

CITY COUNCIL MINUTES  
SPECIAL BUDGET MEETING

KERRVILLE, TEXAS  
JUNE 21, 2010

On June 21, 2010, the Kerrville City Council special budget meeting was called to order by Mayor Wampler at 9:00 a.m. in the city hall council chambers, 800 Junction Highway.

MEMBERS PRESENT:

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

MEMBER ABSENT: None

STAFF PRESENT:

Todd Parton	City Manager
Kristine Ondrias	Assistant City Manager
Brenda G. Craig	City Secretary
Travis Cochrane	Director of Information Technology
Kevin Coleman	Director of Development Services
Mindy Wendele	Director of Business Programs
Charlie Hastings	Director of Public Works
Mike Erwin	Director of Finance
Tara LaMontia	Assistant to the City Manager
John Young	Police Chief
Robert Ojeda	Fire Chief
Sandra Yarbrough	Asst. Director of Finance
Antonio Martinez	Director of Library Services
Kim Meismer	Director of General Operations
Malcolm Matthews	Director of Parks and Recreation
Mike Wellborn	City Engineer
Mark Beavers	Asst. Fire Chief

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

**DIRECTION TO CITY STAFF FOR PREPARATION OF THE CITY OF KERRVILLE  
FY11 BUDGET:**

Mr. Parton discussed the economic challenges of the FY11 budget and the assumptions on which staff planned to prepare a budget. He noted that the Government Finance Officers Association recommended cities maintain a reserve fund equivalent to three months of operating expenditures or 25% of the total annual budget. The target set in the city's financial policy was 5%, which equated to \$1.5-1.7 million. The city had been depleting the reserve fund to balance the budget for several years, and the reserve fund currently had a balance sufficient to meet only 1.5 months.

Mr. Parton noted revenue projections were based on a flat tax roll; decrease in sales tax (\$4.5 million estimate); and a flat or decrease in franchise fees. A \$0.01 increase in ad valorem tax would only yield about \$120,000.

Mr. Parton reviewed staff's assumptions and proposed budget reductions in the general fund on which the FY11 budget would be prepared, including:

- Maintain the current tax rate of \$0.5625.
- No use of reserve funds.
- 14.78% reduction in expenditures, including 18 positions in the general fund.
- Modifications to retirement plan: cut \$460,000, resulting in no cost of living adjustment for retired employees and no updated service credits for current employees.
- Modifications to employees' medical plan: reduced the plan from \$8,950 to \$7,800 per employee resulting in a reduction of \$360,000.
- Reduced operations support: training, professional development, office supplies, food.
- Reduced capital expenditures to \$150,000.
- There would not be any allocations to other individual funds, i.e. airport, golf.
- No general fund debt issuance would be proposed by staff. The current debt payment was \$1.2 million annually.
- Did not propose to fund any merit, cola or step increases.
- Deferred capital replacement items.

Department directors presented their proposed budget reductions and the expected impact on services.

The following points and concerns were also discussed by the council:

- Reduction in police force could impact officer safety and call response time.
- Fire/EMS/Police staffing, training, equipment, and personnel safety should be priority.
- The city provided fire and EMS service on a county-wide basis for a 1,100 square mile area; 24% of the city fire/EMS calls were in the county; the city's FY10 budget was \$4 million; this equated to the city providing \$1 million outlay in exchange for only \$180,000 revenue from the county. By providing this service, the city subsidized the county at a cost that equated to \$0.10 on the city tax rate.
- Staff should use city vehicles and reduce the vehicle allowance for private vehicles in all departments.
- Did the city recover funds spent on abatement of unsafe structures? Mr. Coleman stated a lien was placed on a property and the city recovered the funds upon transfer of ownership.
- Staff should investigate more efficient street lighting. Mr. Hastings noted he was investigating potential grants to purchase and install LED lighting.
- Suggested contacting the Friends to volunteer to keep the library open on Sundays.
- The FY11 budget contained only \$150,000 for capital projects.
- Councilmembers could individually volunteer to decline their \$25 per meeting salary.
- Did a lower fund balance affect the city's bond rating? Mr. Parton noted it was part of

the city's overall credit worthiness, which also included: economic sustainability, maintaining a constant revenue stream, capital depreciation, and maintaining infrastructure. The debt service ratio was low with regard to the city's overall financial condition.

-No draw down on the reserve fund; replenishing the reserve fund was a priority.

Mr. Parton asked if the council approved staff's direction in the budget preparation as discussed, particularly with regard to the staff reductions. He noted that he advised employees whose positions had been targeted of the potential reduction in workforce. Some councilmembers stated the decision regarding staff reductions was the city manager's call. Mayor Wampler stated it was the city council's responsibility to adopt the budget and personnel was a large part of the budget; he supported the personnel cuts as recommended by the city manager. Cuts in the city budget such as capital projects, operating expenses, employee health insurance and retirement benefits were all made in order to save as many staff positions as possible.

Mr. Parton noted if economy did not improve, further cuts would have to be considered and gave the following possibilities:

-75% of the longevity line item was in the general fund. Statutorily, the city had to fund longevity for police and fire employees; it was a policy decision in the past to fund longevity to all city employees equally, but the city was not legally required to provide longevity to other city employees. Eliminating longevity to non-fire and non-police employees could result in a possible cost savings of \$40,000.

-Could begin mandatory employee furloughs; saving approximately \$75,000.

-Additional staff reductions.

Mr. Parton noted staff had compiled a list of core services to identify key basic operations and things necessary to operate the city; 92% of city service activity was core. The FY11 budget would be cutting into core services.

**BUDGET WORKSHOP SCHEDULE:**

The following schedule was set by council consensus: July 19 at 9:00 a.m.; July 27, 4:30 p.m., and 9:00 a.m. on August 9, 17, and 31 (if needed). The FY11 budget would be adopted on second reading on September 28.

**ADJOURNMENT.** The meeting adjourned at 12:09 p.m.

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

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David Wampler, Mayor

ATTEST:

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Brenda G. Craig, City Secretary