

AGENDA FOR REGULAR MEETING

KERRVILLE CITY COUNCIL

TUESDAY, AUGUST 12, 2014, 6:00 P.M.

KERRVILLE CITY HALL COUNCIL CHAMBERS

701 MAIN STREET, KERRVILLE, TEXAS

KERRVILLE CITY COUNCIL AGENDA
REGULAR MEETING, TUESDAY, AUGUST 12, 2014, 6:00 P.M.
CITY HALL COUNCIL CHAMBERS
701 MAIN STREET, KERRVILLE, TEXAS

CALL TO ORDER

INVOCATION by Linda Harper, President of Aglow International.

PLEDGE OF ALLEGIANCE TO THE FLAG

Those in attendance may stand if they wish.

1. VISITORS/CITIZENS FORUM:

Any citizen with business not scheduled on the agenda may speak to the City Council. Prior to speaking, each speaker must fill out the speaker request form and give it to the City Secretary. City Council may not discuss or take any action on an item but may place the issue on a future agenda. The number of speakers will be limited to the first ten speakers and each speaker is limited to four minutes.

2. PRESENTATIONS AND RECOGNITIONS:

2A. Upper Guadalupe River Authority appreciation of the City of Kerrville for contributions to the 11th Annual River Clean Up. (Tara Bushnoe, UGRA)

2B. Recognition of Jeff Wendling's career in service to the citizens of the City of Kerrville and the State of Texas. (Mayor Pratt)

3. CONSENT AGENDA:

These items are considered routine and can be approved in one motion unless a Councilmember asks for separate consideration of an item. It is recommended that City Council approve the following items which will grant the Mayor or City Manager the authority to take all actions necessary for each approval:

3A. Minutes of the Employee Benefits Trust meeting held July 22, 2014, and City Council special meeting held July 11, 2014. (staff)

The facility is wheelchair accessible and accessible parking spaces are available. Requests for accommodations or interpretive services must be made 48 hours prior to this event. Please contact the City Secretary's Office at 830-258-1117 for further information.

I do hereby certify that this notice of meeting was posted on the bulletin board at the city hall of the city of Kerrville, Texas, and said notice was posted on the following date and time, August 8, 2014 at 5:00 p.m. and remained posted continuously for at least 72 hours preceding the scheduled time of the meeting.

Cheryl Brown
Deputy City Secretary, City of Kerrville, Texas

3B. Resolution No. 24-2014 finding that proposed rules by the Texas Railroad Commission are against the public interest and would harm the City's ability to protect local gas utility customers; and authorizing the Mayor and City Manager to take action to challenge the proposed rules. (staff)

3C. Contract with Texas Scenic Company, Inc. for the Cailloux Theater lighting project in an amount not to exceed \$102,870.00. (staff)

3D. Brokerage agreement for the sale of 800 Junction Highway (former City Hall site). (staff)

3E. Professional Services Agreement with LNV Engineering for preliminary assessment for the expansion of the City's landfill. (staff)

END OF CONSENT AGENDA

4. ORDINANCE, FIRST READING

4A. Ordinance No. 2014-17 amending the budget for Fiscal Year 2014 by allocating revenue from the City's collection of Hotel Occupancy Tax for the cost of an advertising sign for use by the Convention and Visitors Bureau and allocating unanticipated revenue for the purchase of a street sweeper. (staff)

5. CONSIDERATION AND POSSIBLE ACTION:

5A. Resolution No. 21-2014 providing for the City's approval or disapproval of the Kerr Central Appraisal District's fiscal year 2015 budget. (staff)

5B. Resolution No. 23-2014 setting forth the Ad Valorem (property) Tax Rate to be considered for adoption for the 2014 tax year; calling two public hearings prior to the adoption of said rate; and calling a public hearing prior to the adoption of the fiscal year 2015 budget as required by both the City's Charter and State Law. (staff)

5C. City of Kerrville fiscal year 2015 budget. (staff)

5D. Kerr County proposal for joint funding of Kerr County Environmental Services Department and full library services. (staff)

5E. Phase 1 of the Community Branding project. (staff)

6. ITEMS FOR FUTURE AGENDAS

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Cheryl Brown
Deputy City Secretary, City of Kerrville, Texas

7. ANNOUNCEMENTS OF COMMUNITY INTEREST:

Announcement of items of community interest, including expressions of thanks, congratulations, or condolences; information regarding holiday schedules; honorary recognitions of City officials, employees, or other citizens; reminders about upcoming events sponsored by the City or other entity that is scheduled to be attended by City officials or employees; and announcements involving imminent threats to the public health and safety of the City. No action will be taken.

8. EXECUTIVE SESSION:

City Council may, as permitted by law, adjourn into executive session at any time to discuss any matter listed above including if they meet the qualifications in 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, including the following matters:

Sections 551.071 and 551.072:

Discuss the purchase, exchange, lease, sale, or value of real property, the public discussion of which would not be in the best interests of the City's bargaining position with third parties, regarding property interests related to the following:

- River trail.

9. ACTION ON ITEMS DISCUSSED IN EXECUTIVE SESSION

10. ADJOURNMENT.

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I do hereby certify that this notice of meeting was posted on the bulletin board at the city hall of the city of Kerrville, Texas, and said notice was posted on the following date and time, August 8, 2014 at 5:00 p.m. and remained posted continuously for at least 72 hours preceding the scheduled time of the meeting.

Cheryl Brown
Deputy City Secretary, City of Kerrville, Texas

Agenda Item:

2A. Upper Guadalupe River Authority appreciation of the City of Kerrville for contributions to the 11th Annual River Clean Up. (Tara Bushnoe, UGRA).

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

SUBJECT OF REQUEST: Acknowledgement of the City of Kerrville contribution to the success of the 11th Annual River Clean Up.

AGENDA DATE: August 12, 2014

DATE SUBMITTED: 7/28/14

REQUESTED/SUBMITTED BY: Tara Bushnoe

PHONE: 830-896-5445

ORGANIZATION REPRESENTING: Upper Guadalupe River Authority

MAILING ADDRESS: 125 Lehmann Drive, Suite 100, Kerrville, Texas 78028

EMAIL ADDRESS: tbushnoe@ugra.org

EXHIBITS/INFORMATION:

APPROVED FOR SUBMITTAL BY CITY MANAGER:

**WILL THIS ITEM REQUIRE CITY COUNCIL TO AUTHORIZE THE
EXPENDITURE OF CITY FUNDS?**

YES: _____

NO: X _____

IF YES, STATE AMOUNT REQUESTED: \$ _____

DESCRIPTION OF REQUEST

Tara Bushnoe, Natural Resources Coordinator, would like to thank the City Council for the contributions that the City of Kerrville made towards the success of the 11th Annual River Clean Up held on July 26, 2014.

RECOMMENDED COUNCIL ACTION

Agenda Item:

2B. Recognition of Jeff Wendling's career in service to the citizens of the City of Kerrville and the State of Texas (Mayor Pratt)



City of Kerrville

701 MAIN STREET • KERRVILLE, TEXAS 78028 • 830.257.8000 • KERRVILLETX.GOV

RECOGNITION

- WHEREAS,** Jeffrey Wendling began his career in service to the citizens of the State of Texas when he earned his Bachelor of Science Degree in Criminal Justice/Law Enforcement in 1971; and
- WHEREAS,** He worked with the Drug Enforcement Administration for 32 years; and
- WHEREAS,** He has also served with the US Customs Agency, Internal Revenue Service, and the US Marshals Office; and
- WHEREAS,** In 2005 he began working with the City of Kerrville as a police officer and moved through the ranks to retire as a Captain in 2012; and
- WHEREAS,** Jeffrey Wendling has continue his interest in law enforcement by being a member of the International Association of Chiefs of Police, International Narcotics Enforcement Officers Association, and the Texas Narcotics Officers Association; and
- WHEREAS,** The Alamo Area of Council on Government, (AACOG), has benefited from his experience in law enforcement by serving on the Governments' Emergency Action Committee from 2008 through 2014; and
- WHEREAS,** He is continuing his outstanding service to the community by serving as Public Safety Coordinator for AACOG,

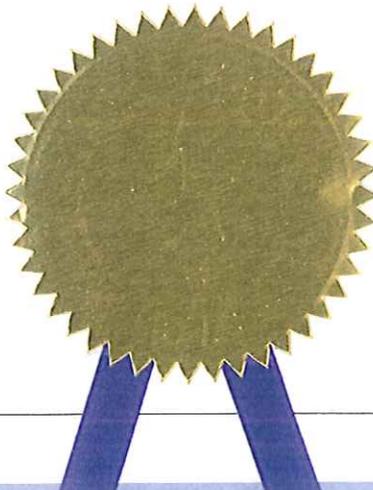
NOW THEREFORE, I, Jack Pratt, Jr., Mayor of the City of Kerrville, Texas, do hereby recognize

JEFFREY WENDLING

for his years of unselfish service to the citizens of the City of Kerrville, and to the State of Texas.

IN WITNESS WHEREOF, I have hereunto set my hand and caused the Seal of the City of Kerrville to be affixed hereto, the _____ day of _____, 2014.

Jack Pratt, Jr., Mayor



Agenda Item:

3A. Minutes of the Employee Benefits Trust meeting held July 22, 2014, and the City Council special meeting held July 11, 2014. (staff)

CITY COUNCIL MINUTES
SPECIAL MEETING

KERRVILLE, TEXAS
JULY 11, 2014

On July 11, 2014, at 2:11 p.m. the Kerrville City Council attended a hearing of the Kerr Central Appraisal District (KCAD) Appraisal Review Board (ARB) pursuant to Section 41.05 of the Texas Tax Code, held at the Upper Guadalupe River Authority Lecture Hall at 125 Lehmann Drive, Kerrville, Texas.

COUNCILMEMBERS PRESENT:

Jack Pratt	Mayor
Stacie Keeble	Councilmember
Gary Stork	Councilmember

COUNCILMEMBERS ABSENT:

Carson Conklin	Mayor Pro Tem
Gene Allen	Councilmember

CITY EXECUTIVE STAFF PRESENT:

Todd Parton	City Manager
Mike Hayes	City Attorney
Brenda G. Craig	City Secretary
Ashlea Boyle	Special Projects Manager
Sandra Yarbrough	Director of Finance
Amy Dozier	Assistant Director of Finance

MEMBERS OF THE APPRAISAL REVIEW BOARD PRESENT:

Charles Torti, Chairman
John Higbie
William Rich
Charles Whittier
Milton Morse
Judith Hargrove, ARB Attorney

Mr. Torti called the meeting to order and noted the purpose was to hear evidence on the challenge petition by the City of Kerrville on the level of appraisals of a category of property, specifically the market value that KCAD placed on commercial property in the city, particularly in the downtown area.

Persons presenting evidence to the ARB were sworn in:

City of Kerrville: Jack Pratt, Mayor; and Todd Parton, City Manager; both acknowledged they were not licensed and did not hold a certificate from the Texas Appraisals, Licensing and Certification Board.

Kerr Central Appraisal District: P.H. "Fourth" Coates, KCAD Chief Appraiser; Gary Zigler, Eagle Appraisal and Consulting; Peter Lowe, KCAD General Counsel; and Michael Folmer, KCAD senior appraiser. All except Mr. Lowe confirmed they did hold a certificate from the Texas Appraisals, Licensing and Certification Board.

Mr. Torti asked if any member of the ARB had discussed the challenge with anyone presenting evidence; all ARB members responded no. Affidavits were signed by all sworn persons and provided to the secretary of the ARB.

Mr. Torti noted the ARB was a quasi-judicial board independent from and not part of or beholden to KCAD or any taxing entity. The ARB would hear evidence from all parties regarding appraisal of commercial properties within the area. After presentation of all evidence, the ARB would make its ruling. Under the Tax Code the city must demonstrate evidence that the appraisal ratio of the representative properties in the challenge category were not correct; KCAD must demonstrate evidence that representative properties in the challenge category were correct. Mr. Torti asked the city to better identify the properties in question; Mayor Pratt noted all commercial property county wide.

Mayor Pratt noted the appraisals in question affected 16 taxing entities. This unprecedented challenge by the city was taken out of concern for its citizens and the economic viability of the community based on the following:

- KCAD commercial appraisals for 2014 were significantly higher than 2013.
- The appraisal process for 2014 did not accurately reflect Kerrville's local conditions and economic factors.
- Results of the appraisal method were detrimental to Kerrville's economic growth.
- The economic impact would delay Kerrville's recessionary period recovery.
- No apparent consistent, fair and equitable methodology was used. The methodology used was not in the best interest of commercial and residential customers and was not fair, equitable or consistent.

Mayor Pratt noted the city's budget was not based on a tax rate but on a tax levy.

Mr. Parton noted the increased appraisals were not consistent with factors in the community. He presented data on historical appraisals from 2006-2014 and noted the 2014 commercial appraisals represented the most significant fluctuation in appraised values. 2014 land appraisals increased 15.2% over 2013; increases back to 2006 ranged from -0.7% to 5.3%; 2014 improvement appraisals increased 10.7% over 2013; and increases 2006-2013 ranged from -3.0% to 7.0%. The strongest economic conditions were in 2007-2008. A random sample of 30 commercial properties indicated that from 2013 to 2014, 18 properties increased over 30%; 7 properties increased over 70%; and the average increase in structure/improvement was 40%; the average increase in land value was 35%; the average increase in total valuation was 39%. Economic conditions indicated rental rates were flat with 95 storefront vacancies documented for 55 commercial properties, and property sales were flat for several years with very few transactions for comparative pricing and benchmarking. He also provided evidence that the rate of increase on property value was contrary to market conditions, citing low CPI indices and low 10-year T-bill return rates over the past several years. Due to the lack of local market information, Mr. Parton proposed developing a mechanism to

establish appraisals based on a cost basis approach that would establish the cost to replace improvements less depreciation.

The Marshall & Swift (M&S) procedure was a commonly accepted method of appraisal. M&S used a regional modifier to adjust for market specific conditions, for example, San Antonio was used as the regional multiplier for Kerr County, and additional local factors were used for local market specific conditions. 14 total sales were used: 7 sales between 6-1-99 and 5-2-06; 6 sales between 6-26-08 and 11-15-11; and 1 sale from 9-18-13, which was accidentally reported as a property sale in the amount of \$650,000, but was actually property converted from condominiums to commercial property by the owner and no sale or transaction took place. Mr. Parton opined that M&S results were not a true reflection of local commercial property for the following reasons: lack of property sales data to compare; "soft" data with regard to commercial land value as there was not a high demand pushing values; property income had not increased for several years; an excess supply (vacant properties) of commercial property; and modest increases in sales prices over the past several years.

Mayor Pratt quoted from an independent appraisal made in August 2010, "Vacancies and collection loss of buildings of this type appear to be fairly low mainly as a result of the downtown location and more limited availability coupled with the speculation and new plans for the former hospital when vacancies become available; however, the Kerrville office market was somewhat sluggish to absorb the vacancies." Appraisal methods failed to accurately model 2013-2014 commercial market conditions for Kerrville and Kerr County; rental rates were consistent over the past ten years; significant vacancies existed for rental properties; sales and asking prices had been flat over the past ten years; and data used to calculate replacement costs was not current and was significantly flawed. He requested that commercial properties be reappraised using a method that was consistent, fair, equitable and accurately reflected local economic conditions. A market analysis should reflect market supply and demand and be based on current market activities including sales of commercial property, new construction, new leases, lease rates, absorption rates, vacancies, allowable expenses inclusive of replacement reserves, expense ratio trends, and capitalization rates.

Mr. Parton compared a strip center in Round Rock, Texas to the center at 819 Water Street and opined that KCAD was appraising local values at higher value than the market would generate.

Mr. Coates noted the State Comptroller's Office prepared property value studies every other year as the values affect state funding for local school districts. He presented the property value study of the city as prepared by the state comptroller from 2007-2013 and noted commercial property was undervalued in the past; the median level for commercial property had not been appraised at 100% ratio since 2007. The current commercial value study prepared by the State Comptroller's Office indicated that in 2013 commercial property was at

95.72% and in 2014 the weighted mean ratio for commercial property was 91.18% (all), 84.72% (city), and 80.59% (downtown), which was 19.5% low. The ratio of appraised sq. ft. was 86.67% (all) 79.0% (city), and 76.89% (downtown).

Mr. Folmer noted the CPI and economic indicators mentioned by the city were not part of the appraisal process. The challenge had to be based on the level of appraisal; the percentage in relation to the 100% of that category; or the appraised property assessment evaluation. The state dictated the uniform appraisal measures such as established by International Association of Assessing Officers Standards, which states in Standard 6, Mass Appraisals, that the measure of appraisal level was calculated statistically measuring the central tendency, which described the typical level of appraisals by single number of statistics which would be either the mean, median, or weighted mean; Texas uses the weighted mean.

Mr. Folmer, compared the sales price/appraised price of commercial properties in Kerr County: \$86.12 sq.ft./\$72.05/sq.ft. (all); \$92.68/\$73.15 sq.ft. (city); \$73.65 sq.ft./\$56.63 sq.ft. (downtown). The ratio of selling price to appraised price for commercial property was 86.67% (all); 79.0% (in city); and 76.89% (downtown). He compared current listings of 50 commercial properties and KCAD appraisals were still low. A comparison of the appraised value of residential property to commercial property indicated residential at 99.93% and commercial property at 94.08% (all); 84.13% (in city); 81.11% (downtown). Sales were not increasing but were declining; only one property was valued at or above 100%. He also noted that the downtown area was comprised of about 82-100 properties; only 16 were under protest. The economic indicators used by the city may be correct but where was the market? If a reappraisal was done, where would appraisals go?

Mr. Zigler noted the Property Tax Code mandated that property be appraised at market value, which was 100%, and to be fair and equitable. M&S is a standardized schedule based on standard characteristics such as type of building, square footage, category, and construction style, etc. The city said M&S did not represent city properties fairly because the modifiers were calculated for San Antonio; M&S was a national replacement schedule, which used the San Antonio factor and the sales from the Kerrville area. Property sales information is not readily available in Texas because of privacy laws; however, they used information they could get and then calculated in a local factor designed specifically for KCAD. There were three approaches to appraise values: 1) income received on commercial property; 2) market-based, used when information on all variables and variations was available on many sales; and 3) cost, which was the most effective, consistent, fairest, and equitable method to appraise commercial property. He further stated that every year stands independent of other years; one year does not affect another year. It was illegal to make a deal on next year's value and such would result in a fine. In his opinion, KCAD appraisals were approaching market value, but had not surpassed market value.

Mr. Coates asked the ARB to look at the ratio studies and hard data presented, the value studies prepared by the comptroller, and the standards that governed KCAD. He noted that he had never seen a challenge petition from a taxing entity, but he understood the city's concerns, but he did not feel like KCAD was treating downtown unfairly; KCAD was trying to treat all taxpayers and all categories of property fairly and equitably. Several representatives of taxing entities were present at the meeting, and they were concerned because they had tax rates to set and deadlines; he wanted to move forward and certify the values and get entities their rolls so they could set tax rates and budgets. The data presented was accurate and the ARB should move forward.

Mr. Folmer noted individuals should follow the process established under the law to protest their appraisals to KCAD and then to the ARB; none of the downtown property owners had gone through that process; he encouraged the ARB to support the process in place.

Mr. Stork noted the information presented by the city did not show any sales of commercial property in several years; he asked where the sales came from that were used in KCAD's sales rate. Mr. Folmer responded that sales came from about 50 commercial properties that sold in the county since 2010; the majority of commercial property was in the city. The property for sale listing was not used; however, it was an indication of what the property could bring.

Mr. Parton understood the MLS (Multiple Listing Service) was used as a gauge of what the property value could be; however, KCAD did not consider how many days the property was on the market. MLS stated what the seller wanted for the property and not the actual purchase price; therefore, MLS was not an accurate reflection of economic conditions and should not be used to establish value. KCAD representatives had identified the process used for mass appraisals and using M&S as the basis to create a benchmark for local economy; however, they did not consider the large number of vacancies in rental property and the inventory of undeveloped property on the market. MLS was not an accurate reflection of value, and M&S was difficult to apply to a local economy.

Mr. Coates noted KCAD was not using MLS to appraise; KCAD was using sales. Mr. Folmer noted that some commercial sales were 50% higher than what KCAD had appraised. The ratio study was based on actual sales; however listings were used as an indication of the overall value; it was not used to calculate anything; KCAD appraisals were way under the asking prices. The ratios shown on percentages were not used at all.

Mr. Parton noted there had been discussion that part of the reappraisals this year calculated replacement cost for improvements and next year could see reappraisal of land values; could there be more significant increases in future years?

Mr. Zigler noted his contract with KCAD was a two year contract in order to spread out the cost in an effort to reduce the impact on KCAD. The appraisal was for the value of land today; he did not know what would happen next year. There was land that was under appraised and KCAD needed to finish the process and review sales data and ratios. The appraisals were still under appraised and short of state mandates. Eagle needed to complete the process.

Mayor Pratt noted that KCAD agreed with some of the city's comments and KCAD had not nullified information in the city's presentation with any preponderance of the evidence, and he asked the ARB to render the city's desired result that commercial properties be reappraised using a method that was consistent, fair, and equitable and accurately reflected local economic conditions.

Mr. Zigler opined that the information the city presented was based on emotion and that there had been an excessive raise in value. The city never stated appraisals were above market value; there might have been one sale that was over market value compared to the appraisal. The 12-15 used by the city were still below market value; appraisal versus sales price was still below. The standards and data used were good economic indicators, but were not good for appraisals; information presented by KCAD was conclusive and accurate.

Mr. Morse asked where it was stated that the cost approach was the best approach to use. Mr. Zigler responded manuals and IAAO standards; in absence of excessive number of sales or income figures on property, the cost approach was the most adequate and accurate way to reach value; when there were not enough sales, the cost approach was the standard used to appraise property.

Mr. Torti closed the evidence session. The ARB was limited to looking at the level of appraisal ratios and a preponderance of the evidence that either the appraisal ratios of the representative properties in the challenged category were not correct in order to rule in favor of the city, or reversely to rule in favor of KCAD.

ARB's review of city's evidence:

Mr. Higbie noted the city's values were significantly higher. The value is where the market is today, it did not matter what it was yesterday. Economic growth was not relevant. The city showed 14 properties, only three of those were over 100%; the median was 93%.

Mr. Morse stated that one sale did not make a market and cost did not make value. Austin was the No. 1 real estate market in the country; San Antonio was No. 2; Kerrville was not No. 3. The difference in sales was bothersome; he wanted to adjust it from M&S but did not know how it could be done. He noted there was no demand; should also consider quality and quantity.

Mr. Whittier noted five issues were presented by the city, but only No. 2. applied to appraisals. The city agreed that the methodology used by M&S was not the correct tool to use, but the city did not offer any other methodology that would be more fair and equitable.

Mr. Rich noted the city's data showed that most sales were above the appraised values; if the city challenged, then commercial properties could be reappraised.

Mr. Torti the city made a compelling report on sales, particularly of the 14 sales, some were pre-dated; the city's point was that there was not a market; only 7 sales from 1999 to 2006; 6 sales in 2008 to 2011; and only one sale in 2014. The lack of local commercial property sales and excess supply of commercial property were key things presented by the city.

ARB's review of KCAD's evidence:

Mr. Whittier understood that the challenge was to validate or invalidate the level of appraisals of commercial property in the city and specifically in downtown. The ratios appeared to be at or below 100%, which was the standard that the appraisal district had to meet; if anything, the err was on the side of lower than the 100%.

Mr. Rich noted appraisals were below market and the charge by statute was to be at market; ratio study showed that appraisals were not at that level.

Mr. Higbie noted the method used in appraisal of property was one of the methods required by law, and there was a local modifier factored into the equation. The appraisal district presented over 50 sales, all were recent 2014 sales; that was more sales than presented by the city.

Mr. Torti noted the consultant noted that the cost approach was used but thought there was a lack of sales; the ARB had to look at the level of appraisal ratio.

Mr. Rich noted some properties could be unequal, the data presented was fair and equitable, which is what the ARB was challenged to determine.

Mr. Rich moved that the ARB comply with the appraisal district's figures; to sustain commercial values as issued by KCAD. Mr. Higbie seconded the motion and the motion passed 3-2 with Messrs. Rich, Higbie, and Whittier voting in favor of the motion and Messrs. Morse and Torti voting against the motion.

The meeting adjourned at 3:34 p.m.

APPROVED: _____

ATTEST:

Jack Pratt, Jr., Mayor

Brenda G. Craig, City Secretary

On July 22, 2014, the City of Kerrville Employee Benefits Trust met at 6:07 p.m. in the city hall council chambers, 701 Main Street, Kerrville, Texas.

COUNCILMEMBERS PRESENT:

Jack Pratt	Chairman
Gene Allen	Vice-Chairman
Carson Conklin	Councilmember
Stacie Keeble	Councilmember
Gary Stork	Councilmember

COUNCILMEMBER ABSENT:

CITY EXECUTIVE STAFF PRESENT:

Todd Parton	City Manager
Mike Hayes	City Attorney
Kristine Ondrias Day	Deputy City Manager
Brenda G. Craig	City Secretary
Kim Meismer	Director of General Operations

CONSIDERATION AND POSSIBLE ACTION:

Authorize the city manager to execute contracts for fiscal year 2015 employee benefits.

Ms. Meismer reported a 3.7% rate reduction in the exact same plan with Blue Cross Blue Shield of Texas for medical coverage; a 3% increase in dental with MetLife; no change in premiums for vision coverage with MetLife; and an increase of \$.02 in group life, and \$0.39-\$0.45 per \$10 for short term disability with Lincoln Financial. She recommended the city's contribution for employee benefits for FY2015 be \$7,500 and approval of the contracts to provide the group benefits as presented.

Mr. Conklin moved to award the employee group benefits and to authorize the city manager to execute contracts as presented. Mr. Allen seconded the motion and it passed 5-0.

Adjournment.

The City of Kerrville Employee Benefits Trust meeting adjourned at 6:12 p.m.

APPROVED: _____
ATTEST: _____

Jack Pratt, Jr., Chairman

Brenda G. Craig, City Secretary

Agenda Item:

3B. Resolution No. 24-2014 finding that proposed rules by the Texas Railroad Commission are against the public interest and would harm the City's ability to protect local gas utility customer; and authorizing the Mayor and City Manager to take action to challenge the proposed rules. (staff)

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

SUBJECT: Resolution No. 24-2014 finding that proposed rules by the Texas Railroad Commission are against the public interest and would harm the city's ability to protect local gas utility customers; and authorizing the mayor and city manager to take action to challenge the proposed rules.

FOR AGENDA OF: Aug. 12, 2014

DATE SUBMITTED: Aug. 6, 2014

SUBMITTED BY: Jack Pratt
Mayor

CLEARANCES: Todd Parton
City Manager

EXHIBITS: Resolution No. 24-2014
Railroad Commission of Texas Letter – Dated July 1, 2014
Bullet Points in Response to Proposed RRC Rules
ACSC 2013 Year in Review

AGENDA MAILED TO:

APPROVED FOR SUBMITTAL BY CITY MANAGER: 

Expenditure Required:	Current Balance in Account:	Amount Budgeted:	Account Number:
\$0	\$0	\$0	

PAYMENT TO BE MADE TO:

REVIEWED BY THE FINANCE DEPARTMENT:

SUMMARY STATEMENT

The Texas Railroad Commission proposed new rules in July that would effectively remove municipalities from participation in gas utility rate cases. These proposed rule changes are in the public comment process which ends on noon on August 25, 2014.

Kerrville is a member of the Atmos Cities Steering Committee, a coalition of cities who work together to evaluate and weigh in on ratemaking for gas utilities. City coalitions have been formed to represent the collective interests of cities and their citizens in these utility rate cases. Coalitions refuse to accept proposed rate increases at face value and provide a cost-effective means for communities to participate in a very complex ratemaking process. Cities are able to dig into the complex calculations of ratemaking to determine whether a utility company has made a reasonable request. When it is found that the requested rate hikes are unreasonable, the coalitions present evidence supporting those findings to the Railroad Commission of Texas and recommend reducing the rate.

City coalitions have been effective in lowering proposed rate hikes. For 2013 Atmos requested a rate increase to generate an additional \$25.7 million in revenue. The Atmos Cities Steering Committee was able to negotiate with Atmos to reduce that amount to \$16.6 million, a \$9.1 million dollar reduction (35% reduction).

The Texas Railroad Commission has proposed new rules that would greatly diminish, if not entirely eliminate, the City's ability to ensure that utility rate increases are reasonable. The rules would: (1) severely limit the number of requests for information that a city could request from a utility when it proposes a rate increase, (2) relieve a utility from its obligation to reimburse a city's rate case expenses until a city actually pays the expenses upfront or commits itself to pay for them, and (3) place the burden of litigation expenses on a city that challenges a rate increase.

The net result of these proposed rules changes would be to make it much more difficult for cities to challenge rate increases and to make it easier for gas utilities to increase rates. Attached to this report is the *Bullet Points in Response to Proposed RRC Rules*. This document was prepared by Herrera & Boyle, PLLC, a legal firm who represents another city coalition known as the Atmos Municipalities of Texas. The bullet points provide a succinct and clear picture of how the proposed rules would affect cities in the gas utility ratemaking process.

RECOMMENDED ACTION

City staff recommends that the City Council approve Resolution No. 24-2014 to officially oppose the Texas Railroad Commission proposed rule changes and to direct the city manager to forward the resolution to the Commission by noon on August 25, 2014.

**CITY OF KERRVILLE, TEXAS
RESOLUTION NO. 24-2014**

**A RESOLUTION FINDING THAT PROPOSED RULES BY THE TEXAS
RAILROAD COMMISSION ARE AGAINST THE PUBLIC INTEREST
AND WOULD HARM THE CITY'S ABILITY TO PROTECT LOCAL
GAS UTILITY CUSTOMERS; AND AUTHORIZING THE MAYOR AND
CITY MANAGER TO TAKE ACTION TO CHALLENGE THE
PROPOSED RULES**

WHEREAS, the Texas Railroad Commission ("RRC") recently proposed rules that will practically eliminate the authority of municipalities to review and challenge rate increases proposed by gas utilities in Texas; and

WHEREAS, gas utilities are monopolies and as such, customers cannot pick and choose which utility delivers gas to them; and

WHEREAS, the RRC's proposed rules appear designed to stop cities from attempting to protect gas customers by keeping gas utility rates reasonable; and

WHEREAS, current Texas law gives cities original jurisdiction over rates and guarantees reimbursement of their reasonable costs to review requests for rate increases; and

WHEREAS, under the current regulatory framework for rate increases, cities have voluntarily formed coalitions to represent the collective interests of cities and local customers and to share costs in the utility rate cases; and

WHEREAS, the City of Kerrville is part of the Atmos Cities Steering Committee ("ACSC"), which over the years has acted as the first line of defense against unreasonable or unjustifiable rate increases, refused to accept a utility's rate increase request at face value, and saved customers all over the state and locally, considerable amounts of monies; and

WHEREAS, by participating in rate cases through coalitions such as ACSC, cities are able to perform due diligence into the complex calculations of ratemaking to determine whether a utility's rate increase is reasonable; and

WHEREAS, when cities determine that a utility's request is unreasonable, they may present evidence supporting the findings to the RRC and recommend reducing the rate increase, which the City, through ACSC, has repeatedly done over the years; and

WHEREAS, the reviews have periodically allowed cities to find extraordinary, unauthorized, and questionable expenses, such as the purchase of travel, entertainment, and furnishings, that a gas utility was using to justify a rate increase; and

WHEREAS, city participation has generally resulted in net savings for gas customers because the utility's rate increases were reduced by an amount far in excess of the expenses incurred by the cities; and

WHEREAS, during the 2013 Texas legislative session, the legislature rejected proposed bills which would have had a similar impact as the rules proposed by the RRC; and

WHEREAS, the RRC has issued the proposed rules in spite of a clear message from the legislature that the current process is working effectively and efficiently; and

WHEREAS, based upon the effectiveness and efficiency with respect to the current regulatory framework and the protection it affords local gas customers, the City Council strongly believes it to be in the public interest to adopt this Resolution and to authorize the action authorized herein;

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

SECTION ONE. The City Council finds that proposed changes put forward by the Texas Railroad Commission are contrary to the public interest, would remove the authority of cities to effectively meet the needs and interests of local gas utility customers, and would cause significant harm to a customer's ability to review and/or challenge rate increases.

SECTION TWO. The City Council authorizes the Mayor and City Manager to forward this Resolution to the City's elected state representatives and the RRC, to submit specific comments about the rules to the RRC, and to act in other ways in an effort to cause the RRC to withdraw its proposed rules or amend them in ways that that municipal intervention in utility rate cases is not impacted.

PASSED AND APPROVED ON this the _____ day of _____ A.D., 2014.

Jack Pratt, Jr., Mayor

APPROVED AS TO FORM:



Michael C. Hayes, City Attorney

ATTEST:

Brenda G. Craig, City Secretary

BARRY T. SMITHERMAN, CHAIRMAN
DAVID PORTER, COMMISSIONER
CHRISTI CRADDICK, COMMISSIONER



LINDIL C. FOWLER, JR., GENERAL COUNSEL
JASON BOATRIGHT, DIRECTOR
GENERAL COUNSEL SECTION

RAILROAD COMMISSION OF TEXAS OFFICE OF GENERAL COUNSEL

MEMORANDUM

TO: Chairman Barry T. Smitherman
Commissioner David Porter
Commissioner Christi Craddick

FROM: Cristina Self, Attorney— General Counsel Section
Office of General Counsel *ms*

THROUGH: Lindil C. Fowler, General Counsel *LF*

DATE: July 1, 2014

SUBJECT: Proposed New 16 TAC §1.86, relating to Alignment of Municipal Intervenors for Purposes of Discovery; New 16 TAC §1.87, relating to Limitations on Discovery Requests; Amendment of 16 TAC §7.5530, relating to Allowable Rate Case Expenses; Gas Utilities Docket No. 10362.

July 8, 2014		
Approved	Denied	Abstain
<i>ms</i>		

Attached is Staff's recommendation to publish new 16 Tex. Admin. Code §1.86, relating to Alignment of Municipal Intervenors for Purposes of Discovery; new 16 Tex. Admin. Code §1.87, relating to Limitations on Discovery Requests; and certain amendments to 16 Tex. Admin. Code §7.5530, relating to Allowable Rate Case Expenses.

Staff requests the Commission's approval to publish the proposed new rules and amendments in the *Texas Register* for a 30-day comment period. If approved at conference on July 8th, the proposal should appear in the July 25th, 2014, issue of the *Texas Register*. This proposal and an online comment form would also be made available on the Commission's website the day after conference, giving interested persons more than two additional weeks to review and submit comments to the Commission.

cc: Jason Boatright, Director— General Counsel Section
Bill Geise, Director — Gas Services Division
Gene Montes, Interim Director—Hearings Division
Milton Rister, Executive Director
Wei Wang, Chief Financial Officer

1 The Railroad Commission of Texas (Commission) proposes new §1.86, relating to Alignment of
2 Municipal Intervenors for Purposes of Discovery, and §1.87, relating to Limitations on Discovery
3 Requests. The Commission concurrently proposes amendments to §7.5530 of this title, relating to
4 Allowable Rate Case Expenses, in a separate rulemaking, in conjunction with these proposed new rules.

5 State statutes allow participants in complex utility rate cases to recover rate-case expenses from
6 customers. These rules are intended to reduce rate-case expenses and promote the efficient resolution of
7 cases. Alignment of parties reduces rate-case expenses by reducing the duplication of services. Since
8 1999, litigants in Texas courts have complied with procedures that impose discovery control plans which
9 effectively control costs in complex cases. These rules would be limited to rate-setting proceedings and
10 are designed to promote the efficient resolution of cases, thereby reducing rate-case expenses. Section
11 1.121 of this title, relating to Presiding Officer, grants a presiding officer broad discretion in regulating
12 the course and conduct of a proceeding. Proposed new §§1.86 and 1.87 specifically delineate for parties
13 in a proceeding and a presiding officer what terms and considerations apply to alignment of municipal
14 parties and limitations on discovery. The proposed new rules promote efficient use of party and
15 Commission resources. Rate case proceedings, in particular, can be costly litigation exercises. While
16 parties have the right to contest a utility's request for rate relief and other forms of relief, there are
17 efficiencies that can be gained through alignment of parties and reasonable discovery limitations that will
18 result in reduced rate case expenses, thereby reducing the costs that are passed on to ratepayers. New
19 §1.86 recognizes that parties that participate in a utility ratemaking case are frequently aligned in their
20 attempts to reduce the utility's requested rate increase, and preserves a municipal party's right to
21 propound discovery requests while recognizing that it is more efficient for the utility to respond to a
22 single opposing position from potential municipal intervenors rather than respond to multiple versions of
23 similar discovery requests propounded by parties with the same goal. Thus, the goal of reducing the

1 costs ultimately passed on to ratepayers can be realized by aligning parties with similar interests.

2 In new §1.86(a), the Commission proposes wording to include a presumption that municipal
3 parties share a common interest such that alignment of municipal parties as a single party is appropriate.
4 Proposed subsection (a) directs the presiding officer to order alignment of municipal parties at the
5 earliest reasonable opportunity to allow municipal parties to coordinate their efforts in the most efficient
6 way possible.

7 The Commission proposes new §1.86(b) to require a municipal party to file a motion to realign,
8 in whole or in part, to overcome the presumption of alignment. In paragraphs (1) - (7), the presiding
9 officer is required to consider several factors to determine whether the motion to realign, in whole or in
10 part, is warranted including: (1) whether the municipal parties are taking opposing positions regarding
11 the utility's request for relief; (2) whether the municipal parties have sufficiently different positions on
12 one or more issues to justify realignment on such issues; (3) whether granting the motion will create
13 unnecessary inefficiencies or duplication of effort; (4) whether granting the motion will result in undue
14 costs to the parties; (5) the effect of granting the motion on the parties and the public interest; (6)
15 whether granting the motion will serve the interest of justice; and (7) any other relevant factors as
16 determined by the presiding officer.

17 Proposed new §1.86(c) states that this section applies to proceedings brought pursuant to Texas
18 Utilities Code, §103.055 and §104.102.

19 Proposed new §1.87(a) grants the presiding officer the discretion, upon request by a party, to
20 order discovery to be limited in the interests of efficiency and justice.

21 Proposed new §1.87(b) clarifies that each request or subpart in a Request for Information (RFI) is
22 considered a separate RFI and indicates that a reasonable limitation on discovery is no more than 600
23 total RFIs with no more than 75 RFIs propounded by a single party in a single calendar week.

1 Commission staff and presiding officers are not subject to these discovery limitations when Commission
2 staff or the presiding officers issue the RFIs. These figures are consistent with the discovery control plan
3 adopted by the presiding officers in rate-setting procedures conducted at the Commission over the last ten
4 years. New §1.87 codifies recent rulings recognizing that reasonable limitations on discovery are
5 appropriate. For example, discovery limitations have been granted in recent dockets including GUD Nos.
6 9902, 10006, 10007, 10038, 10097, and 10106. Moreover, limitations on discovery are common practice
7 in civil litigation in Texas as governed by the Texas Rules of Civil Procedure 190. The goal of reducing
8 the costs ultimately passed on to ratepayers can be realized by implementing reasonable limitations on
9 discovery at the request of a party.

10 Proposed new §1.87(c) directs that the RFIs propounded during the municipal-level proceeding,
11 if the utility first filed its request for relief at the municipal level and the Commission is exercising its
12 appellate authority, shall count towards the total number of RFIs a municipality may propound on the
13 utility during the Commission proceeding unless the utility updated its test year when filing its appeal.

14 Proposed new §1.87(d) states that RFIs that a party is not required to answer due to a sustained
15 objection or withdrawal do not count towards the permissible total number of the propounding party's
16 RFI limit. The subsection also states that if the presiding officer determines that a party is intentionally
17 propounding objectionable RFIs, the request or subpart will be included in the calculation of that
18 propounding party's RFI limit even if the responding party is not required to provide an answer.

19 In accordance with the Texas Rules of Civil Procedure 196 and 198, proposed new §1.87(e)
20 clarifies that discovery limitations would not apply to Requests for Production and Inspection, or
21 Requests for Admission.

22 Proposed new §1.87(f) requires the party propounding discovery to separately characterize its
23 discovery as an RFI, a Request for Production and Inspection, or a Request for Admission.

1 Gene Montes, Interim Director, Hearings Division, has determined that for each year of the first
2 five years that the proposed new rules are in effect, enforcing or administering the proposed new rules
3 will not result in additional estimated costs to the state or to local governments, may result in a reduction
4 in costs for local governments that participate in proceedings before the Commission by reducing the
5 costs of participating in Commission proceedings, and will not result in any estimated losses or increases
6 in revenue to the state or to local governments.

7 Mr. Montes has also determined that for each year of the first five years that the proposed rules
8 are in effect, the public benefits expected as a result of adoption of the proposed rules include a reduction
9 in the amount of reasonable rate case expenses included in customer rates. These proposed rules codify
10 current Commission practice and provide regulatory certainty for parties in rate proceedings. There are
11 no foreseeable economic costs to be incurred by parties or persons required to comply with these rules.

12 Mr. Montes has also determined that for each year of the first five years the proposed
13 amendments are in effect, there should be no adverse effect on a local economy and therefore no local
14 employment impact statement is required under Texas Government Code, §2001.022.

15 Texas Government Code, §2006.002, relating to Adoption of Rules with Adverse Economic
16 Effect, requires that as a part of the rulemaking process, a state agency prepare an Economic Impact
17 Statement that assesses the potential impact of a proposed rule on small businesses and micro-businesses
18 and a Regulatory Flexibility Analysis that considers alternative methods of achieving the purpose of the
19 rule if the proposed rule will have an adverse economic effect on small businesses or micro-businesses.
20 Mr. Montes has determined that the proposed amendments will not have an adverse economic effect on
21 small businesses or micro-businesses because it adds no new requirements on small businesses or
22 micro-businesses. The proposed rules promote the efficient resolution of rate proceedings.

23 Mr. Montes has determined that the amendments do not meet the statutory definition of a major

1 environmental rule as set forth in Texas Government Code, §2001.0225; therefore, a regulatory analysis
2 conducted pursuant to that section is not required.

3
4 Comments on the proposal may be submitted to Rules Coordinator, Office of General Counsel,
5 Railroad Commission of Texas, P.O. Box 12967, Austin, Texas 78711-2967; online at
6 <http://www.rrc.state.tx.us/legal/rules/comment-form-for-proposed-rulemakings>; or by electronic mail to
7 rulescoordinator@rrc.state.tx.us. Comments should refer to Gas Utilities Docket No. 10362 and will be
8 accepted until 12:00 p.m. (noon) on Monday, August 25, 2014, which is 31 days after publication in the
9 *Texas Register*. The Commission finds that this comment period is reasonable because the proposal as
10 well as an online comment form will be available on the Commission's website at least two weeks prior
11 to *Texas Register* publication of the proposal, giving interested persons additional time to review the
12 proposal and submit comments. The Commission encourages all interested persons to submit comments
13 no later than the deadline. The Commission cannot guarantee that comments submitted after the deadline
14 will be considered. For further information, call Cristina Self at (512) 463-2299. The status of
15 Commission rulemakings in progress is available at <http://www.rrc.state.tx.us/legal/rules/proposed-rules>.

16 The Commission proposes the new sections under Texas Utilities Code, Titles 3 and 4, which
17 authorize the Commission to regulate gas utilities, to protect the public interest inherent in the rates and
18 services of gas utilities, and to assure rates, operations, and services that are just and reasonable to the
19 consumers and to the utilities as required by Texas Utilities Code, §104.001 and §104.051. The
20 Commission's authority to promulgate these rules relates to the powers it is granted in Texas Utilities
21 Code, §§103.022, which requires a gas utility in a ratemaking proceeding to reimburse the governing
22 body of a municipality for the reasonable cost of certain services to the extent determined reasonable by
23 the Commission; 104.051, which authorizes the Commission to establish a utility's overall revenues at an

1 amount that will permit the utility a reasonable opportunity to earn a reasonable return; and Texas
2 Government Code §2001.004, which requires a state agency to adopt rules of practice stating the nature
3 and requirements of all available formal and informal procedures.

4 Texas Utilities Code, §§103.022, 104.051; and Texas Government Code §2001.004 are affected
5 by the proposed new sections.

6 Cross-reference to statute: Texas Utilities Code, §§103.022, 104.051; and Texas Government
7 Code §2001.004.

8
9 §1.86. Alignment of Municipal Intervenors for Purposes of Discovery.

10 (a) Municipal parties, whether participating as a single municipality or a coalition of
11 municipalities, are presumed to share a common interest in a proceeding such that alignment of
12 municipal parties as a single party for purposes of discovery is appropriate. The presiding officer shall
13 order alignment of municipal intervenors at the earliest reasonable opportunity so as to avoid
14 unnecessary duplication of effort and to allow aligned parties an adequate opportunity to coordinate
15 discovery efforts in an efficient manner.

16 (b) To overcome the presumption of alignment, a municipality or municipal coalition must file a
17 motion to realign in whole or in part. In ruling on such a motion, the presiding officer shall consider
18 whether good cause exists to grant the motion to realign in whole or in part including consideration of the
19 following:

20 (1) whether the municipal parties are taking opposing positions regarding the utility's
21 request for relief;

22 (2) whether the municipal parties have sufficiently different positions on one or more
23 issues to justify realignment on such issues;

1 (3) whether granting the motion will create unnecessary inefficiencies or duplication of
2 effort;

3 (4) whether granting the motion will result in undue costs to the parties;

4 (5) the effect of granting the motion on the parties and the public interest;

5 (6) whether granting the motion will serve the interest of justice; and

6 (7) any other relevant factors as determined by the presiding officer.

7 (c) This section applies to proceedings brought pursuant to Texas Utilities Code, §103.055 and
8 §104.102.

9
10 §1.87. Limitations on Discovery Requests.

11 (a) Upon request by a party, the presiding officer may limit discovery, by order, in the interest of
12 efficiency and justice.

13 (b) For purposes of calculating the number of requests for information (RFIs), each request or
14 subpart shall be considered a separate RFI. A reasonable limitation on RFIs propounded to a party is no
15 more than 600 total RFIs, with no more than 75 RFIs propounded by a single party in one calendar week.
16 Commission staff and presiding officers are not subject to these discovery limitations when Commission
17 staff or the presiding officers issue the RFIs.

18 (c) With regard to discovery propounded by a municipality or municipal coalition, to the extent
19 that the utility first filed its request for relief at the municipal level and the Commission is now
20 considering the utility's request on appeal from the municipal forum, the number of RFIs (inclusive of
21 sub-parts) that the municipality propounded at the municipal level shall count towards the total number
22 of permissible RFIs a municipality may serve on the utility during the Commission proceeding on appeal,
23 unless the utility updated its test year when filing its appeal.

1 (d) If a party is not required to answer a question due to a sustained objection or withdrawal, that
2 question may not be included in the calculation of the propounding party's RFI limit. However, if the
3 presiding officer determines that a party is intentionally propounding frivolous, irrelevant, or otherwise
4 objectionable requests, the question shall be included in the calculation of that propounding party's RFI
5 limit.

6 (e) As set out in the Texas Rules of Civil Procedure 196 and 198, there shall be no limitation
7 with regard to requests for production and inspection, or requests for admission.

8 (f) The party propounding discovery shall separately characterize its discovery as an RFI, a
9 Request for Production and Inspection, or a Request for Admission.

10 (g) This section applies to proceedings brought pursuant to Texas Utilities Code, §103.055 and
11 §104.102.

12 This agency hereby certifies that the proposal has been reviewed by legal counsel and found to
13 be within the agency's authority to adopt.

14 Issued in Austin, Texas on _____, 2014.

15 Filed with the Office of the Secretary of State on _____, 2014.

Cristina Martinez Self
Rules Attorney, Office of General Counsel
Railroad Commission of Texas

1 The Railroad Commission of Texas (Commission) proposes amendments to §7.5530, relating to
2 Allowable Rate Case Expenses. Texas Utilities Code §§103.022(b) and 104.001 allow participants in
3 utility rate cases to recover reasonable rate case expenses. These amendments are intended to ensure that
4 rate case expenses are reasonable and to minimize the impact of rate case expenses on end-use
5 customers. The amendments recognize the basic reimbursement principle included in §103.022(b), which
6 requires a gas utility to reimburse a municipality for the reasonable costs of participating in a ratemaking
7 proceeding. The proposed amendments are also intended to encourage municipal oversight of rate case
8 expenses incurred on behalf of municipalities and to allocate rate case expenses to the party or parties
9 that caused such expenses during the appeal of a municipal statement of intent. The amendments
10 memorialize recent Commission precedent by categorizing rate case expenses of the utility as required
11 regulatory expenses of the utility, litigation expenses of the utility, and estimated expenses of the utility.
12 The Commission concurrently proposes new §§1.86 and 1.87 of this title, relating to Alignment of
13 Municipal Intervenors for Purposes of Discovery, and Limitations on Discovery Requests, in a separate
14 rulemaking, in conjunction with these proposed amendments to §7.5530.

15 The Commission proposes new §7.5530(c) to state that a gas utility shall not be required to
16 reimburse a municipality for the reasonable costs of a person engaged to participate in a ratemaking
17 proceeding under Texas Utilities Code, §103.022(a), unless the municipality has actually paid such fees
18 and expenses or, by ordinance, the municipality expressly assumes the obligation to pay the fees and
19 expenses of persons engaged under Texas Utilities Code, §103.022(a), and the municipality declares that
20 such obligation is not in any way contingent upon the municipality's receipt of reimbursement under
21 Texas Utilities Code, §103.022(b). Requiring municipalities to actually pay or assume the obligation to
22 pay the fees and expenses of persons engaged under Texas Utilities Code, §103.022(a), will encourage
23 municipal oversight of the charges incurred during an appeal of a municipal proceeding.

1 The Commission proposes new subsection (d) to require, absent a showing of good cause, that
2 expenses the gas utility reimburses to a municipality be recovered through rates effective only within that
3 municipality, or if the gas utility has joined a coalition of municipalities, rate case expenses reimbursed
4 to the municipalities within the coalition would be recovered through rates effective only within the
5 municipalities belonging to the coalition. This assures that customers who live in a city that participates
6 in a rate proceeding would be required to pay their own city's expenses rather than allocating such costs
7 to all customers in the service area, some of whom are not involved in the litigation.

8 The Commission proposes new subsection (e) to classify utility rate case expenses as either
9 "required regulatory expenses," "litigation expenses," or "estimated expenses," and to provide for
10 specific recovery of those expenses based on principles of cost causation. Through this method of
11 allocation, rate case fees and expenses shall be attributed to affected parties according to which party or
12 parties cause the rate case fees and expenses to occur.

13 The Commission proposes new subsection (f) to allocate the categories of rate case expenses
14 listed in proposed subsection (e). This allocation methodology results in rate case expenses being
15 assigned to those parties who contribute to the rate case expenses being incurred.

16 Bill Geise, Director, Gas Services Division, has determined that for each year of the first five
17 years that the proposed amendments are in effect, enforcing or administering the proposed amendments
18 will not have foreseeable implications relating to cost or revenues of the state or local governments.

19 Mr. Geise has also determined that for each year of the first five years that the proposed
20 amendments are in effect, the public benefits anticipated as a result of adoption of the proposed rules
21 include an allocation of recovery of rate case expenses that is guided by principles of cost causation.
22 There are no foreseeable economic costs to be incurred by the parties and/or persons required to comply
23 with these amendments. Affected municipalities will continue to be reimbursed by gas utilities for any

1 rate case expenses the Commission determines to be reasonable, provided that the municipalities have
2 paid rate case fees and expenses or, by ordinance, expressly assumed the obligation to pay such fees and
3 expenses.

4 Mr. Geise has also determined that for each year of the first five years the proposed amendments
5 are in effect, there should be no adverse effect on a local economy, and therefore no local employment
6 impact statement is required under Texas Government Code §2001.022.

7 Texas Government Code, §2006.002, relating to Adoption of Rules with Adverse Economic
8 Effect, requires that as a part of the rulemaking process, a state agency prepare an Economic Impact
9 Statement that assesses the potential impact of a proposed rule on small businesses and micro-businesses
10 and a Regulatory Flexibility Analysis that considers alternative methods of achieving the purpose of the
11 rule if the proposed rule will have an adverse economic effect on small businesses or micro-businesses.

12 Mr. Geise has determined that the proposed amendments will not have an adverse economic effect on
13 small businesses or micro-businesses because it adds no new requirements on small businesses or micro-
14 businesses.

15 Mr. Geise has determined that the amendments do not meet the statutory definition of a major
16 environmental rule set forth in Texas Government Code, §2001.0225; therefore, a regulatory analysis
17 conducted pursuant to that section is not required.

18 The Commission requests comment from affected parties regarding these amendments. In
19 particular, the Commission requests comments from affected municipalities regarding any potential
20 procedural impact to municipal operations arising out of these proposed rule amendments.

21 Comments on the proposal may be submitted to Rules Coordinator, Office of General Counsel,
22 Railroad Commission of Texas, P.O. Box 12967, Austin, Texas 78711-2967; online at
23 <http://www.rrc.state.tx.us/legal/rules/comment-form-for-proposed-rulemakings/>; or by electronic mail to

1 rulescoordinator@rrc.state.tx.us. Comments should refer to Gas Utilities Docket No. 10362 and will be
2 accepted until 12:00 (noon) on Monday, August 25, 2014, which is 31 days after publication in the *Texas*
3 *Register*. The Commission finds that this comment period is reasonable because the proposal as well as
4 an online comment form will be available on the Commission's web site at least two weeks prior to *Texas*
5 *Register* publication of the proposal, giving interested persons additional time to review, analyze, draft,
6 and submit comments. The Commission encourages all interested persons to submit comments no later
7 than the deadline. The Commission cannot guarantee that comments submitted after the deadline will be
8 considered. For further information, call Sarah Montoya at (512) 475-1958. The status of Commission
9 rulemakings in progress is available at <http://www.rrc.state.tx.us/legal/rules/proposed-rules/>.

10 The Commission proposes the amendments under Texas Utilities Code, §102.001, which gives
11 the Railroad Commission exclusive original jurisdiction over rates in areas outside a municipality and
12 exclusive appellate jurisdiction to review an order or ordinance of a municipality exercising exclusive
13 original jurisdiction; §103.022, which allows reimbursement to the governing body of a municipality for
14 the reasonable cost of services of a person engaged to the extent the applicable regulatory authority
15 determines reasonable; §104.001, which authorizes the Commission establish and regulate rates of a gas
16 utility; and §104.055, which authorizes the Commission to adopt reasonable rules with respect to certain
17 expenses used in computing the rates to be established.

18 Texas Utilities Code, §§102.001, 103.022, 104.001, and 104.055 are affected by the proposed
19 amendments.

20 Statutory authority: Texas Utilities Code, §§102.001, 103.022, 104.001 and 104.055.

21 Cross-reference to statute: Texas Utilities Code, §§102.001, 103.022, 104.001, and 104.055.
22
23

1 §7.5530. Allowable Rate Case Expenses.

2 (a) - (b) (No change.)

3 (c) A gas utility shall not otherwise be required to reimburse a municipality for the reasonable
4 cost of services of a person engaged under Texas Utilities Code, §103.022(a), unless the municipality
5 has:

6 (1) paid such fees and expenses; or

7 (2) by ordinance, expressly assumed the obligation to pay the fees and expenses of
8 persons engaged under Texas Utilities Code, §103.022(a), and declared that such obligation is not in any
9 way contingent upon the municipality's receipt of reimbursement under Texas Utilities Code,
10 §103.022(b).

11 (d) Absent a showing of good cause:

12 (1) rate case expenses reimbursed to a municipality under Texas Utilities Code,
13 §103.022(b), shall be recovered by the utility through rates effective only within that municipality; or

14 (2) when a municipality has joined a coalition of municipalities for the purpose of
15 pursuing rate case activities, rate case expenses reimbursed to the municipalities within the coalition
16 under Texas Utilities Code, §103.022(b), shall be recovered by the utility through rates effective only
17 within the municipalities belonging to that coalition.

18 (e) Reasonable rate case expenses of the utility shall be classified into three categories:

19 (1) required regulatory expenses, which shall consist of expenses the utility incurs that
20 are related to the initial filing of the statement of intent and the expenses the utility incurs to provide or
21 publish required notices;

22 (2) litigation expenses, which shall consist of expenses incurred after the utility files its
23 statement of intent, excluding the cost of providing notice; and

1 (3) estimated expenses, which shall consist of the costs the utility estimates it will incur
2 for potential appellate proceedings.

3 (f) The utility's required regulatory expenses shall be allocated uniformly to all customers
4 affected by the proposed rate change. The utility's litigation expenses and estimated expenses, to the
5 extent there are any, shall be allocated to affected customers in the municipalities or coalitions of
6 municipalities participating in the proceeding and affected customers subject to the original jurisdiction
7 of the Commission.

8 This agency hereby certifies that the proposal has been reviewed by legal counsel and found to
9 be within the agency's authority to adopt.

10 Issued in Austin, Texas on July 8, 2014.

11 Filed with the Office of the Secretary of State on July 8, 2014.


Cristina Martinez Self
Rules Attorney, Office of General Counsel
Railroad Commission of Texas

Bullet Points in Response to Proposed RRC Rules

THE RAILROAD COMMISSION IS PUSHING CITIES ASIDE AND MAKING IT EASIER FOR GAS UTILITIES TO INCREASE RATES:

- The Railroad Commission of Texas (RRC) recently proposed rules that would practically eliminate cities' ability to review and challenge gas rate hikes.
- The RRC's staff claims that "[t]hese rules are intended to reduce rate-case expenses and promote the efficient resolution of cases."
- In reality, the RRC's proposed rules gut cities' ability to effectively challenge rates and allow utilities to get higher rates with little opposition.
- Specifically, the rules propose:
 - **Removing the utility's statutory obligation to reimburse cities their reasonable rate case expenses and requiring that cities pay up front before being able to seek reimbursement;**
 - **Charging most rate case expenses only to ratepayers in cities that challenged the utility's proposed rate increase at the RRC;**
 - This encourages "free-riders" by requiring that some cities pay for rate cases and then giving all other ratepayers the benefit of the rate reductions obtained by the active cities without having to bear any of the cost of the rate case.
 - This discourages cities from challenging rate increases for fear of being "stuck with the bill."
 - **Forcing all cities to act as a single party unless they can convince the RRC staff to allow separate groups.**
 - City groups forced together would not be able to each choose their own legal representative.
 - City groups forced together could result in more unwieldy groups with fewer common interests.
 - **Limiting discovery in the interest of "efficiency and justice."**
 - Currently:
 - There are no default discovery limits and the RRC staff in the case already has the discretion to place limitations on discovery as may be necessary given the number and complexity of issue involved in the case.
 - Under the proposed rule:
 - The utility would not be required to respond to more than 600 requests for information, including sub-parts to the requests from all parties other than the RRC staff

- The default discovery limit would be the same for every case, regardless of how much information is involved or how much money is at stake, or how many issues are involved or how complex the issues may be.
- All requests for information a city may have asked while the case was being reviewed at the city level would count toward the arbitrary cap of 600 requests for information.
 - If a city asks 600 or more questions at the city level, the city would be barred from further inquiry once the RRC has authority, that is, on appeal to the RRC.
 - This is a clear infringement on cities' original jurisdiction by punishing them on appeal if they rigorously questioned a utility's proposed rate increase at the city level.

THE CURRENT SYSTEM WORKS:

- **Gas utilities are monopolies.** Customers cannot pick and choose which utility delivers the gas to them and the Cities as the "regulatory authority" with original jurisdiction and the RRC on appeal, are supposed to set the utility's rates to make sure the utility has a reasonable opportunity to earn a reasonable return on its investment.
- **State law guarantees cities the right to participate in Railroad Commission rate cases, and requires that the utility reimburse the cities' related expenses.**
 - The utility ultimately passes on all rate-case expenses found reasonable to ratepayers, including the cost of city participation. However, ratepayers benefit from cities' efforts to challenge unreasonable rate increases.
- **Texas cities have already voluntarily formed their own coalitions** to ensure that they speak with a united voice where their interests are aligned, and to avoid redundant costs when they examine and challenge utilities' proposals to increase rates. And even when more than one city or city group is involved in a rate case, the city/city groups coordinate their presentations to as to avoid duplication of effort.
- **The RRC already has a rule that prohibits discovery abuses.** Despite this long-standing rule, there have been few complaints and very few (if any) sanctions.

CITIES' ROBUST PARTICIPATION HAS DRAMATICALLY REDUCED RATES:

- In one case, cities helped reveal that utilities were charging ratepayers for more than \$1 million dollars in luxury items including meals that cost as

much as \$400 per person; a case of merlot; and hotel stays for as much as \$950 a night.

- Utilities can buy their employees expensive treats. That's great. But ratepayers do not benefit from those costs in any way, so the RRC should not force them to pay for it.
- In another case, cities convinced the RRC to reject \$42 million in unreasonable or imprudently incurred costs that a utility wanted to charge to ratepayers.
- If the proposed rules were adopted, cities would be less likely to identify and successfully oppose similar unreasonable rate increases.

CITIES' ROBUST PARTICIPATION HAS COST RELATIVELY LITTLE:

- Challenging utility rate increases can be time-consuming and expensive.
 - But it would be a lot **more** expensive in the higher rates customers would pay if cities didn't scrutinize utility proposals and challenge any unreasonable costs.
 - The RRC staff's proposal would "promote efficient resolution" of utility rate hikes, but "efficiently" resolving a case under the RRC's proposed rules means less scrutiny.

THE LEGISLATURE ALREADY REJECTED THE RRC'S BAD IDEA:

- The Legislature has previously rejected efforts to restrict cities from fully participating in rate cases.
- Just like the proposed rule, HB 1148 in the 2013 Legislative Session proposed that cities pay rate case expenses out of their budgets before getting reimbursed. But HB 1148 never even made it to a vote in committee.
- H.B. 1677 went even farther to completely eliminate cities' ability to recover the cost of fighting utility rate proposals. H.B. 1677 also failed.

THE RRC'S PROPOSAL IS A SYMPTOM OF PROBLEMS THE SUNSET COMMISSION ALREADY ACKNOWLEDGED:

- In 2013, the Sunset Commission pointed out several problems with the RRC. One of these problems was that the staff examiners in RRC rate cases are RRC staff members, who "answer to the elected Commissioners who receive campaign contributions from many of the industry parties in these cases." The Sunset Commission pointed out that "[t]his relationship can create the perception of bias towards the industry..."
- RRC staff proposed a rule that would prevent cities' ability to challenge utility rate hikes. The proposal is similar to utility-friendly/ratepayer-hostile legislative bills that failed. RRC staff claims its proposal seeks to reduce expenses, but really, it's a gift to utilities that would shove cities out of the way and lead to less scrutiny and predictably higher rates.



2013 Year In Review

Atmos Cities Steering Committee Has Another Active Year In 2013

This year in review of the Atmos Cities Steering Committee ("ACSC") highlights a few of the notable proceedings in which ACSC participated throughout 2013. ACSC maintained its presence before the Texas Legislature concerning gas utility matters, including the Sunset Review of the Railroad Commission ("RRC"). Additionally, ACSC settled Atmos Mid-Tex's first RRM filing under the newly renegotiated RRM tariff. ACSC expects to be equally busy in 2014, with another annual RRM filing and gearing up for the 2015 legislative session.

Sincerely,

Jay Doegey and Odis Dalton, Chairmen of the Steering Committee

ACSC Representatives Make Legislative Visits to Legislators in Local Offices

In the fall of 2013, ACSC representatives continued ACSC's ongoing efforts to promote consumer interests at the Legislature. Specifically, ACSC representatives conducted meetings with over 31 legislators and staffers at their local district offices. The purpose of these meetings was to introduce ACSC's membership and agenda, as well as to offer ACSC as a resource on gas utility matters. ACSC representatives also sought input regarding concerns of the legislators. ACSC representatives have thus far met with legislators in the Metroplex, Central Texas, West Texas, the Houston area, and North/Northeast Texas. The reception and impact that the interim legislative activities have achieved has overall been very good.

These interim efforts will continue in the new year to prepare for the 2015 legislative session. In 2014, ACSC intends to follow up with staffers for the members ACSC representatives have already visited with and to make additional visits. Additionally, in the spring, ACSC will be developing its agenda for the 2015 legislative session.



ACSC Settles 2013 RRM With Atmos Mid-Tex



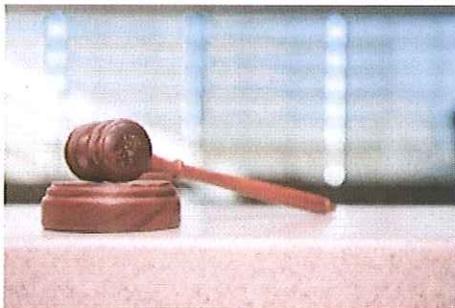
In July of 2013, Atmos Energy Corporation Mid-Tex Division (“Atmos Mid-Tex” or “Company”) filed a Rate Review Mechanism (“RRM”) application with each of the ACSC members. You will recall that earlier in 2013, ACSC and Atmos Mid-Tex renewed the RRM mechanism for an additional period of five years.

In the filing, Atmos Mid-Tex alleged a test year revenue deficiency of \$25.7 million on a total company basis. Pursuant to the RRM renewal ordinances passed by the ACSC cities, the Company was required in its filing to make an automatic downward adjustment of \$3 million to its alleged cost of service revenue deficiency. Including this adjustment, Atmos requested \$22.7 million in additional revenues.

ACSC hired consultants, who performed discovery upon the Company’s rate request. The consultants produced a report to ACSC counsel in late August 2013. The report concluded that the Company was entitled to additional revenues but significantly less than it had requested. After several rounds of negotiations with Atmos Mid-Tex, the Company agreed to accept additional revenues of \$16.6 million, rather than the initially requested \$22.7 million. The Executive Committee recommended adoption of the settlement and ACSC cities passed ordinances adopting the settlement in fall of 2013. Due to ACSC’s advocacy in both the renegotiation of the RRM tariff, as well as in the 2013 RRM filing, Atmos Mid-Tex ratepayers will pay rates designed to collect over \$9 million less than originally requested by the Company.

Appeal of Atmos Pipeline Rate Case Heard at Third Court of Appeals

In GUD No. 10000, Atmos Pipeline—Texas’ (“APT”) last rate case, the Railroad Commission of Texas (“Commission”) introduced a trial run of a new rate mechanism that has proven harmful to consumers. In that case, the Commission allocated all of APT’s revenue requirement to its rate-regulated customers, despite the fact that APT also serves unregulated customers who contract with APT for gas service. The Commission determined that APT and the rate-regulated customers would “share” in the alleged volatility of Other Revenues, due to changes in the amount of these revenues from year to year. The Commission thus approved the Rider REV tariff, which requires an annual filing by APT to report the amount of revenues received from unregulated customers in the preceding year. To the extent the amount exceeds \$83.7 million in any one year, APT provides an additional credit to the Rate CGS and PT customers in the amount of 75% of the additional revenues, keeping 25% for itself. To the extent the amount of unregulated revenues is less than \$83.7 million, APT raises the rates to CGS and PT customers by 75% of the “shortfall.”



ACSC strongly opposed the creation of the Rider REV tariff in GUD No. 10000. ACSC has pursued an appeal to the courts in an effort to overturn the Commission’s decision to implement the Rider REV tariff. In December of 2012, a Travis County District Court judge affirmed the Railroad Commission order creating the Rider REV tariff. ACSC appealed the district court’s decision to the Third Court of Appeals in Austin. In October of 2013, the Third Court of Appeals heard

oral argument regarding the Rider REV tariff.

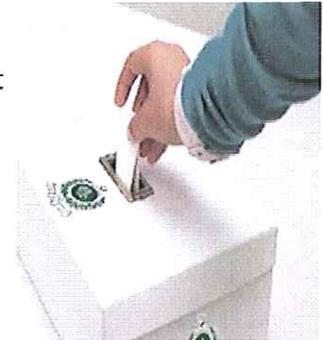
ACSC argued that the Rider REV tariff is unlawful piecemeal ratemaking and that it is detrimental to customers. The Railroad Commission and APT argued mainly that the Commission’s authority under the law is virtually unfettered when it comes to ratemaking. The Third Court has taken the matter under advisement and has not yet issued a ruling in the appeal of GUD No. 10000.

ACSC Sets Budget and Elects Officers for 2014

At the December 19, 2013 membership meeting, ACSC approved its budget for 2014. Additionally, ACSC members elected the following officers for 2014:

Co-Chairs—Jay Doegey, Arlington & Odis Dolton, Abilene
Co-Vice Chairs—Tim Kelty, Red Oak & Carla Robinson, College Station
Secretary—Joel Welch, Haltom City

Congratulations to the 2014 ACSC officers!



Commission Extends Rider REV Tariff

In late 2013, APT filed an application to renew the Rider REV tariff. APT sought renewal of the tariff for an additional term of three years. ACSC intervened and argued that the Rider REV should not be renewed. ACSC's main objection to the renewal of the Rider REV is that over the life of its three-year trial period, the Rider REV has proven to be detrimental to customers. While customers saw a credit of \$3.8 million in the first year of its application, over the next two years, customers experienced an \$8.6 million *increase* in rates. Over the life of the trial run of the Rider REV, customers had to pay \$4.8 million in additional rates simply due to the Rider REV. ACSC presented this evidence as proof that the Rider REV harms customers. The evidence conclusively showed that APT is in fact overearning, above its authorized rate of return, due to a combination of both the Rider REV tariff and annual GRIP filings.

Rider REV was originally approved on the alleged grounds that revenues from non-regulated customers are unpredictable. ACSC's testimony, however, showed that this was not the case—unregulated revenues are stable and predictable. APT also claimed that the Rider REV reduces the need for general rate cases. ACSC was also able to refute that claim, as the GRIP statute requires APT to file a rate case periodically.

The Commission's Hearings Examiners held a hearing in late October 2013. The Examiners issued a proposal for decision in December 2013, recommending the renewal of the Rider REV tariff, despite the overwhelming evidence presented by ACSC that Rider REV is not in the public interest. In December, the Commission adopted the Examiners' recommendation without any discussion whatsoever. The Commission issued an order renewing the Rider REV for an additional period. Additionally, the Commission restricted whom may intervene and participate in Rider REV proceedings. ACSC will file its Motion for Rehearing on the Commission's Order on January 10, 2014.

Questions?

If you have questions about any Steering Committee matter or communication, please feel free to contact:

Geoffrey Gay at
(512) 322-5875 or ggay@lglawfirm.com or

Thomas Brocato at
(512) 322-5857 or tbrocato@lglawfirm.com.

They will be happy to answer your question or assist you.



Lloyd Gosselink Rochelle and Townsend, P.C.
816 Congress Avenue Suite 1900
Austin, Texas 78701

Agenda Item:

3C. Contract with Texas Scenic Company, Inc. for the Cailloux Theater lighting project in an amount not to exceed \$102,870.00. (staff)

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

SUBJECT: Authorization for the City Manager to execute a contract with Texas Scenic Company, Inc. for the Cailloux Theater Lighting Project in an amount not to exceed \$102,870.00.

FOR AGENDA OF: August 12, 2014 **DATE SUBMITTED:** August 1, 2014

SUBMITTED BY: Dieter Werner, P.E. **CLEARANCES:** Kristine Day
Director of Engineering Deputy City Manager

EXHIBITS: Bid Tabulation
Change Order #1

PAYMENT TO BE MADE TO: Texas Scenic Company Inc.
8053 Potranco Rd.
San Antonio, TX 78251

APPROVED FOR SUBMITTAL BY CITY MANAGER: 

Expenditure	Current Balance	Amount	Account
Required:	in Account:	Budgeted:	Number:
\$102,870.00	\$195,976.60	\$150,000.00	E62

REVIEWED BY THE FINANCE DIRECTOR:

SUMMARY STATEMENT

On June 2, 2014 Peter Lewis Architect and Associates was hired to generate bid and construction documents for work to improve the lighting for the Cailloux Theater and Lobby area. Renovations for this lighting project consist of removal and replacement of all incandescent down lights including repairs to any damaged adjacent surfaces and addition of low-voltage control wiring to new fixtures. Additionally, the lobby lighting will be relamped with L.E.D. lamps and replacement of any missing trim and fasteners as required. Funding for this project is provided through a funding agreement between the City of Kerrville and the EIC. Bids for this project were received July 29, 2014. Texas Scenic Company, Inc. provided the sole bid in the amount of \$115,370.00. Texas Scenic Company, Inc. has also submitted Change Order #1 for a credit amount of \$12,500.00 as a result of value engineering efforts to reduce the cost for a contract not to exceed amount of \$102,870.00. Contract time for this project is 120 calendar days from the date of written notice to proceed.

RECOMMENDED ACTION

Authorize the City Manager to execute a contract with Texas Scenic Company, Inc. for the Cailloux Theater Lighting Project in an amount not to exceed \$102,870.00.



Document G701™ – 2001

Change Order

PROJECT (Name and address): Kathleen C. Cailloux Theater 900 Main Street Kerrville, Texas 78028	CHANGE ORDER NUMBER: 001 DATE: August 4, 2014	OWNER: <input checked="" type="checkbox"/> ARCHITECT: <input type="checkbox"/> CONTRACTOR: <input checked="" type="checkbox"/> FIELD: <input type="checkbox"/> OTHER: <input type="checkbox"/>
TO CONTRACTOR (Name and address): Texas Scenic Company, Inc. 8053 Potranco Road San Antonio, Texas 78251	ARCHITECT'S PROJECT NUMBER: n/a CONTRACT DATE: 7/28/14 CONTRACT FOR: Cailloux Theater Lighting (House & Lobby)	

THE CONTRACT IS CHANGED AS FOLLOWS:

(Include, where applicable, any undisputed amount attributable to previously executed Construction Change Directives)

- Delete contingency amount for liquidated damages as shown on bid proposal
as Owner will extend completion date not to exceed 120 calendar days from date of award:.....-\$5,000.00
- Delete Lithonia Type A2 light fixtures.....-\$7,500.00

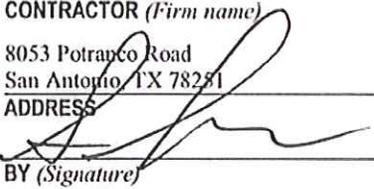
copy of Request for Change Order to Brian Crenwelge dated 7/29/14 attached for reference

The original Contract Sum was	\$ 115,370.00
The net change by previously authorized Change Orders	\$ 0.00
The Contract Sum prior to this Change Order was	\$ 115,370.00
The Contract Sum will be decreased by this Change Order in the amount of	\$ 12,500.00
The new Contract Sum including this Change Order will be	\$ 102,870.00

The Contract Time will be increased by to One Hundred Twenty from date of award (but not to exceed) (120) days.
The date of Substantial Completion as of the date of this Change Order therefore is December 2014

NOTE: This Change Order does not include changes in the Contract Sum, Contract Time or Guaranteed Maximum Price which have been authorized by Construction Change Directive until the cost and time have been agreed upon by both the Owner and Contractor, in which case a Change Order is executed to supersede the Construction Change Directive.

NOT VALID UNTIL SIGNED BY THE ARCHITECT, CONTRACTOR AND OWNER.

N/A	Texas Scenic Company, Inc.	City of Kerrville, Texas
ARCHITECT (Firm name)	CONTRACTOR (Firm name)	OWNER (Firm name)
	8053 Potranco Road	200 Sidney Baker Street, North
ADDRESS	San Antonio, TX 78251	Kerrville, TX 78028
	ADDRESS	ADDRESS
BY (Signature)		BY (Signature)
(Typed name)	Stephen G. Surratt	(Typed name)
	(Typed name)	
DATE	August 4, 2014	DATE
	DATE	



- Texas Scenic Company is licensed as an electrical contractor, and will be getting all permits, and performing all work under our contractor's license.
- Chandeliers and specialty lights in the lobby, and sconces and specialty lights in the auditorium are not included in this scope of work.
- TSC will work with the manufacturer of the fixtures to confirm that the system is ready and correct prior to turning on the system.

Bill of Materials:

QTY	MODEL #	DESCRIPTION
70	Type A	ALSP38 2000L DIM 24 – LED lamps for Lobby area
21	Type A1	Lithonia Lighting ICO 30/30 ^AR 40 120 LED architectural fixture
35	Type A3	Lithonia Lighting ICO 30/35 6AR 60 120 architectural fixture
18	Type A4	Lithonia Lighting ICO 30/20 6AR 60 120 – LED Architectural fixture
53	Type A5	Lithonia Lighting ICO 30/25 6AR 60 120 – LED Architectural fixture

General Notes

- These prices do not include any applicable taxes or bonds.
- This proposal is based on Texas Scenic Company's standard terms and conditions and the issuances of the subcontract.
- Please allow 5-7 weeks for delivery and installation of this equipment from the time we receive your contract.

If there are any questions, please give me a call.

Roy Harline
Texas Scenic Company



Agenda Item:

3D. Brokerage agreement for the sale of 800 Junction Highway (former City Hall site). (staff)

Agenda Item:

3E. Professional Services Agreement with LNV Engineering for preliminary assessment for the expansion of the City's landfill. (staff)

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

SUBJECT: Authorize City Manager to execute a professional services contract with LNV Engineering for Preliminary Assessment for the Landfill Expansion.

FOR AGENDA OF: 8/12/14

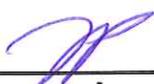
DATE SUBMITTED: 8/1/14

SUBMITTED BY: Stuart Barron
Public Works Director

CLEARANCES: Kristine Day
Deputy City Manager

EXHIBITS: LNV Proposal for Preliminary Assessment

AGENDA MAILED TO:

APPROVED FOR SUBMITTAL BY CITY MANAGER: 

Expenditure Required:	Current Balance in Account:	Amount Budgeted:	Account Number:
\$100,000.00	\$500,000.00	\$500,000.00	7800-306

PAYMENT TO BE MADE TO: LNV, Corpus Christi, Texas

REVIEWED BY THE FINANCE DIRECTOR:

SUMMARY STATEMENT

On June 10, 2014, the City of Kerrville hosted a Reuse Water and Landfill Expansion Workshop. At the workshop LNV presented four landfill expansion options for the City to consider. Option C referred to as the "Big Hill" was determined to be the most suitable for our needs. This option requires preliminary geological evaluations to decide if the area is feasible so that the City may proceed with additional steps to expand the site.

The City has worked with LNV to develop a scope of service for a preliminary assessment. This assessment will be step one of the landfill permitting process which will cost \$100,000. The total estimated cost for completing a landfill expansion permit will range from \$440,000 - \$500,000. If permitted, this expansion would allow the City to extend the life of the landfill from the existing 7 year lifespan to 56 years and secure a waste disposal site for the future. Furthermore, it allows for construction to commence several years after the permit is issued without having to comply with any new standards for expansion.

Currently, the City is under contract with Republic Services for both landfill / transfer station operations and collection services until the year 2030. Most waste being accepted at the landfill is being sent to the transfer station, and then to a 3rd party landfill in San Antonio. Being dependent on another disposal site to accept waste in 15 years could place the City's disposal needs at risk.

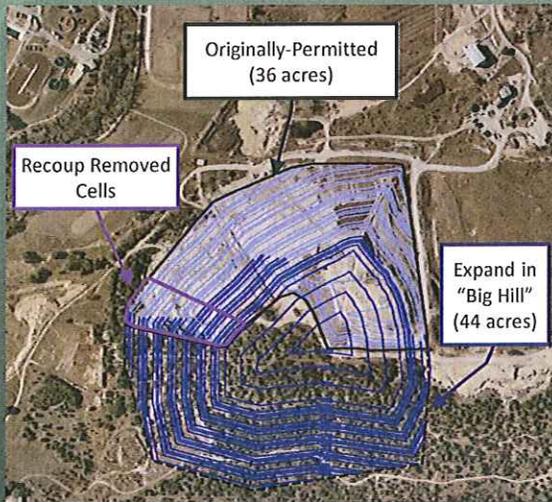
As mentioned above, obtaining the expansion permit would place the city in a secured position for the disposal needs of the future. It also allows the city time to implement new

solid waste management strategies aimed at waste reduction resulting in extending the life of the landfill.

RECOMMENDED ACTION

Authorize the City Manager to execute professional services contract with LNV Engineering for Preliminary Assessment for the Landfill Expansion.

OPTION C – SOUTH-SOUTHEASTERLY HORIZONTAL AND VERTICAL EXPANSION IN THE “BIG HILL”



- ▶ Expand in “Big Hill;” recoup removed cells
- ▶ Airspace of 5.3 million yd³
- ▶ Potential life: 49 years
- ▶ Excavated material could be used for liner/cover
- ▶ Requires geotechnical evaluation for geological suitability for landfill
- ▶ Recommend meetings with TCEQ before initiating permit amendment

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SUMMARY OF EXPANSION OPTIONS

Option	Total Footprint	Total Airspace	Estimated Total Landfill Life	Considerations
Existing Landfill	36 acres	770,000 yd ³	7 years	
Option A: Vertical Expansion	N/A	N/A	N/A	Not feasible, final contours would not meet regulatory requirements
Option B: Horizontal and Vertical over Closed Landfill	56 acres	2.7 million yd ³	25 years	Requires extensive evaluation to expand over pre-Subtitle D area; Soil Deficit
Option C: Horizontal and Vertical in “Big Hill”	80 acres	5.3 million yd ³	49 years	Requires geotechnical evaluation for geological suitability
Option D: Western Expansion	70 acres	5.6 million yd ³	52 years	Preliminary engineering complete; Overlaps proposed effluent ponds; Soil Deficit

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July 2, 2014

Proposal No. 140367.000.1

Ms. Kristine Ondrias
Deputy City Manager
City of Kerrville
701 Main Street
Kerrville, TX 78028

Re: Response to Request for Proposal
Preliminary Assessment for Landfill Expansion in "Big Hill" (Option C)

Dear Ms. Ondrias:

LNV is pleased to submit this proposal to the City of Kerrville, hereafter referred to as "the City", to perform a preliminary assessment for an expansion of the City's existing Type I municipal solid waste landfill in the "Big Hill", referred to as Option C in LNV's *Preliminary Solid Waste Management Study* dated June 4, 2014.

PROJECT UNDERSTANDING

It is our understanding that the City has selected to proceed with a preliminary assessment to further evaluate expansion Option C of the existing permitted footprint of the landfill. As detailed in LNV's *Preliminary Solid Waste Management Study* dated June 4, 2014, Option C is a south-southeasterly horizontal and vertical expansion in the "Big Hill". The preliminary design developed for this option follows the same intent of the original permit by wrapping the proposed excavation area around the southern and eastern portions of the hill, to connect the northern and southern portions of the landfill footprint. Work performed for the preliminary assessment will later be used to complete the permit amendment request if the City decides to proceed with the landfill expansion.

SCOPE OF WORK

LNV's proposed scope of work for the preliminary assessment includes the following:

- Task 1: Prepare a boring plan including locations and depths of all proposed borings in accordance with TCEQ permitting requirements and regulations.
- Task 2: Stake boring locations in the field and record coordinates and elevation data for each location.

- Task 3: Perform subsurface investigation to include soil borings and installation of temporary piezometers. In accordance with TCEQ regulations, five (5) soil borings will be advanced a minimum of 5' deeper than proposed excavation depths in the vicinity of each boring and five (5) borings will be advanced a minimum of 30' deeper than the deepest proposed excavation depth for expansion area. Additionally, five (5) temporary piezometers will be installed for preliminary groundwater characterization beneath the proposed expansion footprint.
- Task 4: Perform limited laboratory testing of selected soil samples to determine engineering properties.
- Task 5: Perform groundwater level readings in piezometers at a minimum of once every two (2) weeks for a period of eight (8) weeks.
- Task 6: Perform limited geotechnical engineering analysis to evaluate slope stability of preliminary excavation design for proposed expansion.
- Task 7: Perform preliminary geologic and hydrogeologic analyses of underlying strata and groundwater based on the subsurface investigation.
- Task 8: Perform initial coordination with Texas Historical Commission (THC) to determine if an archeological study is required for project to proceed.
- Task 9: Review proposed expansion footprint for the presence of jurisdictional wetlands.
- Task 10: Perform initial coordination with U.S. Fish and Wildlife Service and the Texas Parks and Wildlife Department for the potential presence of threatened and/or endangered species.
- Task 11: Prepare a report summarizing the findings of the preliminary assessment and provide a conclusion of the feasibility of landfill expansion Option C.

SCHEDULE

LNV is prepared to begin work on the preliminary assessment immediately with completion and delivery of the report by the end of October 2014. LNV intends to contract with Rock Engineering and Testing of San Antonio Texas for the subsurface investigation activities and assistance with geotechnical engineering and geological analysis.

FEES

LNV proposes to complete the above listed scope of work for a lump sum of \$100,000. Any additional work requested by the City and performed outside of the listed scope will be billed separately in accordance with our standard fees for professional services, as indicated on the attached Schedule of Hourly Charges by Personnel Classification (Effective January 01, 2012). Invoicing will be submitted on a monthly basis. All other conditions apply as stipulated on the attached General Terms and Conditions.

We appreciate the opportunity to work with you on this important project. LNV considers the data and information contained in this proposal to be proprietary. Any information contained herein shall not be disclosed and shall not be duplicated or used in whole or in part for any purpose other than to evaluate this proposal.

Sincerely,



Amy R. Hesseltine, P.E.
Vice President - Environmental Division

Copies Submitted: 1 – Kristine Ondrias, kristine.ondrias@kerrvilletx.gov
1 – Stuart Barron, stuart.barron@kerrvilletx.gov



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SCHEDULE OF HOURLY CHARGES
BY
PERSONNEL CLASSIFICATION
EFFECTIVE JANUARY 01, 2012

The per diem and miscellaneous expense charges for Engineering, Drafting, Surveying, and Planning Services are based on the following hourly rates:

Engineering, Planning:

Principal.....	\$194.00/hr.
Project Manager.....	\$191.00/hr.
Senior Engineer.....	\$164.00/hr.
Project Engineer.....	\$146.00/hr.
Project Architect.....	\$146.00/hr.
Senior Designer.....	\$135.00/hr.
Engineer IV.....	\$118.00/hr.
Engineer III.....	\$118.00/hr.
Engineer II.....	\$100.00/hr.
Engineer I.....	\$93.00/hr.
Designer.....	\$93.00/hr.
Senior CADD Technician.....	\$87.00/hr.
CADD Technician.....	\$77.00/hr.
Construction Superintendent.....	\$98.00/hr.
Construction Observer II.....	\$96.00/hr.
Construction Observer I.....	\$75.00/hr.
Environmental Specialist.....	\$115.00/hr.
Environmental Technician.....	\$85.00/hr.
Clerical.....	\$65.00/hr.

Survey :

Professional Surveyor.....	\$164.00/hr.
Director of Survey Parties.....	\$96.00/hr.
Field Crew (2-Man).....	\$171.00/hr.
Field Crew (3-Man).....	\$210.00/hr.

Reproduction work - Prevailing commercial rates; Subcontractors, Consultants, etc. - Cost plus 10%;
All other expenses - Cost plus 10%.

Charges are due and payable within twenty (20) days after receipt of the invoice. Late payment may be charged an interest rate of 1.5% per month of the unpaid balance.



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GENERAL TERMS AND CONDITIONS

BILLING AND PAYMENT – The Client agrees to compensate the Design Professional for services as stated per the attached Contract for Services. Services and expenses will be invoiced monthly. Invoice amounts are due within 30 days. Interest of 1 ½ percent per month compounded daily applies to all outstanding invoices. In the event any amount becomes past due, the design professional may give 7 days notice of intent to terminate the contract.

CONSEQUENTIAL DAMAGES – The Client and Design Professional both agree to waive any claims for consequential damages against each other.

CONSTRUCTION PHASE SERVICES – The Design Professional will observe the work as agreed for general compliance with the construction documents.

DELAYS – The Design Professional will not be liable for delays due to force majeure.

DISPUTE RESOLUTION- Any dispute under this contract shall be subject to mediation as a condition precedent to litigation.

ENVIRONMENTAL – The Design Professional assumes no responsibility for the detection or removal of any hazardous substances found at the job site.

JOBSITE SAFETY – The Design Professional is not responsible for job site safety or means and methods of construction. Job site safety and construction means and methods are the responsibility of the Contractor.

LIMITATION OF LIABILITY – The Client agrees, to the fullest extent possible, to limit the liability of the Design Professional so that the total aggregate liability of the Design Professional shall not exceed the Design Professional's fee for services rendered on the project. It is acknowledged that this limitation of liability applies to any cause of action, be it contract, tort or any other theory. The Client agrees to bring any claims against the Design Professional corporate entity, not any individual owners or employees of the Design Professional firm.

OWNER PROVIDED INFORMATION – The Design Professional shall have the right to rely on the accuracy of any information provided by the Client. The Design Professional will not review this information for accuracy.

OWNERSHIP OF INSTRUMENTS OF SERVICE- The Design Professional retains all intellectual property rights including common law, statutory, and other reserved rights in the instruments of service, including copyrights. The Owner agrees to limit use of the instruments of service to this site-specific project only.

PERMITS AND APPROVALS – It is the responsibility of the Owner to obtain all necessary permits and approvals. The Design Professional will assist the Owner as mutually agreed in writing.

REJECTION OF NON-CONFORMING WORK – The Design Professional shall have the authority, but not the responsibility, to reject nonconforming work. The Design Professional shall bring any known non-conforming work to the attention of the Client as soon as reasonably possible.

RIGHT OF ACCESS – The Design Professional shall have access to the job site whenever work is in preparation or in progress.

STOP WORK AUTHORITY – The Design Professional has no stop work authority.

TAXES – If and to the extent that any sales and/or use taxes are applicable to any Services provided hereunder, they are the responsibility of the purchaser and will be itemized separately on the invoice.

TERMINATION – This contract may be terminated by either party for convenience with 30 days written notice, or for cause with 7 days written notice. The project may be suspended by the client with 30 days written notice. In the event of suspension or cancellation for convenience, the Client shall pay all expenses incurred prior to the date of notice.

Agenda Item:

4A. Ordinance No. 2014-17 amending the budget for Fiscal Year 2014 by allocating revenue from the City's collection of Hotel Occupancy Tax for the cost of an advertising sign for use by the Convention and Visitors Bureau and allocating unanticipated revenue for the purchase of a street sweeper. (staff)

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

SUBJECT: First reading of an ordinance amending the FY2014 Budget

FOR AGENDA OF: August 12, 2014 **DATE SUBMITTED:** August 1, 2014

SUBMITTED BY: Sandra Yarbrough *SY* **CLEARANCES:** Todd Parton
Director of Finance City Manager

EXHIBITS: Ordinance Amending FY2014 Budget
Attachment A – detailing changes

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 FINANCE DEPARTMENT:

SUMMARY STATEMENT

The attached ordinance provides for the fourth amendment to the FY2014 budget, and includes budget amendments as per Attachment A.

RECOMMENDED ACTION

It is recommended that the City Council approve the first reading of an ordinance amending the FY2014 budget and authorize city staff to make all necessary entries and adjustments to reflect the attached changes.

**CITY OF KERRVILLE, TEXAS
ORDINANCE NO. 2014-17**

**AN ORDINANCE AMENDING THE BUDGET FOR FISCAL YEAR 2014
BY ALLOCATING REVENUE FROM THE CITY'S COLLECTION OF
HOTEL OCCUPANCY TAX FOR THE COST OF AN ADVERTISING
SIGN FOR USE BY THE CONVENTION AND VISITORS BUREAU AND
ALLOCATING UNANTICIPATED REVENUE FOR THE PURCHASE OF
A STREET SWEEPER**

WHEREAS, Ordinance No. 2013-17, dated September 24, 2013, adopted the Fiscal Year 2014 Budget; and

WHEREAS, the City Manager proposes that City Council allocate funds for the cost of an advertising sign for use by the Convention and Visitors Bureau and the purchase of a street sweeper; and

WHEREAS, the City Council of the City of Kerrville, Texas, finds that amending the City's Fiscal Year 2014 Budget is in the best interest of the citizens of the City of Kerrville;

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

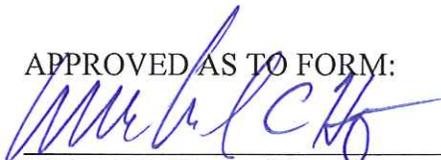
In accordance with Section 8.07 of the City Charter, the Official Budget for Fiscal Year 2014 is amended as set forth in **Attachment A**.

**PASSED AND APPROVED ON FIRST READING, this the ____ day of
_____, A.D., 2014.**

**PASSED AND APPROVED ON SECOND AND FINAL READING, this the ____
day of _____, A.D., 2014.**

Jack Pratt, Jr., Mayor

APPROVED AS TO FORM:



Michael C. Hayes, City Attorney

ATTEST:

Brenda G. Craig, City Secretary

Agenda Item:

5A. Resolution No. 21-2014 providing for the city's approval or disapproval of the Kerr Central Appraisal District's fiscal year 2015 budget. (staff)

**CITY OF KERRVILLE, TEXAS
RESOLUTION NO. 21-2014**

**A RESOLUTION PROVIDING FOR THE CITY'S APPROVAL OR
DISAPPROVAL OF THE KERR CENTRAL APPRAISAL DISTRICT'S
FISCAL YEAR 2015 BUDGET**

WHEREAS, the Kerr Central Appraisal District ("KCAD") submitted its proposed fiscal year 2015 budget to the City Council for consideration; and

WHEREAS, pursuant to state law, the City Council must consider KCAD's budget and in the event Council does not approve, it must indicate this action via a resolution; and

WHEREAS, the City Council of the City of Kerrville, Texas, finds it to be in the public interest to either approve or disapprove of said proposed budget as indicated below;

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

The Kerr Central Appraisal District's proposed fiscal year 2015 budget, as set forth in Exhibit A, is _____ (APPROVED OR DISAPPROVED).

PASSED AND APPROVED ON this the ____ day of _____, A.D., 2014.

Jack Pratt, Jr., Mayor

ATTEST:

Brenda G. Craig, City Secretary

APPROVED AS TO FORM:



Michael C. Hayes, City Attorney

2015 Proposed Budget
Kerr Central Appraisal District
P.O. Box 294387
1836 Junction Highway
Kerrville, TX78029
(830) 895-5223

BOARD MEMBERS
Charles Lewis, Chairman
Mark Bigott, Vice Chair
Ray Orr, Secretary
Justin MacDonald
Jack Parks
Diane Bolin, CTAC

P. H. Coates, IV
Chief Appraiser

Sharon Constantinides
Deputy Chief

<u>Line</u>	<u>Item</u>	<u>2014</u>	<u>2015</u>	<u>\$ Diff</u>	<u>% Diff</u>	<u>% Total</u>
5006	Salaries	\$503,163	\$522,710	\$19,547	3.88%	55.5%
5010	Employer Portion of Ret	\$41,733	\$43,297	\$1,564	3.75%	4.6%
5012	Medicare Insurance	\$7,296	\$7,579	\$283	3.88%	0.8%
5015	Employee Medical Insur	\$93,662	\$102,585	\$8,923	9.53%	10.9%
5016	TX Employment Comm.	\$2,871	\$2,484	(\$387)	-13.48%	0.3%
5017	Disability Insurance	\$7,333	\$7,247	(\$86)	-1.17%	0.8%
5030	Appraisal Review Board	\$12,500	\$12,500	\$0	0.00%	1.3%
5034	Vehicle Replace. Res.	\$8,000	\$8,000	\$0	0.00%	0.8%
5035	Travel, Mileage & Maint.	\$18,000	\$18,000	\$0	0.00%	1.9%
5040	Annual Audit	\$5,950	\$6,200	\$250	4.20%	0.7%
5045	Mapping Expense	\$11,093	\$11,093	\$0	0.00%	1.2%
5060	Deed Copies	\$1,000	\$1,000	\$0	0.00%	0.1%
5070	Leased Equipment	\$6,051	\$6,051	\$0	0.00%	0.6%
5075	Telephone	\$3,000	\$3,000	\$0	0.00%	0.3%
5080	Utilities	\$9,000	\$9,250	\$250	2.78%	1.0%
5085	Facilities Maintenance	\$4,410	\$4,830	\$420	9.52%	0.5%
5090	Consultant - Appraisal	\$50,000	\$50,000	\$0	0.00%	5.3%
5100	Legal & Consultants	\$20,000	\$20,000	\$0	0.00%	2.1%
5102	Legal ARB	\$2,000	\$2,000	\$0	100.00%	0.2%
5105	Liab./Workers Comp	\$6,000	\$6,000	\$0	0.00%	0.6%
5110	Publishing/Publications	\$3,600	\$3,600	\$0	0.00%	0.4%
5120	Schools/Employee Ed.	\$6,550	\$6,550	\$0	0.00%	0.7%
5130	Postage	\$15,000	\$15,000	\$0	0.00%	1.6%
5135	Printing	\$5,000	\$5,000	\$0	0.00%	0.5%
5136	Professional Dues	\$2,285	\$2,320	\$35	1.53%	0.2%
5140	Office Supplies	\$7,000	\$7,000	\$0	0.00%	0.7%
5145	Furniture, Fixtures & Equip	\$7,000	\$7,000	\$0	0.00%	0.7%
5150	Board of Directors	\$3,200	\$3,200	\$0	0.00%	0.3%
5155	Equip. Maint & Reserve	\$1,500	\$1,500	\$0	0.00%	0.2%
5170	Building Reserve	\$7,000	\$7,000	\$0	0.00%	0.7%
5180	Software Support	\$31,195	\$40,006	\$8,811	28.24%	4.2%
5200	Banking Fees	\$120	\$200	\$80	66.67%	0.0%
TOTAL	TOTALS	\$902,512	\$942,202	\$39,690	4.40%	100.0%

5006 Salaries:

	<u>Positions</u>	<u>2014</u>	<u>COLA</u> <u>1.5%</u>	<u>COLA</u>	<u>Merit/Desig</u>	<u>2015</u> <u>Total</u>	<u>%</u> <u>Chan</u>
IV	Chief Appraiser	\$84,722	\$1,271	\$85,993	\$ -	\$85,993	1.50%
Sharon	Deputy Chief	\$59,470	\$892	\$60,362	\$ -	\$60,362	1.50%
Mike	Senior Appraiser	\$55,247	\$829	\$56,076	\$ -	\$56,076	1.50%
Jesse	Agr App RPA	\$40,075	\$601	\$40,676	\$ -	\$40,676	1.50%
Jason	Field App RPA	\$41,486	\$622	\$42,108	\$ -	\$42,108	1.50%
Kathy L	Com App RPA	\$36,950	\$554	\$37,504	\$ -	\$37,504	1.50%
Michael	Field App RPA	\$40,214	\$603	\$40,817	\$ -	\$40,817	1.50%
Collin	Field App II	\$29,751	\$446	\$30,197	\$ -	\$30,197	1.50%
D.J.	Abstractor	\$34,037	\$511	\$34,548	\$ -	\$34,548	1.50%
Rob	GIS Mang/App II	\$49,536	\$743	\$50,279	\$ -	\$50,279	1.50%
Kathy J	Exemp Spec	\$31,675	\$475	\$32,150	\$ -	\$32,150	1.50%
	Undesignated					\$12,000	
	TOTALS	\$503,163	\$7,547	\$510,710	\$12,000.00	\$522,710	3.88%

Total Benefits:

<u>Position</u>	<u>2015 Sal</u>	<u>Med Ins</u>	<u>Retire</u>	<u>Medicare</u>	<u>Unemp</u>	<u>Disabilit</u>	<u>Totals</u>
Chief Appraiser	\$85,993	\$9,326	\$6,879	\$1,246.90	\$226	\$659	\$104,330
Deputy Chief	\$60,362	\$9,326	\$4,829	\$875.25	\$226	\$659	\$76,277
Senior App	\$56,076	\$9,326	\$4,486	\$813.10	\$226	\$659	\$71,586
Agr. App RPA	\$40,676	\$9,326	\$3,254	\$589.80	\$226	\$659	\$54,730
Field Appr. RPA	\$42,108	\$9,326	\$3,369	\$610.57	\$226	\$659	\$56,298
Com Appr RPA	\$37,504	\$9,326	\$3,000	\$543.81	\$226	\$659	\$51,259
Field Appr. RPA	\$40,817	\$9,326	\$3,265	\$591.85	\$226	\$659	\$54,885
Field Appr. I	\$30,197	\$9,326	\$2,416	\$437.86	\$226	\$659	\$43,261
Abstractor	\$34,548	\$9,326	\$2,764	\$500.95	\$226	\$659	\$48,023
GIS Mng/App	\$50,279	\$9,326	\$4,022	\$729.05	\$226	\$659	\$65,241
Exemp Spec II	\$32,150	\$9,326	\$2,572	\$466.18	\$226	\$659	\$45,399
Undesignated	\$12,000		\$960	\$174.00			\$13,134
Totals	\$522,710	\$102,585	\$41,817	\$7,579	\$2,484	\$7,247	\$684,422

It is in the best interest of tax payers as well as the taxing entities for the district to retain well trained and educated employees. Hiring from other districts for appraisers with an RPA designation and employees with experience and training has heightened due to the Comptroller's MAPS Review. There is a 1.5% C.O.L.A. applied for 2015. There is a \$12,000 merit raise to be applied for 2015. Since the budget is prepared so early in the year to accommodate the taxing entities the allocation per employee is not done until later in the year when staff reviews are completed. It is vital that Kerr CAD remain competitive with other appraisal districts. There will be a total of 11 staff positions this year unchanged from last year.

The total salary line item for 2015 is \$522,710. We are required by the Methods Assistance Program administered by the State of Texas Property Tax Assistance Division to display each employee's salary and benefits as well as the total salary and benefits for each employee. The total for salaries plus benefits is \$684,422.

5010 - Employers Retirement: KCAD has an independent employee retirement plan through John Hancock. All employees are required to participate in this plan. The Kerr CAD Board of Directors has elected to fund 8% of the employee's salary for their retirement plan. Employees also match an 8% contribution from their salary. Details as shown below:

Total 2015 Salaries	\$	522,710
KCAD Matching Percentage	\$	X 0.08
KCAD Contribution	\$	41,817
Administration Fee	\$	1,480
TOTAL	\$	43,297

5012 - Employer Medicare: KCAD is responsible for the Medicare tax on each of the employee's wages. This rate is equal to 1.45 percent of the first \$125,000 paid to each employee per year. Details of this item are as follows:

Total 2015 Salaries	\$	522,710
Medicare Rate	x	0.0145
TOTAL	\$	7,579

5015 - Employee Medical Insurance: Kerr CAD provides health insurance to its employees through the Texas Association of Counties. The carrier for Texas Association of Counties is Blue Cross / Blue Shield. The Texas Association of Counties has informed us the premiums for 2015 will be \$102,585. Details of this estimated expenditure follow:

KCAD Contribution Per Month	\$	777
Number of Employees	x	11
Total Monthly Contribution	\$	8,549
Number of Months	x	12
TOTAL 2013 Estimate	\$	102,585

5016 - Texas Employment Commission: KCAD is responsible for the payment of each employee's unemployment tax through the Texas Workforce Commission. This tax is a percentage of the first \$9,000 of

the employee's quarterly salary. These rates change annually and are based on the number of employees hired and fired during the previous year. This line item will be \$2,484.

5017 - Disability Insurance: The KCAD Board of Directors has elected to pay disability insurance in lieu of social security for KCAD employees. New employees will be under the same vesting requirements as other benefits. The line item for this year will be \$7,247.

5030 - Appraisal Review Board: KCAD is responsible for the Appraisal Review Board member's stipends. There are five members who serve on the ARB. This line item covers the ARB member's salary, travel, and training expenses and other expenses related to this board. The ARB is paid \$130 per full day and \$75 per half day. The line item for the ARB will remain at \$12,500.

5034 - Vehicle Replacement Reserve: The allocated amount for vehicle replacement will remain at \$8,000 for this year.

5035 - Travel and Mileage: The heaviest driving period for the CAD is the fall and winter months during our appraisal period. This line item also includes maintenance and tires. This item also includes other travel expense and also pertains to meals and hotel expense when employees are sent to school. This line item will remain at \$18,000.

5040 - Annual Audit: Section 6.063 of the Property Tax Code requires that the district have an annual audit by a Certified Public Accountant. The 2014 financial year audit will be conducted in 2015. The contract amount for the audit has increased to \$6,200.

5045 - Mapping Expense: In the past the district has cost shared with Kerr County 911 as well as The City of Kerrville and KPUB in acquiring a GIS mapping system called Pictometry. This system is a patented information system that combines aerial imaging with a state of the art software system allowing an appraiser to view and measure any structure, intersection, fire hydrant, tree or any feature in the county from a laptop or workstation. This technology has enabled the district to increase productivity, cut down on field trips and enhance appraisal of existing as well as the discovery of new taxable property. The investment in this system began in 2009 at a cost \$8,093 per annum for Kerr CAD's portion. New photos were flown in March of 2012. The line item for the flights will remain at \$8,093 for 2015 which added to the existing GIS system cost of \$3,000 will total \$11,093.

5060 - Deed Copies: In order to maintain correct property ownership, KCAD is required to purchase copies of real property deeds from the Kerr County Clerk. In 2008 the County Clerk began supplying the district with a CD format instead of paper. This resulted in a significant cost savings to the district. This item will remain at \$1,000 for this year.

5070 - Leased Equipment: The CAD leases a copy machine and a postage machine. This line item is \$6,051 for this year.

5075 - Telephone: This item includes basic telephone equipment lease and service, long distance service, and Internet subscription. This item will be \$3,000 for this year.

5080 - Utilities: The District's utility expense covers city water and electricity. Anticipated water and sewer costs are \$400 per year. Electricity costs are running approximately \$740 per month. The amount for this year has a slight increase due to increased electricity cost to \$9,250.

5085 - Facilities Maintenance: Facilities or building and grounds maintenance includes trash pickup, building cleaning, lawn care, and pest control. Due to fuel surcharges the trash pickup has an increase this year. The details of this maintenance are as follows:

<u>Expense</u>	<u>\$/Month</u>	<u>\$/Year</u>
Trash Pickup	\$215	\$2,580
Building Cleaning	\$150	\$1,800
Pest Control	\$25	\$ 300
Termite Inspection		<u>\$ 150</u>
TOTAL		\$4,830

5090 - Consultant - Appraisal: KCAD contracts out the appraisals on utilities, minerals, pipelines, and industrial properties to the industrial appraisal firm. Capitol Appraisal's contract cost is \$14,680 for 2015.

Kerr CAD contracted with Eagle Appraisal and Consulting a professional appraisal firm to appraise the commercial properties in Kerr County. Commercial real estate sales information is very difficult to obtain statewide. Also commercial special use properties can be very intricate to appraise. The Comptroller's Methods Assistance Study is demanding more stringent methodology for market value and equity. Most of the lawsuits Kerr CAD is served with are commercial property suits. Limited commercial sales and rental information not only hinders an initial fair and equitable appraisal but also increases the related costs of lawsuits due to the necessity of hiring a professional appraisal firm to ensure the value is defensible in ARB Hearing as well as in litigation. Eagle Appraisal and Consulting will not only appraise the commercial property but would also defend property values in the appraisal review process as well as when litigation occurs with additional litigation expenditures. \$3,320 is included in the event of litigation against the CAD. Many appraisal districts are using contractors as a cost efficient method of ensuring their values are meeting the stringent requirements of the Comptroller's Property Value Study and the Methods Assistance Program Study. Contracting will be a valuable tool in helping ensure that all taxpayers are treated equitably. Kerr CAD entered into a two year contractual agreement with Eagle Appraisal and Consulting in 2014. The contract amount for 2015 is \$32,000. The total amount Approved for this line item is \$50,000.

5100 - Consultant - Legal & Expert Witness: KCAD maintains a contract with the Law Office of Peter Low. The monthly retainer fee is \$150. The hourly fees are \$150 for litigation and \$100 for non-litigation fees such as travel. Other related expenses such as hotel room fees when needed are paid by the district. The line item for this year is \$20,000.

5102 - Legal ARB: Recent legislation has mandated Appraisal Review Boards retain separate legal counsel from Appraisal Districts. Historically the need for legal counsel for the Kerr Appraisal Review Board has been minimal. This line item is \$2,000.

5105 - Liability and Workers Compensation: This line item covers workers compensation, general liability, automotive liability, errors and omissions, and real and personal property insurance as well as liability related to our retirement program. The carrier for this insurance is the Texas Municipal League

Intergovernmental Risk Pool (TML). This line item will be \$6,000.

5110 - Publishing and Publications: This line item includes required newspaper advertisements, property asset listings, and appraisal guides. This line item has a total of \$3,600.

5120 - Schools and Employee Education: According to Section 5.04, of the Property Tax Code, an appraisal district shall reimburse an employee for all actual and necessary expenses, tuition, other fees and costs of materials incurred in attending, with the chief appraiser's approval, a course or training program conducted or by the Texas Department of Licensing and Regulation. This item is a total of \$6,550.

5130 - Postage: Kerr CAD uses an outside mailing firm to print and mail the required appraisal notices. This saves the district some postage and helps ensure a timely mailing of appraisal notices. The district is currently charged \$.70 for each address correction from the Post Office. Kerr CAD elected to mail notices only to property owners whose values changed last year or due to a change of ownership or per request by the taxpayer. Significant savings have occurred since this practice was initiated therefore this line item will be \$15,000.

5135 - Printing: This line item includes expenses such as printing of Notices of Appraised Value, Appraisal Rolls and envelopes. This item is estimated at \$5,000.

5136 - Dues: This line item is devoted to the registration of the district and employees with different state agencies and trade organizations. Registration with the Texas Department of Licensing and Regulation is a requirement by law. Affiliation with the Texas Association of Appraisal Districts allows KCAD to enroll in state classes for reduced tuition and keeps the district informed of changing rules and laws. Being a member of TAAD also requires us to be a member of the local Southwest Chapter. Membership in the International Association of Assessing Officers is now required by the MAPS review and also requires membership in the Texas Association of Assessing Officers. The district receives most of the sales data used in appraisals of real property from the Kerrville Board of Realtors Multiple Listing Service. The district receives a discounted price for items purchased through the Texas Building & Procurement Commission. The district also pays a membership for the Visa charge card. A detailed cost description of this line item follows:

Texas Department of Licensing & Regulation	\$ 680
Texas Association of Appraisal Districts	\$ 900
Texas Association of Appraisal Districts Southwest Chapter	\$ 50
International Association of Assessing Officers	\$ 175
Texas Association of Assessing Officers	\$ 80
Kerrville Board of Realtors M.L.S. Membership	\$ 300
Texas Building & Procurement Commission	\$ 100
Visa Charge Membership	\$ 35
TOTAL	\$2,320

5140 - Office Supplies: This line item includes all miscellaneous office supplies used in the district. These items include paper, writing utensils, film, toner cartridges, and other supplies. The amount this year is \$7,000.

5145 - Furniture and Fixtures: This line item includes upgrading and replacement of computers and as well as desk, chairs and other office related furniture and fixtures. Kerr CAD is designating \$4,500 of its self-generated income from property record card sales, computer generated lists, map sales, and bank interest towards this line item. There is a \$2,500 allotted for desks, chairs, filing cabinets and other office related furniture and fixtures. The amount for this line item is \$7,000.

5150 - Board of Directors: This line item is utilized to purchase director manual and reference material for the Board of Directors. A portion of this line item is also utilized to purchase awards of appreciation to outgoing board members and name plaques. Because of increased duties, responsibilities as well as increased liability associated with being a board member this line item includes education for board members. The average cost for a board member to attend a TAAD conference is approximately \$1,000, A Rural Chief Appraisers Conference is approximately \$500 per person. This addition would allow 3 members to attend a TAAD Conference or all six members to attend a Rural Chief's Conference. This line item is \$3,200.

5155 - Equipment Maintenance: This item includes the maintenance of PC computers, networks, postage machine and copy machines. This line amount will be \$1,500.

5170 - Building Reserve: A building reserve of \$3,500 per year was established when KCAD purchased the current building. This fund is reserved and cannot be utilized for any purpose other than replacement or repair to major items regarding CAD facilities. The building was constructed in the mid 1970s and is in need of major repairs/renovation or replacement. In 2006 the board elected to replace the existing roof with a metal roof. In 2010 the septic system failed and due to the City of Kerrville's sanitary sewer rules the building's effluent was connected to the City of Kerrville's sewer system at cost near \$30,000 rather than being allowed to repair the existing septic system for approximately \$1,500. Consideration is being given to the cost of extensive repairs/replacement to the parking lot, floor coverings, wall coverings, plumbing upgrade, window replacement, energy efficiency improvements as well as possible mold remediation in the event the extensive roof leaks prior to 2006 resulted in a mold infestation. The structure has had several termite infestations through the years with damage undetermined. In order to ensure available funds will be available for the much needed renovations or replacement this amount will remain at \$7,000 this year.

5180 - Software Support - True Automation: Kerr CAD converted their old appraisal computer system to True Automation in October of 2006. True Automation is the largest CAD appraisal software company in the state. True Automation calls their system the PACS System. This line item provides for continuing maintenance and support of the PACS System by True Automation. This system contains active tax records and rolls for each taxing entity and individual property owner in the county housing almost forty thousand (40,000) property tax parcels. Every property account is recorded, updated, and appraised using this system and the tax roll is generated resulting in the values used to levy taxes for every taxing entity and taxpayer serviced by Kerr CAD. True Automation has notified the district that the software support and maintenance for this year will be increasing to \$40,006.

5200 - Banking Fees: We are being assessed service charges on our bank account which will increase to \$200 annually.

Agenda Item:

5B. Resolution No. 23-2014 setting forth the Ad Valorem (property) Tax Rate to be considered for adoption for the 2014 tax year; calling two public hearings prior to the adoption of said rate; and calling a public hearing prior to the adoption of the fiscal year 2015 budget as required by both the City's Charter and State Law.
(staff)

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

SUBJECT: Resolution setting the ad valorem tax rate to be considered for adoption for the 2014 tax year and calling a budget public hearing as required by both the City's charter and state law prior to the adoption of the fiscal year 2015 budget.

FOR AGENDA OF: August 12, 2014

DATE SUBMITTED: August 1, 2014

SUBMITTED BY: Sandra Yarbrough
Director of Finance

CLEARANCES: Todd Parton
City Manager

EXHIBITS: Resolution, Copy of Public Hearing Notice
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 DIRECTOR OR FINANCE:

SUMMARY STATEMENT

Tax Rate

At the July 22, 2014 City Council meeting, the City Manager presented the Proposed FY15 Budget which included a \$0.5625 proposed tax rate, the same rate as last year. This rate exceeds the effective tax rate as calculated by the Tax Assessor-Collector of \$0.539658 by 4.23%. The City is required to hold the public hearings since the proposed tax rate exceeds the effective tax rate.

Budget

The Proposed FY15 Budget includes expenditures of \$44,987,121 and revenues of \$45,960,084. Local Government Code and the City Charter require a public hearing related to the Proposed Budget. The proposed time is Tuesday, August 26, 2014 at 6:00 pm. additionally, the Charter specifically requires that the Council will publish a "general summary" of the budget and a notice stating the times and places where copies of the budget are available for inspection by the public and the time and place for a public hearing on the budget. A sample of the proposed notice is also attached for Council's review and discussion.

RECOMMENDED ACTION

Staff recommends approval of the attached resolution setting the ad valorem tax rate to be considered for adoption for the 2014 tax year at \$0.5625 per \$100 valuation and calling a budget public hearing as required by both the City Charter and state law prior to the adoption of the fiscal year 2015 budget.

The vote on the attached resolution must be a roll call vote per state law.

**CITY OF KERRVILLE, TEXAS
RESOLUTION NO. 23-2014**

A RESOLUTION SETTING FORTH THE AD VALOREM (PROPERTY) TAX RATE TO BE CONSIDERED FOR ADOPTION FOR THE 2014 TAX YEAR; CALLING TWO PUBLIC HEARINGS PRIOR TO THE ADOPTION OF SAID RATE; AND CALLING A PUBLIC HEARING PRIOR TO THE ADOPTION OF THE FISCAL YEAR 2015 BUDGET AS REQUIRED BY BOTH THE CITY'S CHARTER AND STATE LAW

WHEREAS, state law requires that City Council hold two public hearings prior to the adoption of an ad valorem (property) tax rate which, if adopted and applied to the total taxable value of property located within the City of Kerrville, would impose an amount of taxes that exceeds either the lower of the effective tax rate or the rollback rate; and

WHEREAS, City Council is considering the adoption of an ad valorem tax rate which exceeds the effective tax rate but not the rollback rate, such that Council must hold two public hearings in accordance with state law; and

WHEREAS, pursuant to the City Charter and state law, City Council must also hold a public hearing regarding the proposed budget; and

WHEREAS, City Council now establishes dates for public hearings on the adoption of the proposed 2014 tax rate and the proposed fiscal year 2015 budget;

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

SECTION ONE. Tax Rate. The City Manager and City Attorney are directed to prepare an ordinance for consideration by City Council which, if adopted, will adopt and impose a total ad valorem (property) tax rate for the tax year 2014 at a rate not to exceed **\$0.5625** per \$100 valuation. There is no change to this proposed rate from the previous tax year. The adoption of this rate will levy a tax rate greater than the effective rate. This proposed tax rate is currently scheduled to be adopted by passage of an ordinance, the second and final reading of which is scheduled to occur on September 23, 2014.

SECTION TWO. Public Hearings for Tax Rate. City Council will hold two public hearings, the first being scheduled for 6:00 p.m., August 26, 2014, and the second scheduled for 6:00 p.m., September 9, 2014. Council will hold both public hearings at City Hall, 701 Main Street, Kerrville, Texas, in order to receive public comment on the proposed tax rate.

SECTION THREE. Public Hearing for Budget. Pursuant to Section 8.04 of the City Charter and state law, a public hearing on the proposed budget shall be scheduled for 6:00 p.m. on August 26, 2014.

SECTION FOUR. Notices. The City Secretary is directed to provide notice of the specified public hearings in accordance with state law and the City's Charter.

PASSED AND APPROVED ON this the ____ day of _____ A.D., 2014.

Jack Pratt, Jr., Mayor

ATTEST:

Brenda G. Craig, City Secretary

APPROVED AS TO FORM:



Michael C. Hayes, City Attorney

CITY OF KERRVILLE
NOTICE OF PUBLIC HEARING ON PROPOSED BUDGET

The Kerrville City Council will hold a public hearing on the FY15 Proposed Budget on Tuesday, August 26, 2014 at 701 Main Street, Kerrville, TX at 6:00 p.m. in the City Council chambers.

This budget's proposed tax rate is \$0.5625, which is a 4.23% increase that exceeds the effective tax rate of \$0.539658. This is the same tax rate as last year.

Copies of the FY15 Proposed Budget are available at City Hall (City Secretary's Office) located at 701 Main Street, the Butt Holdsworth Memorial Library at 505 Water St., and on the City's website, www.kerrvilletx.gov.

Pursuant to Section 8.04(a) of the City Charter, the City Council is publishing the following table as a general summary of the Proposed FY15 City of Kerrville Budget. This illustration shows revenues and expenditures for each of the City's two main operating funds, while the balance of the funds are combined into a single presentation labeled, "Other Funds".

	Annual Budget FY14	Proposed Budget FY15	Increase or (Decrease)
General Fund			
Revenues	\$ 22,031,994	\$ 23,994,334	\$ 1,962,340
Expenditures	\$ 21,163,931	\$ 23,994,334	\$ 2,830,943
Revenues Over/(Under) Expenditures	\$ 868,063	\$ 00	
Water and Sewer Fund			
Revenues	\$ 10,482,069	\$ 9,866,973	\$ (615,096)
Expenditures	\$ 9,982,176	\$ 9,866,973	\$ (115,203)
Revenues Over/(Under) Expenditures	\$ 499,893	\$ 00	
Other Funds			
Revenues	\$ 13,747,640	\$ 12,098,777	\$ (1,648,863)
Expenditures	\$ 13,643,377	\$ 11,125,814	\$ (2,517,563)
Revenues Over/(Under) Expenditures	\$ 104,263	\$ 972,963	
Total Funds			
Revenues	\$ 46,261,703	\$ 45,960,084	\$ (301,619)
Expenditures	\$ 44,789,484	\$ 44,987,121	\$ 197,637
Revenues Over/(Under) Expenditures	\$ 1,472,219	\$ 972,963	

The FY15 Proposed Budget is a balanced budget where current revenues meet or exceed expenditures for all major funds.

Agenda Item:

5C. City of Kerrville Fiscal Year 2015 budget. (staff)

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

SUBJECT: Discussion and direction to city staff regarding the City of Kerrville FY2015 annual budget.

FOR AGENDA OF: Aug. 12, 2014

DATE SUBMITTED: Aug. 8, 2014

SUBMITTED BY: Todd Parton
City Manager

CLEARANCES:

EXHIBITS: None

AGENDA MAILED TO:

APPROVED FOR SUBMITTAL BY CITY MANAGER:

<u>Expenditure</u>	<u>Current Balance</u>	<u>Amount</u>	<u>Account</u>
<u>Required:</u>	<u>in Account:</u>	<u>Budgeted:</u>	<u>Number:</u>
\$0	\$0	\$0	



PAYMENT TO BE MADE TO:

REVIEWED BY THE FINANCE DEPARTMENT:

SUMMARY STATEMENT

KCAD has certified the tax roll for 2014. Overall, the certified roll establishes a 2014 total taxable value of \$1,843,004,184. This represents a 4.1% increase from the 2013 total taxable value of \$1,769,995,598 (increase of \$73,008,586).

With the increase in taxable value from 2013 to 2014, the effective tax rate is calculated to be \$0.539658. Should the city maintain the current tax rate of \$0.5625 city staff estimates that an additional \$270,753 would be collected in property tax revenues.

City staff recommends that revenues above those already included in the draft FY2015 budget be allocated as follows:

1. Additional 3 Members for the Street and Drainage Crew (\$127,000):
2. Additional Allocation to Playhouse 2000 to Cover Monthly Utility Expenses at the Cailloux Theatre (\$20,000) – City of Kerrville Currently Pays Half of these Bills Pursuant to the Current Cailloux Theatre Agreement
3. Replacement of City Vehicles (Balance of Revenues) – Would Replace 5 to 6 Vehicles

RECOMMENDED ACTION

City staff recommends that the draft FY2015 budget be amended to include the 3 items outlined in this agenda bill.

Agenda Item:

5D. Kerr County proposal for joint funding of Kerr County Environmental Services Department and full library services. (staff)

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

SUBJECT: Kerr County proposal for joint funding of Kerr County Environmental Services Department and full library services.

FOR AGENDA OF: Aug. 12, 2014

DATE SUBMITTED: Aug. 8, 2014

SUBMITTED BY: Todd Parton
City Manager

CLEARANCES:

EXHIBITS: Kerr County Proposal – Dated July 29, 2014
Kerr County OSSF Fee Schedule
Kerr County Animal Control Fee Schedule

AGENDA MAILED TO:

APPROVED FOR SUBMITTAL BY CITY MANAGER: 

Expenditure	Current Balance	Amount	Account
Required:	in Account:	Budgeted:	Number:
\$0	\$0	\$0	

PAYMENT TO BE MADE TO:

REVIEWED BY THE FINANCE DEPARTMENT:

SUMMARY STATEMENT

City Council received a proposal from County Judge Tom Pollard on August 1, 2014. Kerr County has proposed two options for city and county joint funding of the Kerr County Environmental Services Department and the Butt Holdsworth Memorial Library.

The draft FY2015 budget is fully balanced and does not factor in a Kerr County allocation for library services. The proposed library budget for FY2015 is approximately \$699,000 and is built in anticipation that current levels of service are maintained. Should the library expand services as proposed by Kerr County, it is estimated that the library budget would need to increase by approximately \$45,000. Library staff would need to be expanded since the staff was reduced by one position with the reduced volume of patrons who reside outside of the city limits.

The Kerr County proposal states that the County Environmental Services Department operations are operated without fees charged to individual residents. Individual residents are actually charged fees for permitting and inspections of on-site sewage facilities (OSSF) and for animal control services. The fee schedules for both of these services are attached.

Kerr County's FY2014 budget anticipates revenues from OSSF and animal control fees of \$42,000 for environmental services and \$63,500 for animal control.

RECOMMENDED ACTION

City staff does not recommend accepting either of the proposed options as submitted. They do not adequately address the operational impacts to the Butt Holdsworth Memorial Library and adequate information has not been provided to accurately analyze the financial implications of the balance of the proposal.



RECEIVED
AUG - 1 2014
BY: _____

**THE COUNTY COURT
OF
KERR COUNTY, TEXAS**
700 Main Street, Ste. 101, Kerrville, Texas 78028
Tel: (830) 792-2211
Fax: (830) 792-2218
Email: commissioners@co.kerr.tx.us

COUNTY JUDGE
TOM POLLARD

COMMISSIONERS COURT
H. A. "BUSTER" BALDWIN, PCT. 1
TOM MOSER, PCT. 2
JONATHAN LETZ, PCT. 3
BOB REEVES, PCT. 4

COURT COORDINATOR
JODY GRINSTEAD

July 29, 2014

City of Kerrville Mayor
Kerrville City Council
701 Main Street
Kerrville, TX 78028

Dear Mayor and City Council,

The services shared by the residents of Kerr County (county) and the residents within City of Kerrville (city) and provided by both entities are important to the safety and welfare of all residents. The services provided fully by the Environmental Services Department which include Animal Control, Solid Waste and OSSF, with a projected FY 2015 operating budget of \$788,000 (O&M budget without any capital items); and another service provided fully by the City is the Butt-Holdsworths Library (library), with a projected operating budget of approximately \$700,000. In FY 2014, the residents living outside the City (county residents) were required by the City to pay up to \$65/year for use of the library. As a result of the individual fees, the use of the library by county residents, card holders, has decreased by 88%.

The County proposes two options so that all three services are provided to residents without individual fees from the residents. The two options are

Option 1:

- The County funds 100% of the County Environmental Services Department, whose services include Animal Control, Solid Waste and OSSF, for all residents of Kerr County.
- The City funds 100% of the library for all residents of Kerr County.

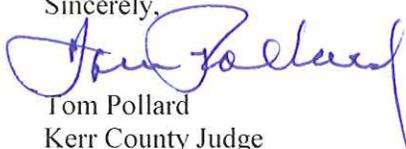
Option 2:

- City and County jointly fund the county Environmental Services Department based on proportionate use of services by residents of each entity.
- County funds \$200,000 annually for full library services for all residents of Kerr County.

The County is pleased that the City and County have agreements that are working very well, to provide services for Fire/Emergency Medical Services and Airport. The County hopes that agreements can be reached on the services discussed above so that the residents of the county can enjoy and benefit from them at the lowest cost possible.

As both the County and City are developing budgets for FY 2015, a response as soon as possible would be appreciated.

Sincerely,


Tom Pollard
Kerr County Judge

CC: County Commissioners

KERR COUNTY
Environmental Health Department
 Courthouse, 700 Main, Suite BA-106
 Kerrville, Texas 78028
 Phone: (830) 896-9020 FAX: (830) 792-4903
 E-mail: envhealth@co.kerr.tx.us

ON-SITE SEWAGE FACILITY (OSSF) FEE SCHEDULE

OSSF's with Less Than 500 Gallons per Day Disposal

1)	<u>Application for New or Upgrade Permitted OSSF <500 GPD</u>	\$ 240.00	
	<u>State of Texas Research Council Fees</u>	\$ 10.00 *	\$ 250.00
1a)	<u>Application for New or Upgrade Permitted OSSF <500 GPD</u>		
	<u>Requiring a Maintenance Contract (ex: aerobic system)</u>	\$ 290.00	
	<u>State of Texas Research Council Fees</u>	\$ 10.00 *	\$ 300.00
2)	<u>Application to Repair or Alter Permitted OSSF <500 GPD</u>		\$ 100.00

OSSF's with Greater Than 500 Gallons per Day Disposal

3)		490.00	
	<u>Application for New or Upgrade Permitted OSSF >500 GPD</u>	\$	
	<u>State of Texas Research Council Fees</u>	\$ 10.00 *	\$ 500.00
3a)	<u>Application for New or Upgrade Permitted OSSF >500 GPD</u>		
	<u>Requiring a Maintenance Contract (ex: aerobic system)</u>	\$ 590.00	
	<u>State of Texas Research Council Fees</u>	\$ 10.00 *	\$ 600.00
4)	<u>Application to Repair or Alter Permitted OSSF >500 GPD</u>		\$ 200.00

*Research Council Fees are State required. These fees are collected by the County and paid directly to the State of Texas. The fees are charged to all property owners in Texas who apply for a permit to construct on-site wastewater treatment & disposal facilities. This fee funds competitive grants for research, demonstration, and technology transfer for advanced alternative treatment and disposal technologies through the On-site Wastewater Treatment Research Council. Legal authority for the fee comes from Chapter 367 of the Texas Health and Safety Code.

Miscellaneous and/or Additional Fees

5)	<u>Affidavit Recording Fee \$9 & Records Archival Fee \$7</u>	\$ 16.00
6)	<u>Additional Inspection(s)</u>	\$ 50.00 each
7)	<u>Document Revision Fee</u>	\$ 25.00
8)	<u>Registration of OSSF License Transfer</u>	\$ 50.00
9)	<u>Septic Record Search</u>	\$ 10.00
10)	<u>Copy of State OSSF Regulations</u>	\$ 5.00 set
11)	<u>Copies of Maps</u>	\$ 3.00 /page
12)	<u>Application for Review of a Proposed Subdivision</u>	\$ 150.00 + \$10/lot
13)	<u>Expedite Fee (<5 working days to due date)</u>	\$ 200.00

Kerr County Animal Control Fee Schedule

Registration Fees

<u>Non-Neutered Animals</u>	<u>\$10.00 Annual / \$50.00 Lifetime</u>
<u>Neutered Animals</u>	<u>\$5.00 Annual / \$25.00 Lifetime</u>
<u>Multi-Animal / One Owner</u>	<u>\$25.00 Annual / \$100.00 Lifetime</u>

Impound Fees

<u>Wearing Registration Tag</u>	<u>\$00.00 First Offense</u> <u>\$20.00 2nd Offense</u> <u>\$30.00 Subsequent Offense</u>
<u>Not Currently Vaccinated</u>	<u>\$50.00 First Offense</u> <u>\$75.00 2nd Offense</u> <u>\$100.00 Subsequent Offense</u>

Quarantine Fees (not including Boarding Fees)

<u>Quarantine</u>	<u>\$40.00</u>
<u>Home Quarantine</u>	<u>\$20.00</u>
<u>Vet Quarantine / Investigation</u>	<u>\$20.00</u>
<u>Head Submission / Testing</u>	<u>\$25.00</u>

Boarding Fees

<u>Daily</u>	<u>\$5.00</u>
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Adoption Fees

<u>Including neutering, rabies, vaccination & registration</u>	<u>\$45.00</u>
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<u>Animal Delivery to Vet</u>	<u>\$10.00</u>
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<u>Euthanasia Fee</u>	<u>\$10.00</u>
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Dangerous Dog Fees

<u>Registration</u>	<u>\$75.00</u>
<u>Registration Transfer</u>	<u>\$25.00</u>

Out of County Animals

<u>Each</u>	<u>\$10.00</u>
<u>Mother & Kittens</u>	<u>\$20.00</u>

Establishment Fees

<u>Kennels with less than 6 Animals</u>	<u>\$20.00 Annually</u>
<u>Kennels with 7 to 49 Animals</u>	<u>\$30.00 Annually</u>
<u>Kennels with 50 or more Animals</u>	<u>\$40.00 Annually</u>
<u>Other Animal Establishment</u>	<u>\$30.00 Annually</u>

<u>Livestock Impound Fees</u>	<u>\$50.00</u>
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Agenda Item:

5E. Phase 1 of the Community Branding project. (staff)

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

SUBJECT: Presentation of Phase 1 of the Community Branding project

FOR AGENDA OF: August 12, 2014 **DATE SUBMITTED:** August 6, 2014

SUBMITTED BY: Ashlea Boyle *AB* **CLEARANCES:** Todd Parton
Special Projects Manager City Manager

EXHIBITS:

AGENDA MAILED TO:

APPROVED FOR SUBMITTAL BY CITY MANAGER: *[Signature]*

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

PAYMENT TO BE MADE TO:

REVIEWED BY THE DIRECTOR OF FINANCE:

SUMMARY STATEMENT

The Kerrville Area Chamber of Commerce through its Vision 2016 Marketing Committee identified the need for a community branding project. The City of Kerrville took the lead for this project and worked with two local firms to complete the phasing. The first phase identifies target constituents, core values, message platforms, and a position statement. City staff worked closely with the Chamber of Commerce and community stakeholders during the development of this phase. This phase will be presented at this meeting for review.

The second phase is in progress and includes the creative, graphics, and marketing components to be presented at a later time.

RECOMMENDED ACTION

City staff recommends approval of the messaging presented (phase 1) of the Community Branding project.