

CITY OF ALAMO HEIGHTS
CITY COUNCIL
July 17, 2017

A Budget Work Session of the City Council of the City of Alamo Heights, Texas was held in the Council Chambers, located at 6116 Broadway, San Antonio, Texas, at 10:30 a.m. on Monday, July 17, 2017.

Present and composing a quorum were:

Mayor Bobby Rosenthal
Mayor Pro-Tempore Lawson Jessee
Councilmember Wes Sharples
Councilmember Fred Prassel
Councilmember Lynda Billa Burke
Councilmember John Savage

Also attending were:

City Manager J. Mark Browne
Fire Chief/Assistant City Manager Buddy Kuhn
Assistant to the City Manager Marian V. Mendoza
Finance Director Robert Galindo
Community Development Department Director Jason Lutz
Human Resources Manager Lori Harris
Chief Police Rick Pruitt
City Secretary Jennifer Reyna
Public Works Director Pat Sullivan

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Mayor Bobby Rosenthal opened the meeting at 10:35 a.m.

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Item #1 Mayor Rosenthal read the following caption.

Discuss the FY2017-2018 Budget

City Manager Mark Browne welcomed Council and stated the proposed budget had been developed by respective departments coordinating with the Assistant to the City Manager Marian Mendoza and Finance Director Robert Galindo. He stated there is one budget work session scheduled to include a five-year forecast and projections which will portray the budget in the near future.

Mr. Browne briefly summarized items that needs to be continual and other items that will be considered in the future. The continuation of the completion of 4X2 and the purchase of a vactor truck, water rates will impact the Utility Fund. The Capital Replacement Fund is healthy for the immediate future but in 2022, there is a need to make sure the fund is adequately funded

for upcoming items. He stated a large infrastructure bill for road replacement and Broadway construction will be upcoming. He shared that AT&T desires to remove antennas from communication towers due to updated technology. Their decision to remove antennas may have a negative impact of \$70,000 for this year or the upcoming year. He shared the furniture replacement is almost done.

Mr. Galindo stated the budget provides a fiscal plan to accomplish items highlighted in the 2017/2018 Strategic Action Plan (SAP). Mr. Galindo highlighted the importance of allocating financial, capital, and human resources targeted to achieve the City's established mission, vision, and goals.

Mr. Galindo began his presentation with property tax information and reported that per Bexar Appraisal District (BAD), property valuation had an increase of 3.6% over 2016 with preliminary totals for 2017 and net taxable value of \$1,740.3 Billion. He informed Council that the budget was prepared with the assumption of not raising taxes. He noted that Alamo Heights continues to have one of the lowest tax rates (.389900) within the larger metropolitan area. Mr. Galindo displayed the 2016 tax rate comparison of suburban cities. He provided a sample statement of property taxes for an Alamo Heights resident along with other respective entities. Mr. Galindo provided a history of the property tax rates since 2002 and noted between 2002 – 2009, the assessed value of taxable property grew an average of 10% per year. In 2010, values declined 7.8% and had been slowly increasing. During this time period, the City has maintained the same property tax rate. Based on this assumption, the Maintenance and Operating (M&O) portion of the tax rate is equal to the M&O tax rate adopted by the City Council in 2005. He noted that 2012 Certificate of Obligation (CO) bonds issued were structured with a 0% increase in taxable value. In 2016, refunding bonds for the 2007 Certificate of Obligation (CO) bonds net present savings of \$195,355 in interest expenses. He presented a bar graph of the tax values since 2006 displaying the M&O and Interest and Sinking (I&S) tax rates. The proposed 2018 budget assumes a reduction in the tax rate at 0.001400. Mr. Galindo stated the effective and rollback tax rate will be calculated when the certified value data is received from BAD which is anticipated by the end of July. Mr. Galindo noted the proposed tax rate is lower than the current rate which values at approximately \$10,000 in revenue to the City.

Mr. Galindo explained the process of frozen property taxes and shared that BAD estimated that the number of property owners who qualify for the property tax freeze in the 2017 tax year will increase by five. He stated properties qualifying for the freeze decreased the total taxable value by \$413, 058,684.

Mr. Galindo reviewed sales tax information. The current sales tax rate is 8% which included one-quarter (.25) of a cent for street maintenance that was reauthorized and approved by voters in November 2016 for an additional four-year period. Beginning in October 2017, the sales tax will increase to 8.25% because voters approved an additional one-quarter of a cent for street maintenance in May 2017. He stated \$1,518,000 is projected to be collected by the City from sales tax for this proposed budget to include \$500,000 budgeted for the Street Maintenance Fund and \$1,018,000 for the General Fund.

A chart was presented to display information on personnel services, commodities, contractual services and capital outlay for the Administration and Finance Department. Mr. Galindo reviewed full-time and part-time authorized positions in FY 2016, FY 2017 and FY 2018. The City currently has 99 full-time and 4 part-time employees. Mr. Galindo reminded Council that a total of six positions were realigned in the Fire and Police Departments in November 2016. A chart of current authorized positions was displayed.

Employee compensation and benefit enhancement information was presented. The proposed budget includes a 2% cost of living adjustment of \$91,651 for the General Fund and \$7,058 in the Utility Fund. A tuition reimbursement in the amount of \$10,000 is budgeted for employees continuing their education. Mr. Galindo noted an increase in the allocation of 15% for health insurance. The proposed Utility Fund budget includes \$28,000 for a water/sewer rate study.

Information on the General Fund, Transfers, and Utility Fund was presented. Mr. Galindo reviewed the general fund regarding departmental allocation, revenues, and transfers. The proposed general fund departmental allocation for FY 2017/2018 is \$9,911,324 representing a 1.3% increase from the current adopted budget. He stated the proposed general fund operating budget will produce \$121,943 in working capital. Mr. Galindo provided a departmental allocation with 60% of budget allocated to Police and Fire/EMS departments. The Public Works Department represented 19% of the general fund budget; Administration & Finance, Municipal Court and Information Technology represented 15%, and Community Development Services Department represented 4% of the departmental allocations. He noted the allocation in the amount of 2% is for the Administrative Building representing utilities and building maintenance. He stated the Government Finance Officers Association (GFOA) recommends fund balance of at least three months operating expenses in case of emergencies which equals \$2,477,831 and explained the City currently has a AAA rating because of the surplus the City has in the General Fund. Transfers included \$200,254 to the Capital Replacement Fund and \$30,000 to the Comprehensive Plan Fund. Mr. Browne noted the right-of-way transfer of land fee for the Broadway Ellwood Project is not included in the budget and must be utilized solely for street maintenance. Mr. Galindo also presented information on the utility fund related to revenues, appropriations, working capital and capital expenditures.

Mr. Galindo presented projected FY 2017 and proposed FY 2018 funding summaries on other governmental funds: Comprehensive Fund, Street Maintenance Fund, Capital Projects Fund, and Capital Replacement Fund. The Comprehensive Fund has a budget of \$30,000 to make improvements to the public realm to include tree planting. Mr. Browne stated tree planting is being explored for the area near CVS located on Broadway and Burr. The Street Maintenance Fund is restricted for street maintenance which includes a planned transfer from the General Fund. Mr. Galindo stated \$800,000 is the annual goal to have in the Street Maintenance Fund without seeking bonds. The Capital Projects Fund includes the Community Infrastructure Economic Development (CIED) funds which is budgeted for expenditures for basin trash collection and decorations for city hall public areas. Revenues are expected from VIA in the amount of \$40,000 for reimbursement of the trolley stop restoration. Mr. Browne added the reimbursement is in condition of a lease agreement with VIA as they use the trolley stop and the proposed lease agreement will be presented at a future meeting. FY2017 Capital Replacement

Fund purchases include one patrol vehicle, lease payment for cardiac monitors and stretchers, ambulance and equipment purchases. Proposed FY 2018 purchases for capital replacement are four heart monitors, lease payment for 10 Self-Contained Breathing Apparatus (SCBA), Lucas Cardiac Compression, lease stretcher payment, and the purchase of a garbage truck packer.

There was a brief discussion among Council regarding a beautification plan. Mayor Rosenthal stated tree planting is good start and commented that re-stripping Broadway and or Alamo Heights Boulevard makes the street look fresh and brand new and nearby crosswalks around the schools are other suggestions. Mayor Pro Tem Jessee commented that the re-stripping of Broadway may need to be delayed until Broadway is finalized and consider landscaping on the greenspaces within the City. Mr. Browne added trash pick up in the Basin area is being coordinated with other entities. He stated monies for restriping may be taken out of Capital Projects rather than the Street Maintenance Fund. Mr. Sullivan recommended to consider a surface treatment prior to re-stripping. He stated he will obtain estimates. Mr. Galindo stated details will be provided on the beautification plan as the plan is defined.

Mr. Galindo presented a five-year forecast for the Capital Replacement Fund for General Fund beginning FY 2017 to FY 2022 that included revenues/transfers and expenses. In 2023 and 2024, the purchase of two garbage trucks, Fire Saber Pump, two dump trucks, and one bucket truck are expected to be purchased. Two charts were presented that highlighted the General and Utility Funds' revenues (property taxes, sales tax, other tax revenue, water/sewer revenue/aquifer management fee), funding sources, operating revenues, departmental allocations, transfers, capital projects, capital replacement, and bond payments. Mr. Browne explained that \$425,000 is a high amount earmarked for the Capital Replacement Fund but noted it is essential to be prepared for future purchases. Mr. Galindo noted projected transfers from the General Fund to these funds: Capital Replacement Fund - \$425,000, Comprehensive Plan - \$30,000, and Street Maintenance Plan - \$200,000. He noted assumptions are revenue increase by 2.5% within the General Fund. He commented estimating revenue for the Utility Fund is difficult and stated assumptions for the Utility Fund are revenue growth at 1%, expenses at 2.5% and capital outlay purchases paid in cash. Mr. Galindo noted that work needs to be conducted on Harrigan Court and replacing two water well pumps. He recommended conducting a water rate study to justify an increase for water rates to financially support future infrastructure repair. Mayor Pro Tem Jessee suggested conducting a water study and consideration to charge a higher water rate during drought restriction; there is a financial need to get ahead. He commented that investment in capital replacement needs to be considered. Mr. Galindo stated he will amend the proposed transfers in the General Fund forecast in the amount of \$655,000 to \$755,000 to the Street Maintenance Fund.

Mayor Rosenthal announced a break at 11:48 a.m. The meeting resumed at 12:04 p.m.

Councilmember Savage stated that he had done some research on the feasibility of changing the city's Texas Municipal Retirement System (TMRS) employee contribution from 6% to 7%. This of course would change the employer contribution to 14%. He noted that the vast majority of individual participants (not cities) are at the 7% contribution level. He further stated that under the TMRS system all cities are fully responsible for funding the retirement system. Neither TMRS nor the state provide any funding or any other financial support to the cities

participating in the TMRS system. For 2018, Alamo Heights' contribution rate will be 17.28%, which is at the high end for all participating cities. He stated that if we move to a 7% rate without making any other changes, our contribution level will rise to 21.28% - possibly the highest in the state. This would not be acceptable. He further explained that TMRS is a hybrid pension plan, which has defined contribution elements as well as defined benefit elements. The defined contribution part of the plan is the 6% employee contribution and the 12% city contribution. If this was all, there was to the plan the Alamo Heights contribution level would in fact be 12%. The defined benefit part of the plan is the part that drives our contribution level up to 17.28%. The actual defined benefit provisions in place are the updated service credit (USC) and the cost of living adjustment (COLA). He explained that the USC benefit is based on the last 36 months of service in that an employee puts into the system. The optional transfer provision of the USC is exceptionally problematic. This provision alone costs the city \$95,000 and requires that Alamo Heights backfill the pension plan of a person transferring in to Alamo Heights from another participating city toward the end of his/her career. If a person comes from a 3% city to Alamo heights, a 6% city, and spends the last four years of his/her career in our city, we have to flesh out his/her entire career TMRS contributions as if he/she were at 6% for the entire time. He stated that he does not believe this is consistent with our fundamental purpose for maintaining a retirement plan, which should be to attract and retain quality employees. It is a provision that, in some ways, encourages abuse. He wanted to consider an option, which would put the USC at a 75% level and remove the transfer provision. Doing this while at the same time moving the contribution up to 7/14% would actually reduce our 2018 contribution level to 17.09%. He noted that there were 25 employees that could be benefiting from the transfer credit and that this change may impact some of them. He also suggested putting additional deposits in to the TMRS of \$50,000 to \$100,000 a year to help reduce our 24% unfunded liability balance. Mr. Brown stated that whatever changes are considered should be weighed against impact it will have on current employees. Councilmember Savage stated that with this change more money would be going to current employees and that no matter which option is chosen the unfunded liability will increase in the short run. Fire chief Buddy Kuhn stated that the retirement system is different for public safety employees in the larger municipalities due to the collective bargaining agreements in place and legislation. Councilmember Savage noted that the USC may not be changed for just future employees but that any change could also impact current employees. Councilmember Savage stated that there may be other options to explore; however, noted that overall TMRS provides good benefits.

Mr. Galindo concluded his presentation with the schedule of upcoming dates related to budget, ad valorem tax rate and public hearings.

Fire Chief Buddy Kuhn presented budget information for the Fire/EMS Department. An organizational chart was presented. He identified the improvements for the Fire Department to include the continuation of tree trimming. He stated there was a staff reduction of four personnel effective November 2016 and currently there are 18 full-time positions. Fire Chief Kuhn continued with improvements for the EMS Department including purchase of the third Lucas device for chest compressions and submit a grant application for assistance for the purchase of Automatic External Defibrillators (AED) for City Hall, and tri-city Police Departments. There are six full-time positions in the EMS department reduced from eight. The part-time Administrative Assistant position is split among the Fire (55%) and EMS (45%) Departments.

Other initiatives for the department is funding for trash/debris pickup/collection in the drainage area in the amount of \$25,000.

Community Development Department Director Jason Lutz presented budget information for the department. He presented the organizational chart which consist a total of four full-time employees. He summarized no changes; however, a budget amendment was made for the GIS software. He acknowledged contractual services with Bruce Bealor for inspection services and Freese & Nichols for engineering services and flood plain review.

Police Chief Rick Pruitt presented budget information for the Police and Dispatch Departments. He briefly described the different shifts the department has as he presented the organizational chart. He noted the administrative positions that were eliminated. He identified improvements to include the purchase of seven replacement mobile data computers, three ballistic shields, four replacement teasers, two replacement ballistic vests, and redaction software and license. Capital replacement improvements are the purchase of one Ford Interceptor SUV police vehicle replacing the 2013 Ford Taurus Interceptor and related equipment needs for the vehicles, and programmed funding.

Police Chief Pruitt reviewed authorized positions, commodities, and contractual services within the Police and Dispatch Departments. He noted the underfunding within commodities and explained why the proposed budget for that line item was slightly increased. He noted a few contractual services were transferred to technology under the Assistant to the City Manager's budget. He explained commodities had increased due to replacement items, new maintenance items, license plate reader rate had increased due to increase of warranty requirement, voice logging system exceeded two-year warranty and needs to be addressed. Police Chief Pruitt explained the increase for contractual services as the magistrate fee had increased due to warranty pick up and a contract with an associate judge who takes care of rights and provisions for the prisoners. He explained the increase in dispatch personnel services to 1) salary adjustments (5%) closer to midpoint salary average and 2) upgrade a dispatch position into a senior dispatch position or supervisor to allow transition. Police Chief Pruitt summarized eight core positions that are good; however, there are two positions that are turning over within the Dispatch Department.

Public Works Director Patrick Sullivan presented budget information for the Public Works Department/Utilities. The department's organizational chart presented a breakdown of the employees within parks, streets, solid waste and utilities. He shared if there are shortage of staff the department shares work among different divisions. Mr. Sullivan stated improvements are to develop a systematic program for street maintenance to cut, remove, and patch old utility cuts, and identify small correctable drainage concerns. In house work includes reconstruction of alleys where 4X2 issues had been resolved; this will be accomplished by city forces at 100 block of Redwood Alley and extensive drainage work at the end of Redwood Alley and N. New Braunfels. Capital replacement items are a replacement packer for Unit 23, transfer packer to Unit 14 and salvage packer # 14 for a refund. Mr. Sullivan noted a cost savings of \$60,000 for purchase and transfers.

Mr. Sullivan stated improvements within the Utilities Department included several residential streets from TCEQ related tasks (Argyle from Patterson to Encino and at Patterson and Bronson to Encino), yard piping rear to the front, contract boring at Harrigan Court and, at the South alley of Harrigan Court, is the replacement of a sewer main following water main abandonment. He stated the department will continue to develop and implement the sewer infrastructure improvement plan in coordination with the Street Maintenance Program (SMP) and develop a similar program for improving water main replacement. Capital replacement items are the purchase of two emergency backup motors for well # 6 (City Hall) and well # 4 (Vanderhoeven at E. Fair Oaks), and separate the electrical grid from City Hall on well # 7 and upgrading the system to soft start.

Mr. Sullivan reviewed the departmental chart on Public Works for personnel services, commodities, contractual services, capital outlay, and authorized positions for Public Works Department and Utilities. He stated he will continue with the 4X2 project in house and noted the increased expenses of materials. He encouraged a water rate study to provide for the department's needs.

Mayor Rosenthal thanked staff on the budget reports and for their time in compiling the information to present.

There being no further business, Mayor Rosenthal adjourned the meeting at 1:19 p.m.


Jennifer Reyna
City Secretary


Bobby Rosenthal
Mayor