

**CITY OF KERRVILLE, TEXAS
ECONOMIC IMPROVEMENT CORPORATION**

**SPECIAL MEETING
January 11, 2011**

On Monday, January 11, 2011, members of the City of Kerrville, Texas Economic Improvement Corporation attended the regular meeting of the Kerrville City Council held at 6:00 p.m. in the City Hall Council Chambers, 800 Junction Highway, Kerrville, Texas.

EIC Members Present:

Bill Crumrine, President
Alan Massey, Secretary
Gregg Appel

Jack Pratt, Vice President
Rex Boyland
Warren Ferguson

EIC Member Absent: Robert Miller

City Council Members Present:

David Wampler, Mayor
Gene Allen, Councilmember
Stacie Keeble, Councilmember

R. Bruce Motheral, Mayor Pro Tem
T. Scott Gross, Councilmember

City Staff Present:

Todd Parton, City Manager
Brenda Craig, City Secretary
Mindy Wendele, Director of Business Programs

Mike Hayes, City Attorney
Mike Erwin, Director of Finance

**CONSIDERATION AND POSSIBLE ACTION BY THE KERRVILLE CITY COUNCIL:
Strategic Plan to Address Economic Development Needs for the City of Kerrville.**

Mr. Parton reviewed the city's overall strategic concept, noting tools and resources available to accomplish economic development, e.g. 4B sales tax, hotel occupancy tax, economic development incentives, and capital improvements. The 4B tax was approved by voters in 1995 to fund economic development, public safety, infrastructure improvements, and parks projects; however, public safety projects no longer qualified. 4B revenues averaged \$2.2 million annually the past ten years, and he estimated \$10-12 million of working capital could be leveraged by 4B sales tax over the next five years and still leave EIC \$500,000-900,000 annually for projects. Mr. Parton noted the city had invested heavily in infrastructure improvements since 2005; however, with recent downturn in economy, the city had deferred bond sales that required debt service to be paid through ad valorem tax, and many of those capital improvement projects qualified for 4B funding. In order to fund capital projects and have minimum impact on city taxpayers, he proposed a 2011 EIC debt issuance to fund projects that would also accomplish economic development objectives. He proposed a Council/EIC joint meeting to discuss capital improvement plan projects that qualified for 4B funding, possible EIC debt issuance in 2011, and opportunities to achieve economic development objectives. He noted that EIC's final payment for the 1999 bond issue would be 2014, and EIC would not have any outstanding debt service in 2015.

The following issues were also discussed by council:

- From its inception, EIC had been in reactive mode, responding to projects and opportunities presented to them; however, there would be advantages to having a joint strategic plan in place.
- Benefits of having \$9 million available to leverage in a way that could build projects and lay ground work for economic development.

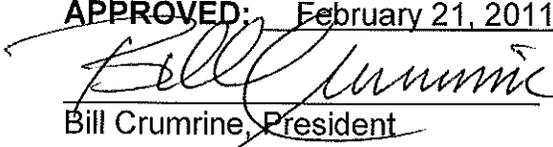
- Council was responsible to the citizens to set policy and determine how city funds should be used.
- Improving infrastructure would enhance the possibility of industry locating and expanding in Kerrville; industries cannot expand without infrastructure, and the city could lose industries if they had to relocate to other areas.

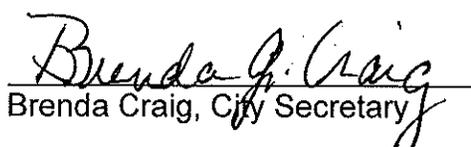
The following persons spoke:

1. Bill Crumrine, EIC president, understood that infrastructure was necessary for economic development; however, asked that council not impair EIC's financial ability to respond to future economic prospects. EIC had anticipated being the funding mechanism for the meeting facility; however, council voted to terminate negotiations for that project (Item 4E). He noted that staff's information did not contemplate projects that may be presented to EIC in the next five years. Also, if bond indebtedness was paid out of EIC funds, that would leave only \$900,000 annually, significantly limiting EIC's ability to fund projects for 20 years. The city needed jobs and more commercial development to improve the city's tax base, and the best way to accomplish that was through EIC. Infrastructure was needed to support economic development; however relying on EIC to fund infrastructure improvements would limit EIC's ability to fund projects.
2. Jack Pratt, EIC vice president, noted that since 1995 most of EIC's projects were infrastructure, not economic development. The city and EIC were spending money but not bringing in jobs; the city needed new jobs to create tax revenue; without more jobs, the tax burden would further shift to an aging population. KEDC was in the process of hiring an executive director; KEDC's major goal will be to bring businesses with jobs to Kerrville.
3. Greg Appel, member of EIC, noted it was important that available resources be funneled to projects that would allow opportunity for growth and increase economic development opportunities. EIC welcomed opportunities that would bring businesses to Kerrville and create jobs, but those opportunities had not been presented to EIC. He welcomed an opportunity to visit with city council and discuss a plan that would help create opportunities.
4. Robert Naman noted an EIC expenditure of \$500,000 to the Salvation Army Kroc Center. As a nonprofit entity, the city will not receive tax revenue from the Kroc Center, and the Kroc Center competed with existing businesses. Therefore, he was confused why tax funds could be spent to help bring in a competing nonprofit business, but could not be used to pave streets and provide infrastructure; there were a lot of projects that could be done to benefit citizens.
5. Jimmie Spradling noted that until the city was clean, the city would not attract economic development. He noted high weeds and thistles in sidewalks, fire hydrants covered up, and dead trees. He questioned how much money was generated from projects funded by EIC in the past. The infrastructure was let go many years ago; if the city does not have infrastructure and is not a clean city, people and businesses will not come, and EIC cannot use 4B money for what is needed. He heard the same thing about economic development every year, but the city did not know how to do it.

Mr. Gross moved to direct staff to set up a joint meeting between the city council and the economic improvement corporation; Mr. Allen seconded the motion and it passed 5-0.

APPROVED: February 21, 2011


Bill Crumrine, President


Brenda Craig, City Secretary

* NOTE: Minutes were also approved by the Kerrville City Council on February 8, 2011.