

CITY COUNCIL MINUTES
BUDGET WORKSHOP

KERRVILLE, TEXAS
AUGUST 14, 2012

On August 14, 2012, the Kerrville City Council meeting was called to order by Mayor Pratt at 4:00 p.m. in the city hall council chambers, 800 Junction Highway.

COUNCILMEMBERS PRESENT:

Jack Pratt	Mayor
Stacie Keeble	Mayor Pro Tem
Gene Allen	Councilmember
Carson Conklin	Councilmember
Justin MacDonald	Councilmember

COUNCILMEMBER ABSENT: None

CITY EXECUTIVE STAFF PRESENT:

Todd Parton	City Manager
Mike Hayes	City Attorney
Kristine Ondrias	Assistant City Manager
Brenda G. Craig	City Secretary
Mike Erwin	Director of Finance
Robert Ojeda	Fire Chief
Kim Meismer	Director of General Operations
Charlie Hastings	Director of Public Works

VISITORS PRESENT: List on file in city secretary's office for the required retention period.

DISCUSSION OF FISCAL YEAR 2013 BUDGET AND PROVIDE DIRECTION TO CITY STAFF

Mr. Erwin presented comparisons of the city of Kerrville and other similar cities with regard to operating ratio, overall tax rate, water/sewer utility debt, water/sewer debt per capita, overall debt, and overall debt per capita. He noted Kerrville was about mid-range with other cities in overall tax rate and low in overall debt. He explained that after the proposed \$7 million debt issuance in FY2013, the overall debt per capita would be about \$2,500 and the city's debt ratio would be about 65% of operating expenditures to overall revenue. He noted that the 2013 issuance would be the last sale for several years if the city wanted to continue to maintain the self-imposed 65% debt ratio since there would not be any significant drop in utility debt load until 2020. This self-imposed limit was established by city policy whereby no more than 35% of revenue would go toward long term debt; however, the city did have additional debt capacity if council so desired.

Mr. Erwin noted the proposed tax rate remained the same at \$0.5625; the effective tax rate was \$0.5669; the rollback rate was \$0.6059. The city would not be subject to public hearing requirements since the proposed rate was below the

effective tax rate. He noted no new tax supported debt was proposed for FY2013 in the general fund.

Mr. Erwin reviewed the proposed rate increases in the FY2013 budget:

- Water rate: \$0.40 per 1,000 gallons
- Sewer rate: \$0.80 per 1,000 gallons
- Electronic device deposit: Credit card authorization with valid credit card to be kept on file; new requirement.
- Residential garbage collection: 6.81% increase proposed by Allied Waste.
- Municipal solid waste: 9.18% increase proposed by Allied Waste.

Regarding water and sewer rates, Mr. Erwin noted Kerrville to be mid-range after the proposed FY2013 rate increase as compared to other cities' current rates, and estimated the average monthly increase for water and sewer at \$10-12 per household. All revenue from the water and sewer rate increase would go toward debt service and to pay for capital system improvements.

Mr. Parton presented the capital improvement plan and discussed several projects in, e.g. fire administration building, aerial platform fire truck, library basement remodeling, and history center renovation. He noted \$97,000 remained in the original Remschel-Deering trust account, and he planned to request authorization from council at the next meeting to submit an application to the trust to spend the balance of the account for renovation of the history center; a structural evaluation of the building was underway.

Mr. Parton proposed debt issuance primarily for utility system expansion and improvement projects in two phases: a \$6.9 million bond sale in 2013 and \$4.31 million in 2014. Alternate 1 objective was to develop additional water supply and distribution, and Alternate 2 projects would address deferred maintenance and critical issues for the wastewater system and provide additional capacity for economic growth. He reviewed the Freese and Nichols report and recommendations and a list of capital projects and possible funding sources. He noted deferred maintenance was becoming a liability to the city, for example, there was no back up for sections of the wastewater treatment plant and some components were 30-40 years old. The follow up report from Freese and Nichols, including cost estimates, should be available in October and a special meeting would be scheduled to evaluate findings, establish priorities, and re-evaluate the sewer model.

The city received additional requests for effluent; however, all effluent was committed and no effluent was available for resale. The city did not have the infrastructure to collect and hold effluent.

Council discussed the need to address liability issues and critical needs at the wastewater treatment plant. It was the consensus of council to proceed with Alternate 2 and sell the total \$10-11 million in 2013 instead of splitting the debt

into two years in order to take advantage of the existing market and low interest rate. Mr. Parton noted the last city sale was at 2.17%, and the rate may be even lower by the end of 2012.

Mr. Parton noted the economic improvement corporation approved \$1.2 million in projects but those were deferred by council until staff prepared a cash flow model; staff completed the model and it would be presented to EIC at their next meeting. He proposed another joint EIC/City Council meeting to coordinate capital planning efforts and determine EIC's interest and ability to fund capital projects, particularly capacity to accommodate economic growth. He proposed to discuss EIC's FY2013 budget priorities and goals at their next meeting.

Mayor Pratt asked staff to report later how the city handles a rebate or refund from an insurance company in the budget.

ADJOURNMENT. The meeting adjourned at 5:02 p.m.

APPROVED: 09-11-2012

Jack Pratt, Jr., Mayor

ATTEST:

Brenda G. Craig, City Secretary