be limited to Premises liability, Products liability, Completed Operations, Contractual Liability coverages, and XCU coverage)	<u>\$1,000,000.00 per occurrence combined single limit coverage for bodily injury and property damage</u>
d. Business Automobile Liability covering owned vehicles, rented and non-owned vehicles and employee non-ownership	<u>\$1,000,000.00 per occurrence combined single limit coverage for bodily injury and property damage</u>
e. Builder's Risk Completed Value Policy with an all risk endorsement	

The General Liability and the Automobile Liability policies shall be endorsed to name the City as additional insured. All policies, including workers' compensation policies shall be endorsed to provide a waiver of subrogation in favor of City. The policy and any renewal certificate shall provide that the City be notified thirty (30) days prior to cancellation or modification of any coverage. Language to the effect that the company will "Endeavor" or "Attempt" to so notify the City is not sufficient. Renewal certificates must be received by the City at least ten (10) days prior to any cancellation date. Policies will be in effect until final acceptance or cancellation of this contract, unless otherwise specified. The contractor must also be required to furnish to the City one or more Certificates of Insurance evidencing that all of the herein described insurance coverage with the required endorsements is in effect. Such construction contract shall also require that all subcontractors maintain workers' compensation coverage for its employees as required by Tex. Labor Code sec. 406.096.

Section 3.11 Payment and Performance Bonds During Construction:

All construction contracts entered into between Playhouse and its contractor(s) for the purpose of constructing the Project Improvements, including any construction performed by the construction manager, shall require performance and payment bonds in the amount of not less than the construction price set forth in the contract, said payment and performance bonds to be in the form set forth in Exhibits "A" and "B", attached hereto and incorporated herein by reference.

Section 3.12 On-Site Representation:

During construction, Playhouse's construction manager and architect shall be accessible to the City at all times and shall designate on-site representatives, construction administrators and inspectors to assure that the Project Improvements will be completed in accordance with the approved plans

and specifications. City shall be entitled to receive notice of and have a representative attend all construction meetings, at which a representative of Playhouse shall be present, and shall be provided with copies of minutes by Playhouse's architect or construction manager.

Section 3.13 City Right to Observe and Inspect:

City shall have the right (but not the obligation) to observe and inspect work performed by any contractor(s). City inspection of the job site shall be coordinated with Playhouse's contractor(s), construction manager and architect. City shall perform such inspections in an expeditious manner calculated to minimize inconvenience and delay.

Section 3.14 Vehicular and Pedestrian Access:

Playhouse shall require its construction manager and contractors to be responsible for maintaining reasonable traffic flow on city streets during Playhouse's construction activities.

Section 3.15 Notice to Proceed:

Playhouse, its contractors and subcontractors, shall not commence any work until it has received a "notice to proceed" from the City Manager.

Section 3.16 Site Security and Securing Construction Materials:

Playhouse and its construction manager, contractors and subcontractors shall be solely responsible for site security, and securing construction tools, equipment, supplies and materials when left on City property. Playhouse shall also be responsible for securing the Auditorium and all City Personal Property during construction.

Section 3.17 Repair Restoration of Properties:

During construction, Playhouse shall be responsible for obtaining timely repair, replacement or correction of all damage occurring on the Property to any property or facilities of the City or any other entity located on the Property caused by the negligent acts or omissions or misconduct of Playhouse, its engineers, architects, construction manager, contractors and subcontractors, to the City's reasonable satisfaction. All costs thereof shall be borne by Playhouse or its contractors, and shall not be a charge against the City. The cost of emergency repairs made by the City on account of damage caused by the negligent acts or omissions or misconduct of Playhouse, its engineers, architects, construction manager, contractors and subcontractors, shall be reimbursed to the City by Playhouse. All parties shall look first to the proceeds of applicable insurance policies, if any, in fulfilling the obligations of this paragraph, regardless of any party's negligence or responsibility, including the proceeds of All Risks Builders Risk Insurance to be provided by the construction manager and/or the contractors, and which shall be written in the names of the City and Playhouse, the architect, construction manager, et.al.

Section 3.18 City Inspection Upon Substantial Completion:

Following substantial completion of construction, the City Manager, or his designee, shall accompany Playhouse's architect and construction manager during inspection. The City Manager, or designee, shall review, comment on and approve the punch list for conformance with the technical specifications. Items identified by the City shall be added to the punch list at the City's request. After (1) the punch list items are performed to meet specifications, (2) receipt of

certification by Playhouse's architect and construction manager that the construction performed conforms with the approved plans and specifications, and (3) a certificate of occupancy has been issued in accordance with City ordinances, City shall issue final acceptance of the Project Improvements, provided, however, that warranty obligations of the contractor(s) and correction of defective work shall not by such acceptance become the responsibility of the City, but shall remain the responsibility of Playhouse and its construction manager and its contractor(s).

Section 3.19 Exemption From Sales and Use Taxes:

Except for work done on land owned by Playhouse which is not a functional part of the Facilities, the Project Improvements and all Project construction work, materials, equipment, and supplies shall belong to City. City acknowledges and agrees that all amounts paid by Playhouse to the contractors and suppliers will be paid as agent for and on behalf of City in accordance with the provisions of this Agreement. City qualifies for exemption from state and local sales taxes, pursuant to the provisions of Section 151.309 of the Texas Tax Code, as amended. To the extent permitted by law, Playhouse shall not pay any sales or use taxes which would otherwise be payable in connection with the construction of the Project Improvements.

Section 3.20 Fee Simple Title to City:

The parties acknowledge that fee simple title to the Project Improvements shall, upon final written acceptance of the City Manager, automatically vest in City without any further action by either party hereto, free and clear of all liens and other encumbrances arising by, through or under Playhouse, and Playhouse agrees to take no action before, during or after construction that would prejudice City's ability to secure clear fee simple title to the Auditorium and the Facilities.

Section 3.21 Conveyance of Real Property Acquired by Playhouse:

It is understood and acknowledged by City that Playhouse may acquire by purchase, gift, or other means fee simple title to real property within the vicinity of the Property on which may be constructed a portion of the Project Improvements or which may otherwise be used in conjunction with the management and operations of the Facilities. Playhouse agrees to convey such real property to City in fee simple and indefeasible title, at no cost to City, upon completion of construction of the Project Improvements if (1) a portion of the Auditorium is constructed on the property, or (2) the property constitutes a functional part of the Facilities such that the operation of the Facilities will be negatively impacted if such property and the improvements thereon are not owned by the City. For purposes of this Section 3.21, property purchased by Playhouse and used for purposes including, but not limited to, parking lots, driveways, utilities, storage buildings, and other types of uses reasonably necessary for the operation of the Facilities for their intended and designed use shall be deemed functional parts of the Facilities. Parking lots and driveways on such other Playhouse property, intended for use only in the operation of such other property, shall not be deemed a functional part of the Facilities, nor shall such other Playhouse property be deemed a functional part of the Facilities merely because it is connected to the Facilities by a walkway.

Section 3.22 Construction Warranties:

All rights under construction warranties shall be assigned to City and administered by Playhouse or its construction manager; provided, however, that any net funds received after deduction of expenses by Playhouse in settlement or compromise of, or otherwise resulting from, rights associated with any of such warranties shall belong to, and promptly be paid to Playhouse, to the

extent such funds are not spent to repair, replace or correct any Project properties or facilities to conform to approved plans and specifications.

Section 3.23 Public Purpose:

The parties understand that the construction of the Project Improvements is for a public purpose, and is being built upon public property for the benefit of the citizens of Kerrville.

Section 3.24 City's Approvals Not Unreasonably Delayed:

Any consent or approval by or on behalf of the City required in connection with the design and construction of the Project Improvements shall not be unreasonably withheld or delayed. Any review associated with any determination to give or withhold any such consent or approval shall be conducted in a timely and expeditious manner with due regard to the cost to Playhouse associated with delay.

Section 3.25 Final Costs of Project Improvements; Reduction of Agreement Term:

City and Playhouse acknowledge and agree that Playhouse in lieu of making any payment of rent or a share of operational revenues to City during the term of this Agreement, Playhouse has agreed to construct at Playhouse's sole cost the Project Improvements. Playhouse hereby represents that the final construction costs for the Project Improvements are reasonably expected to exceed \$3,000,000.00. In the event the final construction cost of the Project Improvements are less than \$3,000,000, Playhouse agrees as follows:

- a. If the final construction cost for the Project Improvements is between \$2,000,000.00 and \$2,999,999.99, the Agreement shall not be subject to renewal in accordance with Section 1.3, above;
- b. If the final construction cost for the Project Improvements is between \$1,000,000.00 and \$1,999,999.99, the Initial Term shall be reduced to 15 years and the Agreement shall not be subject to renewal in accordance with Section 1.3, above;
- c. If the final construction cost for the Project Improvements is between the \$500,000.00 and \$999,999.99, the Initial Term shall be reduced to 10 years and the Agreement shall not be subject to renewal in accordance with Section 1.3, above;
- d. If the final construction costs for the Project Improvements is less than \$500,000.00, the Initial Term shall be reduced to 5 years and the Agreement shall not be subject to renewal in accordance with Section 1.3, above.

The final construction costs for the Project Improvements shall include the actual costs of construction of improvements and buildings which will be owned by City, all related engineering, design and planning costs, purchase price and related closing costs for the acquisition of property which is conveyed to City, and reasonable attorneys fees.

Section 3.26 Termination on Failure to Commence Construction:

City may, at its sole option, terminate this Agreement if construction of the Project Improvements has not commenced on or before the 180th day after approval of the Project Plans by City and TDLR or the TDLR Reviewer.

Section 3.27 Termination After Commencement of Construction:

In the event (1) Playhouse terminates this Agreement pursuant to Section 1.5, above, or (2) City terminates this Agreement as the result of a Playhouse Default after the commencement of construction, Playhouse must, at the request of City:

- a. assign to City all contracts related to the construction of the Project Improvements; and
- b. pay over to City all funds previously collected or to be collected by Playhouse and used to pay for the construction of the Project Improvements, including, but not limited to, all funds in the Project Fund Account, which City agrees will be used to complete the Project Improvements.

Section 3.28 Construction of Future Improvements:

The construction of all improvements on the Property by Playhouse during the Management Phase shall be performed in accordance with the provisions of this Article III.

Article IV ASSURANCES

Section 4.1 Certain Covenants of City:

City agrees that City will:

- a. Cooperate with Playhouse in the implementation of this Agreement; and
- b. Use all reasonable best efforts to maintain public access to the Facilities for Playhouse events.

Section 4.2 Certain Covenants of Playhouse:

During the Construction Phase and the Management Phase, Playhouse agrees that Playhouse will:

- a. complete the design and construction of the Project Improvements in accordance with the approved Project Plan, Project Budget, and Project Schedule;
- b. operate, manage and maintain the Facilities to the highest standards, as a first class performing arts facility;
- c. cooperate with City to use every reasonable effort to encourage and maintain high attendance levels at Auditorium events;
- d. provide and set up all required Auditorium equipment and maintain the same in good working condition at all times;
- e. provide and maintain facilities for handicapped patrons;
- f. treat all Auditorium users fairly;

- g. promptly undertake and accomplish all maintenance and repairs necessary to prevent any deterioration or waste to the Facilities, and continue to maintain the Facilities to the highest building standards;
- h. make prompt payment to its vendors, consultants and contractors; and
- i. maintain and prominently display in the Auditorium throughout the term of this Agreement all plaques and acknowledgments presently located within the Auditorium which recognize the gift to City of the property described in Section 1.6.g.(1), above, from the Kerr County War Memorial Association for the purpose of erecting a public building dedicated to the honor of those who served the United States of America in all wars.

Section 4.3 Acceptance of Facilities:

Playhouse has previously inspected the Facilities, has been given access to the records related to the Facilities, and should Playhouse undertake its responsibilities in the Construction Phase and/or the Management Phase, accepts the facilities on an AS-IS, WHERE-IS CONDITION AND BASIS, WITH ALL FAULTS. PLAYHOUSE ACKNOWLEDGES AND AGREES THAT CITY HAS NOT MADE, DOES NOT MAKE, AND SPECIFICALLY NEGATES AND DISCLAIMS ANY REPRESENTATIONS, PROMISES, COVENANTS, AGREEMENTS, GUARANTIES OR WARRANTIES OF ANY KIND OR CHARACTER WHATSOEVER, WHETHER EXPRESS OR IMPLIED, ORAL OR WRITTEN, PAST PRESENT OR FUTURE, AS TO, CONCERNING OR WITH RESPECT TO THE VALUE, INCOME TO BE DERIVED, NATURE, QUALITY OR CONDITION, STATE OF REPAIR OR LACK OF REPAIR, HABITABILITY, MERCHANTABILITY, MARKETABILITY, PROFITABILITY, SUITABILITY, USEFULNESS, OR FITNESS OF THE FACILITIES. Playhouse and City acknowledge that no fiduciary relationship exists between Playhouse and City or any of City's officers, employees, agents, or attorneys. Notwithstanding anything to the contrary to the above, City warrants that it has good title to the Property, the Facilities, and the City Personal Property.

Section 4.4 Environmental:

Without making any warranties or representations regarding the accuracy of such statement, and without any requirement by Playhouse to investigate such statement, City has no knowledge of the existence of asbestos, underground fuel storage tanks, or other environmental hazards on the Property.

Article V MANAGEMENT PHASE

Section 5.1 Management Phase Defined:

The Management Phase shall be that period of this Agreement commencing upon completion of the Construction Phase and ending upon termination of this Agreement.

Section 5.2 Playhouse Management and Operation of the Facilities:

Except as otherwise agreed herein, during the Management Phase, Playhouse shall at its sole cost and expense be responsible for the maintenance, repair, management, and operation of the Facilities in accordance with the provisions of this Agreement.

Section 5.3 Playhouse Pre-Management Phase Start Date Duties:

Prior to the commencement of the Management Phase, Playhouse shall have such rights and discharge such duties as are reasonable and necessary to insure that the Facilities are equipped, staffed and managed to commence operations upon the commencement of the Management Phase.

Section 5.4 Budget:

From time to time, upon the request of City, Playhouse shall submit for review its annual operating budget to the City Manager. Playhouse's annual operating budget shall include detailed information showing estimated income to be received from all sources and estimated operating expenses.

Section 5.5 City Access:

City reserves the reasonable right for its authorized representatives to enter and inspect the Facilities during normal business hours, provided that City shall not unreasonably interfere with the operations of the Facilities (unless such interference is necessary to preserve the health and safety of the public or made pursuant to its police powers). Notwithstanding the preceding sentence, and with reasonable written notice to Playhouse with a reasonable opportunity to cure, City reserves the right to enter the Facilities to maintain or repair the Facilities when such activities are not being performed by Playhouse as herein required, and all costs so incurred by City shall be the responsibility of Playhouse, to be reimbursed City upon demand.

Section 5.6 Schedule of Rates and Charges for Auditorium Use:

Playhouse shall have the right to establish a schedule of rates and charges for the use of the Facilities which reasonably allows Playhouse to recover Playhouse's reasonable cost of utilities, labor, overhead allocation, and any other direct expenses incurred by Playhouse in providing the Facilities for use. Playhouse agrees to deliver to the City Manager a copy of the adopted schedule of rates and charges and any amendments thereto not later than ten (10) calendar days prior to the effective date of such rates.

Section 5.7 Disputes Over Schedule of Rates and Charges:

Playhouse understands and acknowledges City's desire that the Facilities continue to be available at a reasonable cost to local residents, community organizations, and arts groups on a non-discriminatory basis for events, meetings, and special activities, subject to availability and scheduling. In the event City believes the schedule of rates and charges to be excessive, Playhouse and City agree to the following procedure for resolution of such dispute:

- a. City may request from Playhouse a written cost analysis and justification for the rates and charges adopted by Playhouse not later than three months after the effective date of such fees, which report shall be delivered to the City Manager not later than 30 days after receipt of a written request from the City for such report.
- b. If after receipt of the written report, City determines that the schedule of rates and charges are greater than five percent more than is justified by the cost analysis, the City Council shall meet in public session with the Playhouse Board of Directors to discuss and attempt to agree on a schedule of rates and charges. At such meeting, both parties may present such information as deemed appropriate in resolving the matter.

- c. If after the joint meeting described in Section 5.7.b. the parties are unable to agree on an appropriate schedule of rates and charges, the issue shall be submitted to binding arbitration before a panel of three arbitrators, one each chosen by the respective parties, and the third arbitrator chosen by the other two panel members. Each party shall pay the cost for the panel member chosen by that party, with the parties paying one-half the cost of the third panel member. Such arbitration shall be conducted in accordance with the customary rules and procedures used for resolving disputes of such issues and such other rules as may be agreed by the parties.
- d. The decision of the panel of arbitrators shall be final and not appealable.

Section 5.8 Use for Polling Place:

City hereby retains for itself and other local governmental entities the right to use the Facilities at no charge as an election polling place during the times and dates established by the Texas Election Code for:

- a. the regular election of city council members;
- b. the primary election of federal, state, and county officials;
- c. the runoff election for federal, state, and county officials;
- d. the general election of federal, state, and county officials.

Such reservation period shall include every day on which early voting and election day occurs, with each date beginning at not earlier than one hour before the polls are required to open and ending not later than two hours after the polls are required to close. City agrees such use for this purpose shall be limited to the lobby area, meeting rooms, or other appropriate and reasonably accessible space of the Facilities. Special elections or elections involving other governmental entities which are being held jointly with the above defined election dates shall not be charged a fee for use, but shall be subject to the same restrictions set forth in this section. Special elections which are held at times other than those described above shall be subject to the provisions of Section 5.10, below. Playhouse agrees to not to book events during the above defined periods that will unreasonably interfere with the ability to hold elections at the Facilities.

Section 5.9 Use by Veterans Organizations:

Playhouse agrees that the Auditorium shall be reserved for use by any one or more veterans organizations on November 11 of each calendar year, or on such other date as may be designated by the federal government as "Veteran's Day" or "Armistice Day", for the holding of ceremonies and other events and activities related to said day. Such use shall not be subject to charge.

Section 5.10 Other Uses Without Charge:

In addition to the uses described in Sections 5.8 and 5.9, above, Playhouse agrees to make the Facilities available without charge for a maximum of 150 daytime events and 30 night/Sunday events during each calendar year subject to the following:

- a. The only individuals or groups authorized to use the Facilities subject to this Section 5.10 shall include:

- (1) The City Council and any of its permanent or ad hoc boards, commissions, and committees;
 - (2) Any city employee conducting a meeting or event related to city business, but only if previously authorized by the City Manager;
 - (3) Any other governmental entity with whom the City has signed an interlocal agreement whereby use of the Auditorium without charge for certain purposes is part of the consideration;
 - (4) Any person or group sponsoring an event or activity co-sponsored by City, as evidenced by a resolution approved by the City Council; and
 - (5) Veterans organizations.
- b. For purpose of this Section 5.10, a "daytime event" shall be defined as an activity or event in which any part of the Auditorium is used for any portion of the following periods:
- (1) 8:00 a.m. to 12:00 p.m. on any day of the week; and
 - (2) 12:00 p.m. to 6:00 p.m., on any day except Sunday;
- c. For purpose of this Section 5.10, a "nighttime/Sunday event" shall be any activity or event in which any part of the Auditorium is used for any portion of the following periods:
- (1) after 6:00 p.m. any day of the week; and
 - (2) between 12:00 p.m. and 6:00 p.m. on Sundays;
- d. Any activity or event which occurs on the same day during both periods defined in Section 5.10.b., above, shall:
- (1) constitute two daytime events, if the event is scheduled for more than three hours, even if the event actually ends in less than three hours; and
 - (2) constitute one daytime event, if the event is scheduled for three hours or less.

Section 5.11 Security and Traffic Control:

Playhouse shall provide all security and traffic control within the Facilities, and such other traffic control offsite as is reasonably necessary to direct traffic to and from events at the Auditorium. City and Playhouse shall cooperate in good faith to develop a traffic management plan to facilitate the ingress and egress of traffic to and from events at the Auditorium; provided, however, that City is under no obligation under the proceeding clause to incur any cost in excess of costs otherwise required by this Agreement.

Section 5.12 Contracts Related to Management and Operation of the Auditorium; General Provisions.

- a. **General Requirements:** Subject to the provisions of this Agreement, Playhouse shall be the exclusive manager and operator of the Auditorium during the Management Phase, with sole responsibility for, and full control and discretion in, the operation, direction, management, leasing, licensing and supervision of the Auditorium and its staff. All Playhouse contracts and licenses (all of the foregoing sometimes hereinafter collectively referred to as the "Management Contracts") in connection with the operation and management of the Auditorium shall terminate upon termination of this Agreement unless the City, at its sole option, elects to assume one or more of the Management Contracts.
- b. **City Review:** Upon the reasonable request of the City Manager, Playhouse shall provide the City Manager a copy of a current list of all Management Contracts, including the parties thereto, the primary purpose thereof and applicable contract, lease or license fees, list, delivery of which shall not be unreasonably withheld or delayed. City shall be entitled to review the Management Contracts for compliance with the foregoing requirements of Section 5.12.a. at Playhouse's office during normal business hours.

Section 5.13 Playhouse's Authority and Obligation for Operation, Maintenance and Management:

Playhouse shall do all things and take all actions necessary for the operation, maintenance and management of the Facilities in accordance with this Agreement. Without limiting the generality of the foregoing, Playhouse is authorized to and shall:

- a. pay all management, maintenance, repair, and operating expenses, and all other costs of the Facilities;
- b. collect and account for all Facilities revenue using all reasonable efforts to obtain all fees, rents and other amounts due from users and tenants, and provide periodic financial reports to City as reasonably requested;
- c. employ, pay, supervise and discharge all personnel Playhouse determines to be necessary for the management and operation of the Facilities;
- d. maintain and make available to the public a schedule of basic rates, fees and charges for the use of the Facilities and services;
- e. purchase and maintain all materials, tools, machinery, equipment, and supplies necessary for the management, maintenance and operation of the Facilities;
- f. maintain the Facilities in good, clean, sanitary order and repair;
- g. coordinate and administer a preventive maintenance program for the Facilities and its machinery and equipment;
- h. except as set forth in Section 5.22, below, arrange for all utility and other services for the Facilities and pay or caused to be paid when due all charges for water, sewer,

gas, lights, heat, telephone, electricity, and other utilities and services rendered to or used in, on or about the Facilities;

- i. maintain or cause to be maintained all necessary licenses, permits and authorizations for the operation of the Facilities;
- j. pay all taxes and assessments legally due;
- k. promptly furnish to City such reports and other information concerning the Facilities and the management, maintenance, and operation thereof as may be reasonably requested from time to time by the City Manager.

Section 5.14 Promotion:

Playhouse shall plan, prepare, implement, coordinate and supervise all advertising, public relations and other promotional programs for the Facilities and shall negotiate, execute (in its own name and not the name of City) and perform all contract promotions of the Facilities.

Section 5.15 Concessions, Marketing, and Naming Rights:

During the Management Phase, Playhouse shall have the duty and sole right to negotiate, execute (in its own name and not the name of City) and perform all contracts concerning:

- a. the sale, promotion, marketing and the use of all name, trademarks, trade names, logos and similar intellectual property rights relating to the Auditorium;
- b. concessions for the sale of food, beverages, souvenirs, novelties or programs at the Auditorium; and
- c. the naming of all or any portion of the Facilities in honor or memory of a donor or the family member(s) of a donor who contributed funds used for the construction of the Project Improvements.

Section 5.16 Booking:

Playhouse shall have the duty and sole right to:

- a. arrange for and otherwise book events in the Auditorium; and
- b. to negotiate and execute (in its own name and not the name of the City) and perform all use agreements for the conduct of events.

Section 5.17 Acknowledgments in Printed Materials:

Playhouse agrees to acknowledge City for its support in all appropriate printed materials. City, acting through City Manager, reserves the right to approve, in whole or in part, the form of such acknowledgments which the Playhouse proposes to include in any printed materials.

Section 5.18 Vendor Contracts:

Playhouse shall have the sole right to negotiate and execute (in its own name and not the name of City) and perform vendor contracts.

Section 5.19 Payments:

Playhouse shall pay all expenses related to the operation, maintenance, and management of the Facilities, and shall make all debt service payments to its lenders pursuant to the terms of its loan documents. Playhouse shall not enter into any contractual arrangements for services that require more than reasonable and customary compensation.

Section 5.20 Advertising:

Playhouse shall be responsible for the sale of all commercial advertising in the Auditorium. The term of advertising contracts shall not exceed five (5) years, unless this requirement is waived by City in writing. The form and content of the advertising shall not, in the opinion of City, be in bad taste or inappropriate for the viewing or hearing of children or minors, or would reflect negatively upon the City of Kerrville. If so, Playhouse shall promptly remove, or have removed, the advertising from the Auditorium.

Section 5.21 Hotel Occupancy Tax Request:

Playhouse may, from time to time, apply to City for funds collected by City pursuant to the levy of the hotel occupancy tax in accordance with City's established policy for distribution of such funds, as such policy may change from time to time, said funds to be used in accordance with a separate contract with City and in compliance with applicable state law.

Section 5.22 Direct City Support:

In consideration of the uses without charge described in Section 5.8, 5.9, and 5.10, City agrees as follows:

- a. to pay all costs of utilities used in the operation of the Facilities during the Preliminary Phase;
- b. to pay one-half of the costs of utilities used in the operation of the Facilities during the Construction Phase and the Management Phase;
- c. to purchase and maintain fire and casualty insurance on the Facilities and the City Personal Property during the term of this Agreement;
- d. to maintain all parking lots and related drives and roadways located on the Property during the term of this Agreement.

For purposes of this Section 5.22, "utilities" shall only include water, sanitary sewer, gas, and electricity.

Section 5.23 Assignment of City Employee:

Commencing with the Management Phase, and for five years thereafter, City agrees to:

- a. Assign the person employed by City as Auditorium Manager to assist Playhouse in the management and operation of the Facilities; or
- b. Pay Playhouse the amount of \$2,500.00 per month, said funds to be used solely to pay the salary and/or benefits of an Auditorium Manager employed by Playhouse.

Section 5.24 Non-Appropriations:

Playhouse understands and acknowledges that City is required by law to pay all obligations from current funds appropriated in accordance with the adoption of City's annual budget. Consequently, notwithstanding, the provisions of Section 5.22 and 5.23, above, City shall have no obligation or liability pursuant to Section 5.22 and 5.23 beyond the end of any fiscal year if City fails to appropriate funds to pay for such obligations in the immediately subsequent fiscal year. In the event City fails in any fiscal year to appropriate sufficient funds for the purpose set forth in Sections 5.22 or 5.23, above, Playhouse may, not earlier than thirty days after providing written notice to City:

- a. terminate this Agreement in its entirety; or
- b. terminate Playhouse's obligation to provide use of the Facilities without charge in accordance with Section 5.8 and 5.10, above.

Section 5.25 Operating Reserve Fund:

Playhouse shall establish an operating reserve fund in an amount reasonably determined by the Playhouse to assure the financial stability of the Auditorium operations and shall also use its best efforts to raise contributions from year to year in order to augment such fund.

Section 5.26 Records and Audits:

Playhouse shall keep and maintain complete and accurate records for the Facilities and for Playhouse, separate and identifiable from its other records, for three years following the last day of the fiscal year during which the record was generated. City shall be entitled to inspect the records during the term of this Agreement and for three years thereafter at Playhouse's office upon not less than 24 hours notice and at all reasonable times.

Section 5.27 City Improvements:

With the prior consent of Playhouse, which shall not be unreasonably withheld or delayed, City may construct any additions to the Facilities, unless:

- a. the construction or the additions would unreasonably interfere with Playhouse events; or
- b. the additions would adversely affect the structural integrity, size, utility, or value of the Facilities.

Section 5.28 Playhouse Improvements:

Playhouse shall have the right and obligation, at its sole cost, to make additions and improvements to the Facilities if:

- a. necessary to comply with governmental regulations, or the provisions and conditions of this Agreement;
- b. required for the safe operation of the Facilities or their maintenance or repair;
- c. required by any contract or agreement authorized by this Agreement and approved by City; or
- d. otherwise approved and authorized by the City Manager.

All fixtures installed on the Property pursuant to this Section 5.28, whether trade or otherwise, shall be realty, owned in fee simple by City unless otherwise agreed to in writing, prior to installation, by City.

Section 5.29 Insurance:

- a. **Playhouse's Minimum Insurance Amounts:** Playhouse shall obtain and maintain continuously in effect at all times during the term of this Agreement, at Playhouse's sole expense, with a carrier or carriers licensed to do business in the State of Texas and satisfactory to City, Commercial General Liability Insurance against claims for bodily injury, death, or property damage occurring on, in or about the Auditorium, or any other portion of the Facilities, in at least the amount of \$1,000,000.00 combined single limit per occurrence. In the event that the Texas Torts Claims Act, as amended (Tex. Civ. Prac. & Rem. Code § 101.001, et seq.) or its successor statute, is amended to increase the amount of liability of municipalities for acts described in said Act above the levels set forth in this Section 5.29.a., Playhouse agrees to increase the amount of insurance coverage to an amount sufficient to provide coverage to the level of potential liability per occurrence under said Act.
- b. **Alcoholic Beverage Liability:** In the event Playhouse decides to sell or serve, or authorize the sale or service, of alcoholic beverages for on-premise consumption at the Auditorium, Playhouse shall purchase and have in effect alcoholic beverage liability coverage in the same amounts as the general liability policy required by Section 5.29.a., above. Said alcoholic beverage liability policy, whether it is a separate policy or added as a rider to Playhouse's general liability policy, shall name City as an additional insured.
- c. **Playhouse's Coverage Primary:** All insurance herein required shall apply as primary and not in excess of or contributing with other insurance which the Playhouse may carry. Insurance provided pursuant to Section 5.29.a. shall name City as an additional insured or loss payee as the case may be. Playhouse's insurance policies as required by this Agreement shall apply separately to City as if separate policies had been issued to Playhouse and City.
- d. **Cancellation; Certificates of Insurance:** Playhouse's insurance as required by this Agreement shall not be subject to cancellation or material alteration until at least thirty (30) days written notice has been provided to City. Playhouse shall furnish to City, annually, Certificates of Insurance showing City as an additional insured and evidencing that all of the herein stated requirements have been met.

- e. **City's Right to Purchase Insurance:** In the event such insurance as required by Section 5.29.a., above, shall lapse, City reserves the right to obtain such insurance at Playhouse's expense. Upon demand from City, Playhouse shall reimburse City for the full amount of the premium paid on Playhouse's behalf.

Section 5.30 Indemnity:

Playhouse agrees to defend, indemnify and hold City, its officers, agents and employees, harmless against any and all claims, lawsuits, judgments, costs and expenses for personal injury (including death), property damage or other harm for which recovery of damages is sought, suffered by any person or persons, that may arise out of or be occasioned by Playhouse's breach of any of the terms or provisions of this Agreement, or by any negligent or strictly liable act or omission of Playhouse, its officers, agents, employees or subcontractors, in the performance of this Agreement; except that the indemnity provided for in this paragraph shall not apply to any liability resulting from the sole negligence or fault of City, its officers, agents, employees or separate contractors, and in the event of joint and concurring negligence or fault of the Playhouse and City, responsibility and indemnity, if any, shall be apportioned comparatively in accordance with the law of the State of Texas, without waiving any governmental immunity available to City under Texas law and without waiving any defenses of the parties under Texas law. The provisions of this paragraph are solely for the benefit of the parties hereto and not intended to create or grant any rights, contractual or otherwise, to any other person or entity. Neither City nor Playhouse waive any legal contentions, defenses, or immunities, including, but not limited to governmental (i.e. sovereign) immunity, charitable immunity, and the limited recovery against charitable organizations, their personnel, and their volunteers pursuant to the Charitable Immunity and Liability Act of 1987 (Tex. Civ. Prac. and Rem. Code, Ch. 84, as amended).

Section 5.31 Security Interests:

Playhouse shall not mortgage its rights and interests under this Agreement to secure financing, except with the approval of City. Playhouse shall not suffer or permit mortgages or liens against the Facilities, and shall indemnify and defend City from and against same.

Section 5.32 City Appointment of Playhouse Director:

Playhouse agrees to amend its by-laws to require that the not fewer than one director of the Playhouse Board of Directors shall be appointed by the Kerrville City Council and shall have the full rights and privileges, including, but not limited to voting, of any member of the Board of Directors.

Article VI GENERAL PROVISIONS

Section 6.1 Assignment by Playhouse:

Playhouse shall not assign this Agreement or any obligations set forth herein without the prior written consent of City, which shall not be unreasonably withheld. It is agreed by Playhouse that assignment of the performance of any of Playhouse's rights or obligations pursuant to this Agreement to any party other than another non-profit corporation shall be deemed an acceptable reason for denial of any requested assignment.

Section 6.2 Assignment by City:

City shall not assign this Agreement without the prior written consent of Playhouse.

Section 6.3 Default by Playhouse:

A "Playhouse Default" shall mean the occurrence of one or more of the following events:

- a. failure of Playhouse to pay when due any monies due to City in excess of \$10,000.00, and the continuation of the failure without cure for a period of ten (10) days after City notifies Playhouse of the failure in writing in accordance with the notice provisions under this Agreement; or
- b. failure of Playhouse to comply with any material term, covenant, or provision of this Agreement, and the failure by Playhouse to cure or to proceed diligently to cure the failure within thirty (30) days after City notifies Playhouse in writing of the failure in accordance with the notice provisions under this Agreement.

For the purpose of this Section 6.3 only, the notice required by this section shall not be deemed delivered until an officer or director of Playhouse other than the director appointed by City pursuant to Section 5.32, above, has actual knowledge of the existence of the written notice delivered by City.

Section 6.4 Termination and Other Remedies By City Upon a Playhouse Default:

Upon the occurrence of a Playhouse Default, City may elect to pursue any legal or equitable remedy or remedies, including, without limitation, specific performance, damages, and termination of this Agreement. Termination or nontermination of this Agreement upon a Playhouse Default does not prevent City from suing for specific performance, damages, injunctive relief or pursuing other remedies available in law. Upon termination by City, City shall occupy the Facilities and Playhouse shall assign to City any of its contracts or leases requested by City to be assigned to City. Playhouse contracts and leases not assumed by City shall terminate immediately upon termination of this Agreement.

Section 6.5 Casualty Loss:

In the event of loss by fire, storm, or other casualty to the Facilities or the City Personal Property, City agrees to use any insurance proceeds to repair and replace damage caused by such casualty, in which case this Agreement shall remain in effect. However, in the event of substantial destruction rendering the majority of the Facilities unusable for a period of one year or more, Playhouse may, at its election, terminate this Agreement upon providing written notice to City.

Section 6.6 No Termination on Bankruptcy:

If Playhouse is not otherwise in default under the terms of this Agreement, neither bankruptcy, insolvency, assignment for the benefit of creditors, nor the appointment of a receiver shall affect this Agreement so long as all covenants of Playhouse continue to be performed by Playhouse, its successors, or legal representatives.

Section 6.7 Copyright Indemnification:

Playhouse agrees to assume full responsibility for complying with the Federal Copyright Law of 1978 (17 U.S.C. 101, et seq.) and any regulations promulgated thereunder in connection with activities in the Facilities under this Agreement, including but not limited to, the assumption of any and all responsibilities for paying royalties which may be due to the copyright owner, or representative of the copyright owner, for the use of copyrighted works in the Facilities. Playhouse agrees to indemnify, defend, and hold harmless City, its officers and employees, for any claims or damages growing out of infringement or violation of the Federal Copyright Law and any regulations promulgated thereunder by Playhouse or any tenant (other than City) of the Facilities.

Section 6.8 Compliance with Laws:

Playhouse and City agree to use reasonable efforts to assure that every officer, employee, or agent under Playhouse's or City's respective control that is connected with the purpose for which the Facilities are being used, shall abide by, conform to, and comply with all the laws of the United States and the State of Texas, and all the ordinances, rules or regulations of City applicable to the construction, operation, maintenance, and management of the Facilities and the other properties related to the Facilities.

Section 6.9 Nondiscrimination:

Playhouse agrees that no person shall be denied admission to the Auditorium because of race, color, sex, age, religion, national origin, physical handicap or disability.

Section 6.10 Place of Performance of Obligations and Venue:

All obligations of City and Playhouse under the terms of this Agreement reasonably susceptible of being paid or performed in Kerr County, Texas, shall be payable and performable in Kerr County, Texas, and venue for any legal actions arising out of this Agreement shall lie exclusively in Kerr County, Texas.

Section 6.11 Texas Law:

This Agreement shall be governed by and construed in accordance with the laws and court decisions of the State of Texas.

Section 6.12 Captions:

The captions, section numbers, article numbers, and table of contents appearing in this Agreement are inserted only as a matter of convenience and in no way define, limit, construe, or describe the scope or intent of such sections or articles of this Agreement, nor in any way affect this Agreement.

Section 6.13 Notices:

Notices provided for in this Agreement shall be either hand delivered or sent by certified mail, return receipt requested, postage prepaid, and properly addressed as follows:

If to City: City Manager
 800 Junction Highway
 Kerrville, Texas 78028

With Copy to: City Attorney
800 Junction Highway
Kerrville, Texas 78028

If to Playhouse: President
700 Jefferson Street
Kerrville, Texas 78028

The parties may change the representative or address for delivery of notices from time to time by sending written notices to the other party. All notices shall be in writing and, except as set forth in Section 6.3, above, effective only upon actual receipt.

Section 6.14 Severability:

In case any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal, or unenforceable in any respect, the invalidity, illegality, or unenforceability shall not affect any other provision, and this Agreement shall be considered as if such invalid, illegal, or unenforceable provision had never been included herein.

Section 6.15 No Implied Waiver:

The failure of any party hereto to insist at any time upon the strict performance of any covenant or agreement or to exercise any option, right, power or remedy contained in this Agreement shall not be construed as a waiver or relinquishment thereof for the future. The waiver of redress for any violation of any term, covenant, agreement or condition contained in this Agreement shall not prevent a subsequent act, which would have originally constituted a violation, from having all the force and effect of an original violation. No express waiver shall affect any condition other than the one specified in such waiver and that one only for the time and in the manner specifically stated.

Section 6.16 Force Majeure:

Playhouse and City shall be relieved of their obligation to perform any term or condition of this Agreement, if the performance is prevented by fire, earthquake, flood, acts of God, riot or civil commotions, acts of a superior governmental authority, utility interruptions, or other reason, matter or condition beyond the control of either party (Force Majeure), but only for the duration of the Force Majeure.

Section 6.17 Agreement Administration:

This Agreement shall be administered on behalf of the respective parties by the following representatives of each, who shall meet periodically on matters related to the implementation of this Agreement:

City: The City Manager.

Playhouse: Its President.

Section 6.18 Dispute Resolution:

The parties commit to use best efforts to cooperate and resolve in good faith all issues and disputes which may arise under this Agreement. The parties covenant not to institute litigation against each

other without first submitting the subject thereof to mediation, under reasonable and customary procedures to be agreed to in each instance by the parties. The highest officer or executive officer of each of the parties shall represent that party in the mediation, and shall attend and take part throughout the proceedings, with full authority to settle the matter in controversy, subject in the case of City to City Council approval where required by law. This Section 6.18 shall not be applicable to the resolution of matters specifically described in Section 5.7, above.

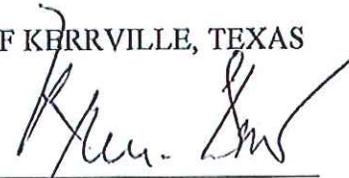
Section 6.19 Entire Agreement:

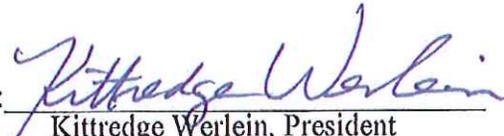
This Agreement embodies the complete agreement of the parties hereto, superseding all oral or written previous and contemporary agreements between the parties that relate to the subject of this Agreement. This Agreement cannot be modified without written agreement of City and Playhouse. Any Exhibits attached to and referred to in this Agreement are incorporated in this Agreement as a part of this Agreement for all purposes.

EXECUTED this 11th day of January, 2000, by City, signing by and through the Mayor, duly authorized to execute same by action of the City Council on January 11, 2000, and by Playhouse, acting through its duly authorized officials.

CITY OF KERRVILLE, TEXAS

PLAYHOUSE 2000, INC.

By: 
Ben R. Low, Mayor

By: 
Kittredge Werlein, President

ATTEST:


Sheila L. Brand, City Clerk

APPROVED AS TO FORM:

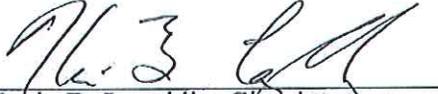

Kevin B. Laughlin, City Attorney

EXHIBIT "A"

Payment Bond

KNOW ALL MEN BY THESE PRESENTS, that _____

of _____
hereinafter called the CONTRACTOR (Principal), and _____

_____ a corporation duly organized and existing under and by virtue of the laws of the State of _____, hereinafter called the SURETY, and authorized to transact business within the State of Texas, as SURETY, are held and firmly bound unto THE CITY OF KERRVILLE, TEXAS, as OWNER-OBLIGEE and PLAYHOUSE 2000, INC., as MANAGER-OBLIGEE in the sum of:

_____ DOLLARS (\$ _____), lawful money of the United States of America, for the payment of which, well and truly be made to the OWNER-OBLIGEE and MANAGER-OBLIGEE, the CONTRACTOR and the SURETY bind themselves and each of their heirs, executors, administrators, successors, and assigns, jointly and severally, firmly by these presents as follows:

THE CONDITION OF THE ABOVE OBLIGATION IS SUCH THAT:

WHEREAS, the CONTRACTOR has executed and entered into a certain Contract hereto attached, with the MANAGER-OBLIGEE, dated _____, 2000, for:

NOW, THEREFORE, if the CONTRACTOR shall promptly make payment to all persons, firms, and corporations furnishing materials, labor, and services used directly or indirectly by the Contractor in the prosecution of the work, as provided in the Contract Documents, and shall pay, jointly, the OWNER-OBLIGEE and MANAGER-OBLIGEE, all loss, damage, expense, costs, including attorneys fees which the OWNER-OBLIGEE and/or MANAGER-OBLIGEE may sustain by reason of failure or default on the part of CONTRACTOR, then this obligation shall be void; otherwise it shall be and remain in full fore and effect.

PROVIDED, HOWEVER, that no final settlement between the OWNER-OBLIGEE and/or MANAGER-OBLIGEE and the CONTRACTOR shall abridge the right of any beneficiary hereunder, whose claim may be unsatisfied.

PROVIDED, FURTHER, that this BOND is executed pursuant to the provisions of Chapter 2253 of the Texas Government Code, as amended and all liabilities of this Bond shall be determined in accordance with the provisions of said Chapter to the same extent as if it were copied at length herein.

Venue for any disputes arising from or in any way related to the performance of the obligations set forth herein shall be in Kerr County, Texas.

IN WITNESS WHEREOF, the above parties bounded together have executed this instrument this _____ day of _____, 2000, the name and corporate seal of each corporate party being hereto affixed and those presents duly signed by its undersigned representative, pursuant to authority of its governing body.

CONTRACTOR

By _____ (Seal)

Attest

SURETY

By _____ (Seal)

Attest

ATTACH POWER OF ATTORNEY

EXHIBIT "B"

PERFORMANCE BOND

KNOW ALL MEN BY THESE PRESENTS, THAT _____
of _____ hereinafter called the CONTRACTOR
(Principal), and _____ a corporation duly organized
and existing under and by virtue of the laws of the State of Texas, hereinafter called the SURETY,
and authorized to transact business within the State of Texas, as SURETY, are held and firmly
bound unto THE CITY OF KERRVILLE, TEXAS as OWNER-OBLIGEE and PLAYHOUSE
2000, INC. as MANAGER-OBLIGEE, in the sum of:

_____ DOLLARS (\$ _____), lawful money of the United States
of America, for the payment of which, well and truly be made to the OWNER, the CONTRACTOR
and the SURETY bind themselves and each of their heirs, executors, administrators, successors, and
assigns, jointly and severally, firmly by these presents as follows:

THE CONDITION OF THE ABOVE OBLIGATION IS SUCH THAT:

WHEREAS, the CONTRACTOR has executed and entered into a certain Contract hereto attached,
with the MANAGER-OBLIGEE, dated _____, 2000, for:

NOW, THEREFORE, if the CONTRACTOR shall in all things perform all the terms and conditions
of the within and foregoing Contract as provided in the Contract Documents to be by such
CONTRACTOR performed, and shall honor all claims for defective work made within ONE year
after the completion and acceptance of the foregoing Contract, and shall jointly pay the OWNER-
OBLIGEE and MANAGER-OBLIGEE, all loss, damage, expense, costs, including attorneys fees
which the OWNER-OBLIGEE and/or MANAGER-OBLIGEE may sustain by reason of failure or
default on the part of CONTRACTOR, then this obligation shall be void; otherwise it shall be and
remain in full force and effect.

PROVIDED, HOWEVER, that this Bond is executed pursuant to the provisions of Chapter 2253
of the Texas Government Code as amended and all liabilities of this Bond shall be determined in
accordance with the provisions of said Chapter to the same extent as if it were copied at length
herein.

PROVIDED, FURTHER, that the SURETY, for value received, hereby stipulates and agrees that
no change, extension of time, alterations, or addition to the terms of the Contract Documents or to
the work to be performed thereunder, shall in any way affect its obligation on this bond, and it does
hereby waive notice of any such change, extension of time, alteration, or addition to the terms of
the Contract Documents.

Venue for any disputes arising from or in any way related to the performance of the obligations set
forth herein shall be in Kerr County, Texas.

IN WITNESS WHEREOF, the above parties bounded together have executed this instrument this
_____ day of _____, 2000, the name and corporate seal of each

corporate party being hereto affixed and those presents duly signed by its undersigned representative, pursuant to authority of its governing body.

CONTRACTOR

By _____ (Seal)
Its: _____ (Title)

Attest

SURETY

By _____ (Seal)
Attorney-in-Fact

ATTACH POWER OF ATTORNEY

FIRST AMENDMENT TO
PERFORMING ARTS CENTER DEVELOPMENT AND OPERATION AGREEMENT

THIS FIRST AMENDMENT TO PERFORMING ARTS CENTER DEVELOPMENT AND OPERATION AGREEMENT ("Agreement") is entered into this 28 day of November, 2000, by and between the CITY OF KERRVILLE, a Texas home rule municipal corporation of Kerr County, Texas ("City"), and PLAYHOUSE 2000, INC., a Texas nonprofit corporation ("Playhouse"), whose principal offices are located in Kerr County, Texas.

RECITALS

WHEREAS, City and Playhouse desire to amend that certain *Performing Arts Center Development and Operation Agreement*, entered January 11, 2000, ("the Agreement") in order to amend provisions of the Agreement that are preventing Playhouse from obtaining the general liability insurance coverage required by the Agreement; and

WHEREAS, City finds that the ability of Playhouse to purchase and maintain general liability insurance is necessary for the protection of health and safety and the preservation of public property;

NOW, THEREFORE, City and Playhouse, in consideration of the mutual covenants, terms and conditions contained in this Agreement, and for other good and valuable consideration, do hereby agree as follows:

1. Section 5.29, Paragraph c. of the Agreement is hereby amended to read in its entirety as follows:
 - c. **City Named Additional Insured; Waiver of Subrogation:** Insurance provided pursuant to Section 5.29.a. shall name City as an additional insured or loss payee as the case may be. In addition, all policies purchased by Playhouse with respect to its operations of this Agreement, regardless of whether or not required by this Agreement, shall be endorsed to contain a waiver of subrogation in favor of the City, including, but not limited to, any policies covering casualty losses to property owned by Playhouse. City agrees to seek a waiver of subrogation endorsement in favor of Playhouse on any fire and casualty coverage owned by City with respect to casualty losses to the Facilities or any of the City Personal Property.
2. The parties hereto acknowledge and agree that the Agreement remains in full force and effect without amendment except as set forth in Section 1, above.

Approved by City Council

Date: Nov 28, 2000

Volume 34 Page 412

Resolution No. 174-2000

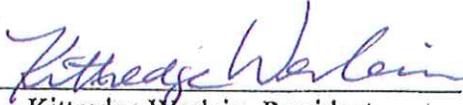
SIGNED AND AGREED, effective this 28th day of November, 2000.

CITY OF KERRVILLE, TEXAS

PLAYHOUSE 2000, INC.

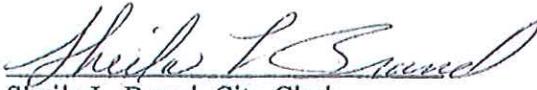
By: 

Stephen P. Fine, Mayor

By: 

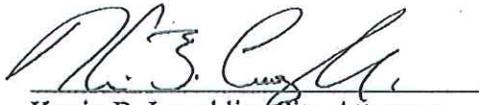
Kittredge Werlein, President

ATTEST:



Sheila L. Brand, City Clerk

APPROVED AS TO FORM:



Kevin B. Laughlin, City Attorney

RECEIVED JUL 31 2000



1999-2002
Board of Directors
Kit Werlein President
Betty Crawford Vice President
Douglas Balentine Secretary Treasurer
Susan Balentine-Tom Terrell-Ann Galland
William E. Dozier Jr.-Joe Herring Jr.-Sandra Chapman

◆ Playhouse 2000 Inc. ◆ P.O. Box 290088 ◆ Kerrville TX ◆ 78029 ◆ Phone ◆ 830-896-9393 ◆

July 27, 2000

Dane Tune
Acting City Manager
800 Junction Highway
Kerrville, TX 78028

Dear Dane,

As you know, under Ss. 5.15 of the contract signed on January 11, 2000 between Playhouse 2000 and the City of Kerrville, Playhouse 2000 has the right to name "all or any portion of the facilities"

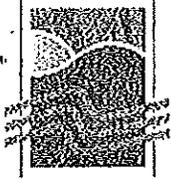
Playhouse 2000 has decided to name the entire complex the "Kathleen C. Cailloux City Center for the Performing Arts". The auditorium will be named the Kathleen C. Cailloux Theatre.

We'll advise you of other "namings" as the project proceeds.

Thank you for your assistance.

Very truly yours,

Kit Werlein
President, Playhouse 2000



City of Kerrville
 800 Junction Hwy.
 Kerrville, TX 78028
 830-257-8000

Building Permit

Permit Number: BP2002-5

Page: 1
 Printed: 1/8/02
 Approved: 1/8/02

Applicant: Faulkner Construction
 3901 S. Lamar
 Austin, Tx 78704

Zoning:
Addition:
 Block: 17,20 Lot(s): 152-156/159-164
Section:
Township:
Range:
Area:

Parcel Number: PARC2002-8
 910 Main St
 Kerrville, TX 78028

Legal Description:

Owner: City Of Kerrville, Playhouse 2000
 910 Main St
 Kerrville, TX 78028

Day:
Fax:

General Contractor: Faulkner Construction
 3901 S. Lamar
 Austin, Tx 78704
 Local License: 198121

Voice: 512-441-1111
Fax:
State License:

Construction Value: \$8,500,000.00 Structure Use: Auditorium Renovation Start Date: 0/0/00
Purpose: Renovation End Date: 0/0/00

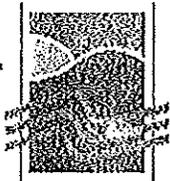
Floor Areas				Impervious Surfaces			
Living Space:	0.00	Basement/Storage:	0.00	House:	0.00	Porch/Walk:	0.00
Garage:	0.00	Porches:	0.00	Garage:	0.00	Other:	0.00
Decks:	0.00	Other:	0.00	Driveways:	0.00	Total:	0.00
		Total Area:	25,000.00				
Site Area:	0.00	Structure Area:	0.00				
		Percentage of Site:					

Setbacks: Front
Setbacks: Rear

No

Separate permits may be required for different phases of work. For instance, different types of work, such as ELECTRICAL, PLUMBING, and MECHANICAL WORK, require a separate permit. Please note, this permit will become null and void of work or construction authorized is not commenced within 6 months or work is suspended or abandoned after a period of one year.

I, or we, profess to be familiar with all ordinances, rules and regulations of the City of Kerrville regulating construction of buildings and premises and agree to abide by the same, and by all lawful decisions of the Building Inspector and the Board of Appeals made with reference to questions arising about work done or to be done, or undertaken under the permit here applied for, should same be issued, and further agree to be responsible for full compliance with same by me or our



City of Kerrville

800 Junction Hwy.

Kerrville, TX 78028

830-257-8000

Building Permit

Permit Number: BP2002-5

Page: 2

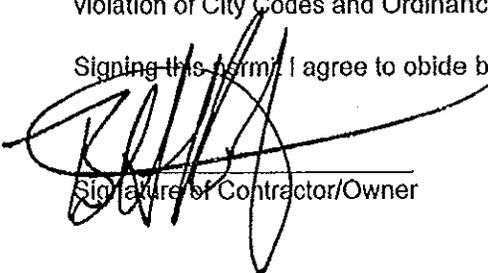
Printed: 1/8/02

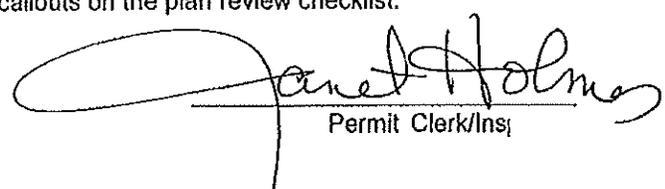
Approved: 1/8/02

employees or associates in such work. The granting of a permit does not presume to give authority to/or cancel the provisions of any State or Local Law.

Occupancy of a building, on which a permit has been issued, prior to the issuance of a Certificate of Occupancy is a violation of City Codes and Ordinances.

Signing this permit I agree to abide by the callouts on the plan review checklist.


Signature of Contractor/Owner


Permit Clerk/Insr

October 30, 2001

Community Foundation of the Texas Hill Country
301 Junction Highway, Suite 345
Kerrville, TX 78028

Attn: Ms. Laura P. Lewis, Executive Director

Dear Ms. Lewis:

Reference is made to the donor-advised fund agreement (the "DAFA"), dated between Kenneth Cailloux, agent and attorney-in-fact for Kathleen C. Cailloux ("Donor") and the Community Foundation of the Texas Hill Country ("TCF") pursuant to which the Donor invested \$2,000,000 in a donor-advised fund (the "Fund") to be held and managed by TCF and distributed in accordance with Donor's requests in accordance with the terms of the DAFA. Reference is also made to the Commitment Letter, addressed to the City of Kerrville (Attn: Kevin Laughlin, City Attorney) from Kenneth Cailloux as Agent and Attorney-in-Fact for Kathleen C. Cailloux, dated October 29, 2001, a copy of which is attached hereto as Exhibit "A".

Pursuant to the DAFA, Donor hereby requests that you distribute sums which, in total will not exceed \$2,000,000 for the last funds required in the construction of the Playhouse 2000 Project (the "Project"), as defined in the Commitment Letter in accordance with the following directions:

1. Prior to your distribution of any amounts pursuant to this request, Playhouse 2000, Inc. shall furnish to you a certification that all other funds given or granted to Playhouse 2000 and required for the construction of the Project have been expended, and that the amounts requested from you will be used only as the last funds required to complete the Project.
2. Funds shall be distributed upon applications by Playhouse 2000, Inc., as required to pay for construction as the work is done by the contractor or contractors. Prior to distributing any such funds, you will submit the relevant application to me for written approval.
3. The required certifications and applications shall be signed by an Officer or agent authorized by resolution of the board of directors of Playhouse 2000, Inc. to take such actions on its behalf. You are authorized to rely on a copy of such a resolution duly certified by the secretary of Playhouse 2000, Inc.
4. All checks issued by you shall be made payable to Playhouse 2000, Inc. and shall be marked for "last construction funds of Playhouse 2000 Project."

5. All amounts remaining in the Fund after all distributions required to satisfy the commitment in the Commitment Letter shall continue to be held by you subject to the terms and conditions of the DAFA.

Please indicate your acceptance of this request by signing in the space provided at the end of this letter.

Yours very truly,



Kenneth Cailloux, as Agent
And Attorney-in-Fact for Kathleen C. Cailloux

Accepted on this ^{30th}~~30~~ day of October, 2001:

The Community Foundation of the Texas Hill Country

By: 

Laura P. Lewis, Executive Director

Cc: Playhouse 2000
City of Kerrville,
Attn: Kevin Laughlin, City Attorney ✓

October 29, 2001

City of Kerrville
800 Junction Hwy.
Kerrville, Texas 78028

Attn: Kevin Laughlin, City Attorney

Re: Playhouse 2000 Project

Dear Mr. Laughlin:

To follow up discussions pertaining to the Playhouse 2000 Project this letter shall confirm that the undersigned has made a gift for the Playhouse 2000 Project to the Community Foundation of the Texas Hill Country, to whom a copy of this letter is being provided in confirmation of its contents, and the donation has resulted in the establishment of a donor advised fund with the Community Foundation of the Texas Hill Country. The Playhouse 2000 Project as referred to herein is the Kathleen C. Cailloux City Center for the Performing Arts and is the renovation and addition to the City auditorium including landscaping, parking and reconstruction and it shall include building and infrastructure. The undersigned further confirms the advice by the undersigned to the Community Foundation of the Texas Hill Country that the gift by the undersigned be used for the Playhouse 2000 Project up to \$2,000,000 for the construction of the Project with the funds to be used as necessary for the construction of such Project and with the funds disbursed upon proper requests for advance for construction costs of the Project and for the last funds for the Project. Such disbursements shall be based upon request by Playhouse 2000, Inc. and shall include certification by Playhouse 2000, Inc. that the requested funds are for the last funds for construction of the Playhouse 2000 Project. The request for specific funding as indicated in this letter should be to the Community Foundation of the Texas Hill Country.

By copy of this letter, the undersigned is requesting that the Community Foundation of the Texas Hill Country acknowledge receipt of the advice of the undersigned and to inform you of such acknowledgement as soon as possible. If there is anything further please so advise.

Very truly yours,


KENNETH CAILLOUX, as Agent
and Attorney-in-Fact for Kathleen C.
Cailloux

cc: Community Foundation of the Texas Hill Country

P.O. Box 291354
Kerrville, Texas 78029-1354

Playhouse 2000
P.O. Box 290088
Kerrville, Texas 78029-0088

January 13, 2003

Received by City Clerk's Office
Date: 1-14-03, Thurs. 4:14 PM
By: Sheila L. Grand

Letter to the File
From Dane L. Tune, Assistant City Manager



This letter is to certify that the city authorized employee began work with Playhouse 2000 on January 13, 2003, as per the contract. The following individuals met on Monday, January 13, 2003, to work out the details: Kit Werlein, Doug Balentine, Josie Reyes, and Dane Tune.

cc: personnel file
Josie Reyes
Kit Werlein
Doug Balentine

Playhouse shall have the sole right to negotiate and execute (in its own name and not the name of City) and perform vendor contracts.

Section 5.19 Payments:

Playhouse shall pay all expenses related to the operation, maintenance, and management of the Facilities, and shall make all debt service payments to its lenders pursuant to the terms of its loan documents. Playhouse shall not enter into any contractual arrangements for services that require more than reasonable and customary compensation.

Section 5.20 Advertising:

Playhouse shall be responsible for the sale of all commercial advertising in the Auditorium. The term of advertising contracts shall not exceed five (5) years, unless this requirement is waived by City in writing. The form and content of the advertising shall not, in the opinion of City, be in bad taste or inappropriate for the viewing or hearing of children or minors, or would reflect negatively upon the City of Kerrville. If so, Playhouse shall promptly remove, or have removed, the advertising from the Auditorium.

Section 5.21 Hotel Occupancy Tax Request:

Playhouse may, from time to time, apply to City for funds collected by City pursuant to the levy of the hotel occupancy tax in accordance with City's established policy for distribution of such funds, as such policy may change from time to time, said funds to be used in accordance with a separate contract with City and in compliance with applicable state law.

Section 5.22 Direct City Support:

In consideration of the uses without charge described in Section 5.8, 5.9, and 5.10, City agrees as follows:

- a. to pay all costs of utilities used in the operation of the Facilities during the Preliminary Phase;
- b. to pay one-half of the costs of utilities used in the operation of the Facilities during the Construction Phase and the Management Phase;
- c. to purchase and maintain fire and casualty insurance on the Facilities and the City Personal Property during the term of this Agreement;
- d. to maintain all parking lots and related drives and roadways located on the Property during the term of this Agreement.

For purposes of this Section 5.22, "utilities" shall only include water, sanitary sewer, gas, and electricity.

Section 5.23 Assignment of City Employee:

Commencing with the Management Phase, and for five years thereafter, City agrees to:

a. Assign the person employed by City as Auditorium Manager to assist Playhouse in the management and operation of the Facilities; or

b. Pay Playhouse the amount of \$2,500.00 per month, said funds to be used solely to pay the salary and/or benefits of an Auditorium Manager employed by Playhouse.

Section 5.24 Non-Appropriations:

Playhouse understands and acknowledges that City is required by law to pay all obligations from current funds appropriated in accordance with the adoption of City's annual budget. Consequently, notwithstanding, the provisions of Section 5.22 and 5.23, above, City shall have no obligation or liability pursuant to Section 5.22 and 5.23 beyond the end of any fiscal year if City fails to appropriate funds to pay for such obligations in the immediately subsequent fiscal year. In the event City fails in any fiscal year to appropriate sufficient funds for the purpose set forth in Sections 5.22 or 5.23, above, Playhouse may, not earlier than thirty days after providing written notice to City:

a. terminate this Agreement in its entirety; or

b. terminate Playhouse's obligation to provide use of the Facilities without charge in accordance with Section 5.8 and 5.10, above.

Section 5.25 Operating Reserve Fund:

Playhouse shall establish an operating reserve fund in an amount reasonably determined by the Playhouse to assure the financial stability of the Auditorium operations and shall also use its best efforts to raise contributions from year to year in order to augment such fund.

Section 5.26 Records and Audits:

Playhouse shall keep and maintain complete and accurate records for the Facilities and for Playhouse, separate and identifiable from its other records, for three years following the last day of the fiscal year during which the record was generated. City shall be entitled to inspect the records during the term of this Agreement and for three years thereafter at Playhouse's office upon not less than 24 hours notice and at all reasonable times.

Section 5.27 City Improvements:

With the prior consent of Playhouse, which shall not be unreasonably withheld or delayed, City may construct any additions to the Facilities, unless:

a. the construction or the additions would unreasonably interfere with Playhouse events; or

b. the additions would adversely affect the structural integrity, size, utility, or value of the Facilities.

Section 5.28 Playhouse Improvements:

Playhouse shall have the right and obligation, at its sole cost, to make additions and improvements to the Facilities if:

SECOND AMENDMENT TO THE
PERFORMING ARTS CENTER DEVELOPMENT AND OPERATION AGREEMENT

THIS SECOND AMENDMENT TO THE PERFORMING ARTS CENTER DEVELOPMENT AND OPERATION AGREEMENT ("Agreement") is entered into this 21st day of June, 2008, by and between the CITY OF KERRVILLE, a Texas home rule municipal corporation of Kerr County, Texas ("City"), and PLAYHOUSE 2000, INC., a Texas nonprofit corporation ("Playhouse"), whose principal offices are located in Kerr County, Texas.

RECITALS

WHEREAS, City and Playhouse desire to amend that certain Performing Arts Center Development and Operation Agreement ("the Agreement"), entered into on January 11, 2000, in order to amend Section 5.23, Assignment of City Employee, for an additional five-year period; and

NOW, THEREFORE, City and Playhouse, in consideration of the mutual covenants, terms and conditions contained in this Agreement, and for other good and valuable consideration, do hereby agree as follows:

1. Section 5.23 of the Agreement is amended to read in its entirety as follows:
"Section 5.23, Assignment of City Employee: Commencing with the Management Phase and until the close of business on September 30, 2013, the City agrees to:"
2. The parties hereto acknowledge and agree that the Agreement remains in full force and effect except as set forth in Section 1, above.

SIGNED AND AGREED:

CITY OF KERRVILLE, TEXAS

PLAYHOUSE 2000, INC.

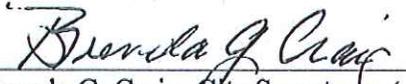
By: 

Todd A. Bock, Mayor

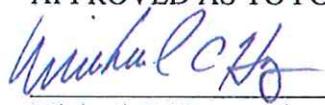
By: 

Kittredge Werlein, President

ATTEST:


Brenda G. Craig, City Secretary

APPROVED AS TO FORM:


Michael C. Hayes, City Attorney

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Approved by City Council
Date: June 24, 2008
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C2000-00

**TO BE CONSIDERED BY THE CITY COUNCIL
CITY OF KERRVILLE, TEXAS**

SUBJECT: Update on ETJ Platting and Interlocal Agreement

FOR AGENDA OF: May 11, 2010 **DATE SUBMITTED:** May 4, 2010

SUBMITTED BY: Kevin Coleman, Director of Development Services 

CLEARANCES: Kristine Ondrias, Assistant City Manager 

EXHIBITS:

AGENDA MAILED TO:

APPROVED FOR SUBMITTAL BY CITY MANAGER: 

Expenditure Required:	Current Balance in Account:	Amount Budgeted:	Account Number:
\$	\$	\$	

PAYMENT TO BE MADE TO:

REVIEWED BY THE FINANCE DEPARTMENT:

BACKGROUND

At its March 23rd meeting, the City Council discussed a variety of issues related to the agreement between the City and the County regarding platting and development standards in the City's Extraterritorial Jurisdiction.

At the completion of that discussion, the City Council directed the City Manager to forward a draft Interlocal Agreement and a draft set of blended development standards, adding language that assures conformance with minimum standards for water supply and wastewater services under TAC 634 Subchapter C. That agreement and the amended standards were sent to the Kerr County Commissioners' Court on March, 29th.

No formal response has been received from the County to date.

The Commissioners' Court meets on Monday, May 10. Should that meeting result in any response from the Commissioners' Court, that information will be presented to the City Council under this agenda item.

RECOMMENDED ACTION

Discuss and provide direction on an Interlocal Agreement regarding ETJ platting.

**TO BE CONSIDERED BY THE CITY COUNCIL
CITY OF KERRVILLE, TEXAS**

SUBJECT: Kerrville Budget/Economic Update

FOR AGENDA OF: May 11, 2010

DATE SUBMITTED: April 30, 2010

SUBMITTED BY: Mike Erwin *ME*
Director of Finance

CLEARANCES: Todd Parton
City Manager

EXHIBITS: Economic Update
AGENDA MAILED TO:

APPROVED FOR SUBMITTAL BY CITY MANAGER: *TP*

Expenditure Required:	Current Balance in Account:	Amount Budgeted:	Account Number:
\$	\$	\$	

PAYMENT TO BE MADE TO:

REVIEWED BY THE DIRECTOR OR FINANCE:

SUMMARY STATEMENT

The City of Kerrville staff will present and update Council on a biweekly basis as to the status of the City's budget and current economic trends affecting the City.

RECOMMENDED ACTION

No action required information purposes only.

**CITY OF KERRVILLE
ECONOMIC UPDATE AS OF MAY 5, 2010**

	Current Month	Previous Month	1 Year Ago	Trend	Current Month
National					
Unemployment	9.70%	9.70%	8.60%	↔	March
Consumer Confidence	57.9	52.3	39.2	↑	April
1 year T-Bills	0.38%	0.44%	0.52%	↓	5/5/10

State					
Monthly Unemployment	8.20%	8.20%	7.00%	↔	March
Monthly Sales Tax	\$1,458.9m	\$1,595.2m	\$1,582.0m	↓	March

Local					
Monthly Unemployment (Kerr Co.)	6.10%	6.00%	5.50%	↑	March
Median Listing Price	\$187,500	\$185,000	\$197,000	↔	4/21/10
Monthly Sales Tax	\$320,921	\$326,272	\$519,723	↑	April
Monthly EIC Tax	\$160,461	\$163,136	\$259,862	↑	April
Monthly HOT	\$81,142	\$43,821	\$68,058	↑	April

	FY10 Budget	FY10 YTD	FY10 % Received	FY09 YTD	FY09 % Received
General Fund					
Tax Revenue	\$15,055,218	\$11,160,020	74.13%	\$11,589,111	73.85%
Property Tax	\$8,468,618	\$7,813,962	92.27%	\$7,621,781	92.49%
Sales Tax	\$4,624,000	\$2,541,347	54.96%	\$3,012,356	58.79%
Permits & Fees	\$370,750	\$194,458	52.45%	\$250,913	57.91%
Intergovernmental	\$695,156	\$416,832	59.96%	\$560,510	67.17%
Service Revenues	\$3,311,183	\$1,570,106	47.42%	\$1,940,484	59.16%
Grant Revenue	\$10,000	\$10,525	105.25%	\$32,157	105.19%
Fines & Forfeitures	\$504,510	\$293,976	58.27%	\$281,327	65.55%
Interest & Misc.	\$460,211	\$330,062	71.72%	\$218,966	46.04%
Transfers In	\$1,260,825	\$783,943	62.18%	\$501,320	56.55%
Total General Fund	\$21,667,853	\$14,759,922	68.12%	\$15,374,787	69.69%

Water/Sewer Fund					
Water Sales	\$5,060,000	\$2,223,092	43.93%	\$2,658,142	58.24%
Sewer Sales	\$3,900,000	\$2,154,183	55.24%	\$1,964,345	55.40%
Other Revenue	\$669,500	\$483,281	72.19%	\$467,246	64.86%
Total Water & Sewer Fund	\$9,629,500	\$4,860,555	50.48%	\$5,089,733	57.64%