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GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**City of Kerrville
Texas**

For the Fiscal Year Beginning

October 1, 2011

Linda C. Dandson Jeffrey R. Egan

President

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented an award for Distinguished Budget Presentation to the City of Kerrville for its annual budget for the fiscal year beginning October 1, 2011.

In order to receive this award, a governmental unit must publish a budget document that meets program criteria and is available in print, as an operations guide, as a financial plan and as a communications medium.

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City of Kerrville

TO: Honorable Mayor and City Council
FROM: Todd Parton, City Manager
DATE: November 15, 2012
SUBJECT: Submission of FY 2013 Approved Budget

It is my honor to serve the City Council and the citizens of Kerrville. One of the most important responsibilities of the City Manager is to propose a budget for the upcoming fiscal year that is balanced, meets the needs and expectations of the community, and is appropriate to the economic conditions of the city.

The Proposed FY 2013 Budget is balanced and reflects the very difficult economic conditions facing Kerrville. When economic signs have occurred, our community continues to feel the effects of this slowdown and this budget reflects that by maintaining the tax rate at \$0.5625. The General Fund budget is \$20,594,753 (an additional \$542,570 (2.71% increase) from FY 2012). This increase funds employee raises at 2.75%, additional street and drainage repairs, purchase of equipment, and maintenance capital. The Water and Sewer Fund anticipates rate increases of \$0.40 per 1,000 gallons for water and \$0.40 per 1,000 gallons for sewer to fund additional capital projects. The rate increase will go directly to the Water and Sewer Debt Service.

Budget Philosophy

The proposed budget anticipates very little economic growth through FY2013 and beyond. The FY 2013 budget is based on the following set of budget principles:

1. Sustainability A budget that does not use one-time revenues to meet expenditures and plans for the future.
2. Balanced-Expenditures not to exceed Revenues General Fund and Water and Sewer Fund revenues meet or exceed expenditures.
3. Maintains Current Tax Rate The total property tax rate remains the same at \$0.5625.
4. Prioritize Programs Council and staff have prioritized General Fund programs.
5. Fund Priorities Funding decisions are based on priorities.
6. No Use of Fund Balance General Fund and Water and Sewer Fund do not use fund balance to meet current expenditures.

General Fund

Proposed expenditures for FY 2013 assume that the total property tax rate of \$0.5625 per \$100 real value is the same rate that was approved in FY 2010, FY 2011 and FY 2012. The proposed tax rate is less than the \$0.5669 estimated tax rate for FY 2013. There is no change to the M&O rate of \$0.489 or the I&S rate of \$0.0735.

The proposed budget is balanced, meaning recurring revenues meet or exceed recurring expenditures. Of primary consideration are the following items:

these goals by including:

- < Planning for future budgets
- < Staff reorganizations
- < \$600,000 for street and drainage maintenance
- < An ending cash balance that is projected to be \$4,453,915, which represents 21.6% of General fund expenditures. A long-term goal is to move to 25% over the next several years.

Due to the current economic climate, other than sales tax collections are flat or declining but no significant programming changes are planned.

with relatively minor adjustments during each annual budget. There were a couple of adjustments made for the FY 2013 Budget that are shown below:

- < Reorganization of the Street Department
- < Reallocation of .5 FTE from City Administration to Utility Administration
- < No planned General Fund debt issuance
- < There is no planned draw down of fund balance this year.

As stated above, the proposed budget remains stable with an eye to the future. The Council has directed staff to continue to be fiscally conservative and prudent in their decision-making. This budget continues that process and staff will continue working with that philosophy.

The financial strength of Kerrville is directly tied to its economic and the prosperity of its business sectors. It is vital that the community maintain its commitment to developing a proactive approach to economic development. This approach must be based on existing market opportunities and strive to grow existing businesses and tap into unrealized market sectors. A major initiative for FY 2012 was agreement with Fox Tank to move its manufacturing operations to Kerrville. This effort brought revenue to the City. The economic impacts of Fox Tank will be budgeted until they can be accurately projected.

Water and Wastewater Utility Fund

The same economic factors have been used as the basis for the Utility Fund budget. This budget proposal strikes a balance that minimizes the impact to the rate payers.

Proposed utility operations expenditures require no adjustments to the water or wastewater rates; however, future developments will require the proposed rate increase.

Several wastewater projects designed to address major system replacement and repair needs and to increase system capacity to serve economic growth need to be funded in FY13, and FY14 budget years. These projects will require the city to issue rate supported debt to fund approximately \$7.0 million in FY13 and \$4.3 million in FY14.

The General Fund reserve balance for FY 2011 is \$15 million. The proposed budget reflects a reserve balance of \$4.5 million, \$9.48 million less than the 25% target prescribed by City policy. The staff expects the balance to move toward the 25% through additional savings in the FY11 and FY12 of the existing City Hall.

Water rate adjustments have been designed to minimize the impact to the low water users and to provide an additional water conservation. Increased efforts to conserve water will provide environmental benefits and increased economic benefits to the community.

Residential solid waste rates will increase by 6.843%. The monthly residential bill will increase from \$16.26 to \$17.26. Commercial solid waste rates will increase 9.186%. The first rate increases in two years.

In the FY2011 budget process the City expanded the water and sewer system. These projects were scheduled for debt issuance in FY2011 and FY2014. The rate increase in FY2011 covered the debt issued in FY2011 and the increase in FY2011 will cover the debt issuances in FY2013 and FY2014.

In the FY 2011 budget process the City increased sewer rates by \$1.00 per 1,000 gallons to cover debt service for the 2011 (\$6,100,000) and 2012 (\$6,500,000) debt issuances. The debt in FY2011 was identified and issued prior to the \$18.00 per 1,000 gallons for water and \$0.80 per 1,000 gallons for sewer service for FY2013 should cover the \$6,996,000 debt issuance in FY 2013 and the \$4,342,000 in FY2014 to complete the expansion project.

The completion of these projects will address major system deficiencies while also providing additional capacity for 200 new houses and 2.5 million additional square feet in commercial/industrial development.

Conclusion

In the current economic climate while preparing for future economic challenges. The current proposed budget does not have any increases in property taxes or water/sewer rates.

The City maintains the identified programming objectives in addition to key measurement indicators. Understanding the core function of every City operation was instrumental in determining how the major spending cuts could be achieved without sacrificing the required services to deliver the services that the community needs and expects.

City Council Members

CITY OF KERRVILLE

MAYOR

JACK PRATT

MAYOR PRO TEM

STACIE KEEBLE, PLACE TWO

COUNCIL MEMBERS

CARSON CONKLIN, PLACE ONE

JUSTIN MACDONALD, PLACE THREE

GENE ALLEN, PLACE FOUR

CITY MANAGER

TODD PARTON



City Council Goals City of Kerrville

1. Understand the citizens' needs and wants.
2. Deliver quality municipal and public services in a cost effective manner.
3. Be good stewards of public resources through strategic planning.
4. Plan, maintain, and upgrade infrastructure.
5. Promote desirable growth of business, educational, and cultural assets.
6. Encourage intelligent development through reasonable, responsible, and forward thinking ordinances and streamlined procedures.
7. Engage in relations with governmental agencies beneficial to the Citizens of Kerrville.
8. Fiscal Sustainability

January 2012.

Budget Process

Budget Calendar

FY 2013 BUDGET CALENDAR

JANUARY						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

1/31 Council Retreat

FEBRUARY						
S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29			

Revenue and Expenditure Estimates

2/28 - Preliminary CAFR to Council

MARCH						
S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

Revenue and Expenditure Estimates

3/13 - CAFR to Council

APRIL						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

4/5 Budget Kick-Off

MAY						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

5/11 - Budgets & Performanc

5/18 - CIP Due

5/23 - Start Department Meetings

5/31 - Finish Department Meetings

FY 2013 BUDGET CALENDAR

JUNE						
S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

6/26 - Straw Man Budget

JULY						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

Council Budget Work Sessions, as necessary

7/24 - Proposed Budget Presented to Council

AUGUST						
S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

Council Budget Work Sessions, as necessary

8/14 - Authorization of Publication of Effective Rate & Schedule Public Hearings

SEPTEMBER						
S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

9/11 - Budget Hearing, First Budget & Tax Rate Ordinance

9/25 - Second Budget & Tax Rate Ordinance

OCTOBER						
S	M	T	W	T	F	S
	1					

10/01 - FY13 begins

BUDGET PROCESS

Purpose:

u # M

1. It will serve as a Policy Tool. The budget process allows City Council, City Manager, and all department Directors to comprehensively review the direction of the City and to redirect its activities by means of financial resources to achieve goals. The budget process will also facilitate the evaluation of City programs to determine its effectiveness and reallocate resources to those programs that require additional support.
2. It will serve as an Operational Guide. The budget provides financial control by setting forth both legislative and administrative guidance to City employees regarding the character and scope of their activities in broad and detail form in the various products of the budget process.
3. It will serve as a Financial Plan. The budget outlines the manner in which the financial resources of the City are managed during the budget period. This allocation of resources based on an understanding of both short-term and long-term view of the development of City programs. The budget takes into account unforeseen contingencies and provides a process for periodic adjustments.
4. It will serve as a Communication Medium. The budget book provides Management, Council, and readers of the budget book a comprehensive tabular information regarding both the character and scope of City activities. The budget process seek to communicate a clear policy at a usable level of detail to City employees, to communicate significant policy issues and options in a format that can be used by City Officials, and to communicate the plans of the City to its constituents in a manner which affords them an opportunity to make meaningful comments to the elected officials.

Process:

The budget planning process is described as follows:

A Council retreat is held in January of the current fiscal year budget to plan for the following fiscal year budget. The purpose of this retreat is to discuss goals and set priority(s) for the upcoming budget season. At this meeting, Council confirmed the steps staff took toward sustainability and limiting Water & Sewer rates to 3.5% or more revenue.

For the February to April period, Finance performs revenue projections for the upcoming budget. Budget targets are then given to departments to develop their respective department budget. In addition to preparing their department budget, department Directors are asked to prepare or update their respective department page which includes performance measures and work plan.

Once Finance receives all department budgets and department pages, Finance and the City Manager meet with department Directors to discuss details of their respective department budget and any capital replacement as new vehicles and/or equipment(s).

A preliminary budget, the Straw Budget, is then assembled and presented to Council at the first of July during a public special Council hearing. The Straw man Budget summarizes expected revenue collections, departmental needs, and then asked to review and prioritize department programs and their respective budget.

The City Manager formally presents a proposed budget to Council at the end of July, which includes all funds and departments.

Two public hearings are held for the approved budget in September. After two successful hearing and an approved budget in September, the budget will be adopted and effective on October 1 of the following month.

Implementation, Monitoring and Amendment:

After the budget has been adopted, Finance inputs all budget values in its Enterprise Reporting Program (ERP) and monitor its progress for the intended fiscal year. During the active year, budgets and actual are monitored weekly.

Departmental heads report to council on an ongoing basis during regular council session. Likewise, departmental heads report to their respective program and can monitor their respective department actual vs budget expenditures real time.

The budget, at the fund level, can be amended at any time with the approval of the City Manager and City Council. The City Manager can approve department requests for reallocation of funding, within the budget of a respective fund as long as the net difference of the respective fund is zero (\$0). Council can authorize the budget at a departmental and/or fund level.

City Council Goals

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Kerrville is a regional hub that provides a place for our citizens to work, live and play in a gorgeous environment. It is a destination place for many visitors who come to take advantage of the amenities that attracted many of its citizens. It is important that the community reflect the needs and desires of its citizens and it is important that citizens have access to services that is readily available and addresses their concerns.

Maintaining a high standard in order to maintain the community as a destination place for residents, businesses and visitors. Addressing traffic congestion during normal operating times of capital construction should be viewed as extremely important business sustainability. Having a 24 hours a day, seven days a week proactive versus reactive police and fire protection assures a secure environment.

The City should be a catalyst to facilitate the expansion of existing businesses and the establishment of new ones. Encouraging public and private amenities proximate to businesses ensures the growth of area customer base. A streamlined process should be allocated to ensure that there is a quick and predictable process to support those business endeavors. The City needs to encourage public and private entities to take advantage of the growing opportunities and to view Kerrville as a natural place to do business.

Our goal is to encourage people to stop, shop, work and play in Kerrville by making it a pleasurable and easily accessible destination.

Key success indicators are:

1. Increased population count.
2. Increased Parks and Recreation service usage (e.g. increase parks & recreation revenues) and head count.
3. Increased hotel head counts and revenue.
4. Improved appearance of parks, trails, streets, and overall look of Kerrville.

2. Deliver quality municipal and public safety services in an effective manner

Quality services can be assured through the provision of effective and efficient systems, qualified by highly trained staff that is committed to providing timely response to the community. Reliable and responsive customer service is a top priority. Staff meets or exceeds the community expectations through proactive and innovative approaches to their work.

Key Success Indicators:

1. Response Time
 - a. Police
 - b. Fire
 - c. EMS
2. Preparedness
 - a. Training
 - i. Total Number of Personnel trained
 - ii. Total hours of personnel training
 - b. Prevention
 - i. Police Investigation Clearance Rate
 - ii. % Inspection completed
3. Ordinance Enforcement
 - a. % complaints/violation resolved within 24 hours and within 30 days.
 - b. % requested inspection completed
4. Cost of Service
 - a. Total Cost of Service
 - b. PerCapita Cost of Service vs. Peer Cities

3. Be good stewards of public resources through strategic planning

The City has a responsibility to manage its resources in a conservative and transparent manner so that our citizens and business community can be assured we are properly administering their contributions. Planning for the future by forecasting future revenues and expenditures, developing a budget that allows for economic fluctuations, and maintaining the conditions of our assets all play an important role towards being good stewards of public resources.

Key Success Indicators:

1. Efficiency and Effectiveness

a. Economics

- i. Property Valuation
- ii. Property Count
- iii. Business Type Count
- iv. Business Number Count
- v. Sales Tax Growth Rate
- vi. Personal Income Growth Rate
- vii. Income per capita

b. Culture

- i. Library Head Count vs. Growth Rate
- ii. Park Head Count vs. Growth Rate
- iii. Golf Head Count vs. Growth Rate
- iv. Restaurant Number Count
- v. Entertainment business count

c. Operation

- i. Provide highest level of service at the lowest possible cost.
- ii. Benefits \geq Cost of Providing service

2. Financial

- a. Debt obligations are met
- b. Actual revenue meet or exceed Projections:
 - i. Forecast
 - ii. Actual
 - iii. Accuracy
- c. Department Expenditure end at or below budget:
 - i. Fiscal sustainability
- d. Generate continual positive Fund Balance

4. Plan, maintain and upgrade infrastructure

It is critical that the infrastructure of Kerrville provides clear access for consumers, residents, business workers and providers. Water, sewer, and communication systems along with sidewalks and roads are designed, built, maintained, and upgraded to support current and future businesses and consumers.

Four factors are necessary to create a maintainable City whose transportation and other infrastructure keeps pace with growth. They are:

- I. Maintain the
- II. Operate the infrastructure to provide the highest possible service to the community
- III. Sustain the infrastructure for future generations so they do not have to make up for what the current generation leaves behind.
- IV. 8

Key Success Indicators:

1. Street Condition Index Rating Score.
 - a. Maintained Index Score of 75 or higher.
 - b. Average time to travel 5 miles in the city during normal work hours.
 - c. The accident rate at intersections and along key corridors.
2. Capacity utilization of Water and Sewer System.
 - a. System capacity and availability growth.
 - b. Number of wastewater overflows.
 - c. Number of water main breaks and system outages.
 - d. Average number and length of Stage 2 or higher restriction imposed on residents per year
3. The percentage of capital projects delivered on time and within budget.

5. Promote desirable growth of business, recreational, and cultural assets.

A vibrant business community necessitates a balance of daytime and evening activities, as well as an emphasis on shopping (major retailers) and unique specialty stores will help achieve this objective by enticing local residents, tourists, and customers from the region to visit and shop in Kerrville.

The image and community identity that a city presents to both its residents and the broader community contributes to its ability to attract and retain a diverse set of businesses that in turn help create a vibrant business community. Kerrville can facilitate creating a positive business reputation by supporting partnerships and activities that demonstrate collaboration between the City and businesses; activities that promote talented and skilled workforce; efforts to position Kerrville as a city that is home to many diverse businesses ranging from retail to medical services; development of iconic places that reinforce community identity and draw customers to Kerrville businesses; and fostering programs that promote an entrepreneurial community character.

A focus of the City of Kerrville is to exhibit and promote a healthy environment that attracts and retains businesses and services. To obtain this result Kerrville must take an active role in creating an atmosphere that provides efficient, proactive support, and a welcoming environment. Being business friendly, making it easy for businesses to get assistance, having positive business/governmental relationships, and acknowledgement of business successes in the community are all part of a welcoming attitude.

Our goal is to encourage people in Kerrville and around the region to stop, shop, work, and play in Kerrville by making it a pleasant, desirable, and easily accessible destination.

Key success indicators:

1. Increase in number of local businesses in selected categories (retail, restaurants, tourism, services, medical, and manufacturing).
2. Total number of new businesses opened in Kerrville over the past 5 years.
3. Total number of new jobs added over the past 5 years.
4. Growth in Tax Base (Residential)
5. Number of city businesses that have operated in the city for five consecutive years or more.
6. Percent increase in Sales Tax collection over the past 5 years.
7. Percent increase in HOT revenue over the past 5 years.
8. Total year over year hotel head count over the past 5 years.

6. Encourage intelligent development through reasonable, responsible, and forward thinking ordinances and streamlined procedures.

Intelligent development involves short range and long range planning which should involve participation from citizens, business professional, and City staff to identify issues, short term needs, opportunities for change, and City features that should be preserved. Topics to include for consideration could be pedestrian and bicycle trails, neighborhood character, housing, land use, traffic, tree preservation, natural features, water quality, infrastructure improvements, parks and trails, and safety (such as "safe route to school").

Updating and implementing the City's Master Plan, Zoning Code, and respective documents enables Kerrville to ensure the type of growth that Kerrville community desires occurs as plan. By coordinating land use and infrastructure focusing growth in Kerrville's key area(s), our efforts should result in efficiency and productivity in utilizing the funding. By targeting a growth area, as defined in our Master Plan, we ensure the highest probability of growth.

To improve service delivery, procedures should be streamlined through a process of annual review and update (if needed). Level of service standards should be set and track on at least an annual basis. Deficiency(s) in procedures should be identified and corrected.

Key Success Indicators:

- a. Total number of commercial and residential development (base on # of commercial and residential permits)
- b. Time to complete review.
- c. Percent (%) of new construction code compliant.

7. Engage in relations with other governmental agencies beneficial to the citizens Kerrville.

The City of Kerrville is a Texas municipality that acts to improve the quality of life of its citizens through provision of police, fire service, utility services, growth management, and other services. The City, however, is subject to direct and indirect regulation by the state and federal governments. Because certain state and federal governmental actions directly impact the City's quality of life, the City must stay abreast of legislative changes or opportunities and make efforts to identify and take advantage of those opportunities.

Because of the importance of Kerrville's relationships with other governmental entities and policymakers, it is the City's goal to:

1. Advance the City's strategic interests and secure funding opportunities for the City among local, state, and national elected officials, their staff members, and governmental agencies at all levels.
2. Facilitate the development of City legislative and policy strategies; communicate City positions to local, state, and national elected officials and their staffs; work with all City departments in a supportive fashion for the purpose of developing City positions, and work with the Mayor, Council, and City Manager to define and prioritize the City's local, state, and national legislative agenda.

Key Success Indicators:

1. Total Grants Received in Fiscal Year.
2. Total number of intergovernmental agreements.
3. Number of Positive Intergovernmental Outcomes for the City.

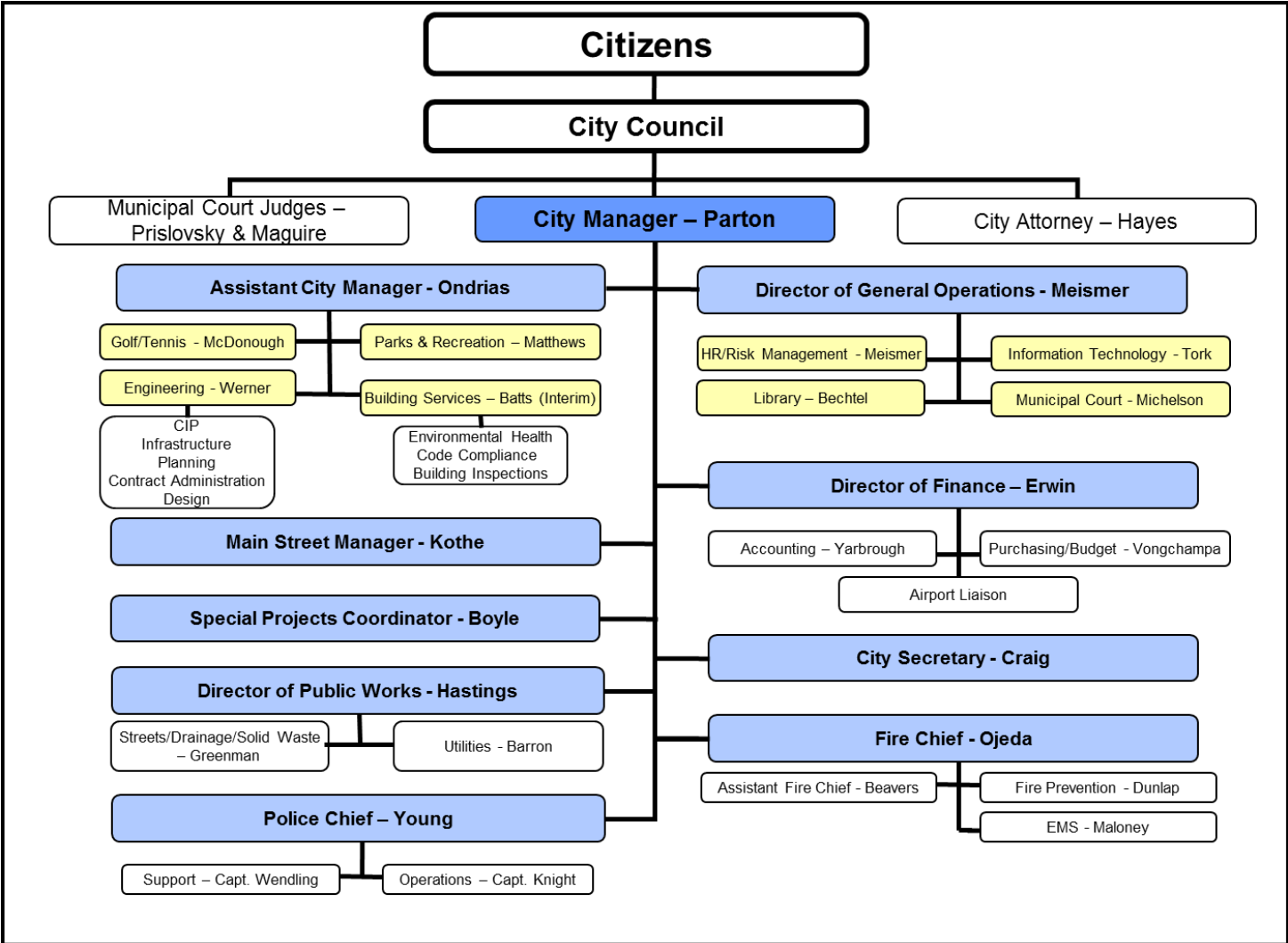
8. Fiscal Sustainability.

Fiscal sustainability is being able to sustain current core services with current operational revenue without the need for additional funding. The key elements of fiscal sustainability are as follows:

Definition: Revenue \geq Expenses

- a. 5 Year Fiscal Forecast
 - i. Reviewed Annually
 - ii. Basic Set of Assumptions
 - 1.Revenue
 - a. Assessed Value 1.5% growth
 - b. Property Tax Rate \$0.5625
 - c. Sales Tax 1.5% growth
 - d. Other 1% growth
 - e. Utility Rates operating remain, increase for debt service
 - 2.Expenses
 - a. Capital 5 year CIP
 - b. Growth in recurring expenses
 - i. Basics 1%-5%
 - ii. Volatile 3%-5%
 - iii. Employee Compensation 3% (Goal but not guaranty)
- b. Debt
 - i. General Fund tied to 10% of tax rate
 - ii. Utility Fund no more than 35% of revenues
- c. Fund Balance
 - i. General Fund Between 15% and 25%
 - 1.Minimum 15%
 - 2.Maximum 25%
 - 3.Draw Down
 - a. If above 25%
 - i. Capital Equipment, Projects, Debt Service
 - ii. Use up to 5% during downturn with fund balance not to fall below 15%
 - ii. Water and Sewer fund
 - 1.25% of operating
 - 2.Additional to one time capital and debt service
 - iii. Debt Service Funds
 - 1.One year debt service payment
- d. Program Priorities
 - i. Sustain
 - ii. Ongoing
 - iii. Guide Service Level cuts in downtown

City Organizational Chart



10/01/2012

City of Kerrville Profile

History

In 1989, the City of Kerrville, Texas celebrated its 100th anniversary of its incorporation.

After Kerr County was established in 1856, it became necessary to choose a location for the county seat in 1856, Mr. J. Brown purchased a tract of land on the upper Guadalupe River. He proposed to the Kerr County Commissioners at their meeting that this land be the site of the new county seat. He offered to deed to the County four acres of land for the square and other land near

the tract of land became known as Kerrsville, the new name was dropped, and the town became known as Kerrville. Early settlers of Kerrville, as was the case throughout much of Kerr County and the Texas Hill Country, were American pioneers and immigrants of German origin. Typical occupations of these early residents were as merchants and ranchers.



contributed to the early growth of Kerrville, drawing settlers to the area which in turn fostered the expansion of businesses. As a result of this growth, the citizens voted to establish Kerrville as an incorporated City in 1889.

After incorporation, Joseph A. Tivy was elected first mayor of the City. The early City administrations were occupied with developing the laws of the new city and providing for public schools, which at the time were municipal responsibility.

Kerrville was governed under the traditional aldermanic city government, followed briefly by the commission form of government in 1928, changed to the council/city manager form of government which remains in place today.



Kerrville adopted a new City Charter and became a home rule city in 1942. This charter remains essentially intact today although it has undergone amendment on a number of occasions in order to stay with the times.

