

CITY OF ALAMO HEIGHTS
CITY COUNCIL
July 16, 2019

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 7:30 a.m. on Tuesday, July 16, 2019.

Present and composing a quorum were:

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

Also attending were:

City Manager Buddy Kuhn
Assistant to the City Manager Marian V. Mendoza
Finance Director Robert Galindo
Community Development Department Director Nina Shealey
Human Resources Manager Lori Harris
Chief Police Rick Pruitt
Fire Chief Michael Gdovin
Public Works Director Pat Sullivan

Absent was:

City Secretary Jennifer Reyna

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Mayor Bobby Rosenthal opened the meeting at 7:41 a.m.

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Item #1 Mayor Rosenthal read the following caption.

Discuss the FY2019-2020 Budget

City Manager Buddy Kuhn welcomed Council and stated the proposed budget had been developed by respective departments. The budget work session included a five-year forecast and projections which will portray the budget in the near future.

All department directors began their presentations with an organizational chart, identified improvements/initiatives and FY2019-2020 budget information.

lacks depth and explained the new job position will provide assistance and allow other personnel to focus on their job roles. Ms. Shealey answered questions related to backup assistance, delegation, and availability.

Ms. Shealey identified the program and department improvements. Program improvements are the streetscape design services and parking master plan process. The streetscape design services bid is now closed and currently being reviewed so that interviews may be conducted on July 24, 2019. The parking master plan process will begin as soon as the parking (parallel vs. angled parking) plan for lower Broadway is identified. Councilmember Lynda Billa Burke expressed concern on the timing of conducting the parking master plan process and suggested to conduct the process in two parts. Mr. Kuhn recommended the parking plan to begin with the high school parking. There was a brief discussion about timing, phases, and coordination with AHISD on parking. Councilmember Jessee expressed concern on the amount of the streetscape design services at \$40,000 and encouraged additional monies to the project. Mr. Kuhn reminded Councilmember Jessee the project will be conducted over a period of years.

Departmental improvements were the Code Compliance transition to Community Development Department, Building Official services is now outsourced to BB Inspections, creation of the Administrative Assistant position, and transition of the Planning and Account Technician to a Planning and Financial Analyst. She highlighted the residential building permits are now assessed on square footage and the fee schedule has been adjusted required by State law. Ms. Shealey estimated 10% reduction in fees to reflect an annual loss of \$19,000 in revenue.

FY2019 budget compared to projected FY2018 budget concluding an increase in personnel services transitioning Code Compliance Officer to the Community Development Services Department, the adjustment of BB Inspections, and the increased budget of contractual services due to the two program changes mentioned earlier. Ms. Shealey explained the decrease budget in Commodities because no vehicle is needed and stated an overall 29.9% increase for FY 2020; however displayed a chart to show the budget impact without the two program changes to reflect alignment to FY2019 budget.

Public Works Director Patrick Sullivan presented budget information for the Public Works/Utilities Department. Improvements for the Public Works Department are the additional tree lighting along La Jara from Tuxedo to Lamont, support landscaping aspect for the "Pocket Park", and upgrade City stop signs by replacing 75 worn signs. Mr. Sullivan presented a chart that identified various capital improvements for the Street Maintenance Program (SMP) to include possible modification to the green area on Circle (alley/sidewalk), resurfacing the Alamo Heights Pool parking lot and explained the need for improvements/repairs.

A chart compared the actual FY2018, adopted/projected FY2019 and proposed FY20 budget for Public Works that included personnel services, commodities, contractual services, and capital outlay. Mr. Sullivan commented labor for commodities had increased and a few line items were reduced within the proposed budget. He stated no capital replacement is anticipated for this year; however noted a 3.9% decrease in the departmental budget.

Mr. Sullivan identified improvements and capital equipment purchases within the Utilities Department. He stated the well house at the high school to accommodate an emergency backup motor will be demolished and modified (anticipated in FY2021). The following vehicle replacements are proposed: 2008 pickup with a truck or van, 1989 dump truck, 1991 John Deere backhoe.

Mr. Sullivan reviewed the departmental chart on Public Works for personnel services, commodities, contractual services, capital outlay, and authorized positions for Utilities within the Public Works Department. He noted increased cost within commodities due to maintenance. He explained the increase in contractual services for treatment of the sewer through SAWS. He explained a carry forward for capital outlay because CPS Energy will not be out of Harrigan Court to allow Public Works to conduct work before the end of the fiscal year highlighting a 12.35% in the Utilities FY2020 budget.

Mr. Sullivan shared information on other initiatives to include continuation to assist with City beautification project, perform minor utility infrastructure upgrades ahead of the SMP, and finalize electrical update to well # 7. There was a brief discussion among Council regarding recycling products and what is accepted for the Cities of Olmos Park and Terrell Hills.

Mayor Rosenthal suggested to budget additional monies for replacing all traffic/directions signs that are worn out. He asked if work has begun for E. Fair Oaks since school is out. He recommended paving the parking lot at the swimming pool utilizing funds in the SMP to enhance the area as part of a beautification project.

Mr. Sullivan responded to Mayor Rosenthal work had begun for E. Fair Oaks and grinding will begin on E. Castano. He commented AHISD will conduct head-in angled striping on E. Fair Oaks.

Mr. Galindo stated the budget provides a fiscal plan to accomplish items highlighted in the 2019/2020 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 2.6% over 2018 with certified totals (93%) for 2018 and net taxable value of \$1,877,270.017 Billion. He noted that Alamo Heights continues to have one of the lowest tax rates (.386439) within the larger metropolitan area. Mr. Galindo displayed the 2018 tax rate comparison of suburban cities. He provided a sample statement of property taxes for an Alamo Heights resident along with other respective entities. In 2016, refunding bonds for the 2007 CO bonds reflect net present value savings of \$195,355 in interest expenses and the General Fund portion of 2016 Refunding Bonds will be paid off next August 2020. He presented a bar graph of the tax values since 2008 displaying the M&O and Interest and Sinking (I&S) tax rates. The current 2018 tax rate is \$0.386439, effective tax rate is \$0.378306 and rollback tax rate is \$0.415126. Mr. Galindo stated assumptions used were based on the current tax rate and certified valuation for 2019 will be available July 25, 2019.

Mr. Galindo noted legislative changes effective January 1, 2020 will change the process for future tax rates with a maximum cap of 3.5% for municipalities. He presented a table displaying a history of the City's tax rates, effective and adopted rates. In FY2015/2016, the City did exceed a 3.5% on tax rates compared to the previous year due to change of administration with BAD for tax valuations near market value accordingly by Stouffer and Associates, a tax appraisal company. He concluded the City would be stable; however, in the next five years, there may be consideration of alternate sources of revenues.

Mr. Galindo explained the process of frozen property taxes and shared that BCAD estimated that the number of property owners who qualify for the property tax freeze in the 2019 tax year will increase by 19. He stated properties qualifying for the freeze decreased the total taxable value by \$504,356,207 with the City forgo approximately \$471,566 in FY 2019-2020 as a result of the approved property tax freeze.

Mr. Galindo reviewed sales tax information noting it is the second highest source of revenue for the City. The current sales tax rate is 8.25% which included one-half (.50) of a cent for street maintenance that was authorized and approved by voters in May 2017. He stated \$1,805,834 is projected to be collected by the City from sales tax for this proposed budget to include \$601,945 budgeted for the Street Maintenance Fund and \$1,203,889 for the General Fund.

A pie chart of proposed general fund revenues was presented that represented all departments. Mr. Galindo reviewed the 2019-2020 transfers out of General fund. There were \$353,049 to the Capital Replacement Fund and \$57,000 to the Comprehensive Plan Fund for a total of \$410,049. A transfer to the Street Maintenance Fund is usually determined in September to consider surplus monies after everything is budgeted.

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 2018, FY 2019, and proposed FY 2020. He noted a 9.7% budget increase to the Administration and Finance Department impacted majority by MIS Information Technology. The City currently has 100 full-time and 4 part-time employees. A chart of current authorized positions was displayed.

Program changes for the Administration and Finance Department were presented. All departmental budgets included a 3% cost of living adjustment (COLA) of \$143,420 for the General Fund and \$18,802 in the Utility Fund. Councilmember John Savage shared with Council of his research that included a survey among municipalities and contractors/employers within the San Antonio area. He commented salaries are increasing on national and local levels and there is inflation as well. Councilmember Fred Prassel recalled former Mayor Bill Balthrope shared with him 100 employees is ideal to keep the City operational and agreed a 3% COLA is appropriate.

Proposed program changes budget items included health insurance proposed at a 15% increase at \$24,899, transfer for La Jara lighting \$42,000 and transfer monies for Pocket Park improvements in the amount of \$15,000.

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 2019/2020 is \$10,601,645 representing a 2.6% increase from the current adopted budget. Technology improvements were highlighted: CISCO – ASA Firewall replacement, Tyler Content Manager (Records Management), Tyler Insight Community Development (Permits & Inspections), Tyler Call Center (Code Compliance), Tyler Public Safety (Police NCIC Interface) and 911 Fiber AT&T (required upgrade) for a total amount of \$83,015. Total revenue, including transfers, for FY 2019-20 are projected to be \$10,927,616 representing a 3.3% increase from the current year adopted budget. Mr. Galindo provided a departmental allocation with 56% of budget allocated to Police and Fire/EMS departments. The Public Works Department represented 18% of the general fund budget; Administration & Finance, Municipal Court and Information Technology represented 19%, and Community Development Services Department represented 5% 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 \$2,647,747. City policy requires 35%.

Mr. Galindo also presented information on the Utility fund related to revenues, appropriations, working capital and capital expenditures. He stated the revenues are \$4,528,220 to include a \$635,000 transfer in from the Utility reserve balance. The proposed Utility Fund has a working capital of \$1,318,756 before transfers, capital outlay and bond payment. The Utility Fund schedule reflects a gross available fund balance of \$1,419,757. The Utility Fund budget includes a 5% sewer pass through from SAWS in expenses and revenues, 15% increase Health insurance at \$2,767, Harrigan Court sewer replacement at \$600,000 and a sewer contingency in the amount of \$250,000. Mr. Galindo reviewed the charts on the projected Utility Fund revenues/allocations for FY 2018-2019 and FY 2019-2020 to include revenues, operating expenses, working capital, capital expenditures, bond payment and transfers to the General Fund.

Mr. Galindo presented projected FY 2019 and proposed FY 2020 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 \$66,000 earmarked for lighting on La Jara and improvements at the Pocket Park. The Street Maintenance Fund is restricted for street maintenance and Mr. Galindo noted the program is not completed and the fund also contains sales tax revenues. The Capital Projects Fund includes the Community Infrastructure Economic Development (CIED) funds which is budgeted for expenditures for swimming pool repairs at \$700,000, Olmos basin trash collection cleanup at \$25,000 and improvements for the common areas at City Hall in the amount of \$18,000. FY2019 Capital Replacement Fund purchases include two Police Inceptors, Police Department Logger, EMS Ambulance, lease payments for four cardiac monitors, 10 Self-Contained Breathing Apparatus (SCBA), lease stretcher payment, Fire Saber pumper and EMS equipment reserve.

Mr. Galindo shared additional information of the projected capital projects allocations for FY 2018-19 and FY 2019-20 that included revenues, transfers from General Fund and expenditures.

Mr. Galindo presented a five-year forecast for the Capital Replacement Fund for General Fund beginning FY 2019 to FY 2024 that included revenues/transfers and expenses. He explained a proposed increased amount of transfer in the amount of \$743,334 beginning in FY2021 for the Capital Replacement Fund for General Fund because of the replacement of the Police/EMS and Fire radio systems. Other proposed expenditures include a Fire Pumper Truck, Fire Crew Cab F250, one Police vehicle, two dump trucks, one bucket truck, and an EMS vehicle Frazier 3500 HD (FY2024) are expected to be purchased for a total of \$1.027M.

A chart presented the General Funds' revenues (property taxes, sales tax, other tax revenue, water/sewer revenue/aquifer management fee), funding sources, operating revenues, departmental allocations.

Mr. Galindo presented a schedule of upcoming dates related to budget, ad valorem tax rate and public hearings that will be conducted in August and September 2019.

Mr. Galindo reminded Council of the current fees to residents and commercial owners for solid waste and recycling program that are effective since February 2009. He brought to Council's attention that it has been falling short and may be a source to consider to increase fees due to the recent passing of the tax limitations. A chart outlined the solid waste/recycling fee and garbage/recycling collection costs respectively among the Cities of San Antonio, Universal City, Windcrest, Shavano Park, Terrell Hills, and Olmos Park. The chart identified which cities/contractors provides containers for their customers.

Bond Counsel Tom Spurgeon and Financial Advisor Anne Burger-Entrekin were present to provide information for Council to consider planning for the upcoming special bond election in November. Mr. Spurgeon informed them of the ballot language content and legalities. Ms. Burger-Entrekin presented four different financial scenarios related to the bond market, amortization schedule, and tax rate and shared information on trends and timing on selling bonds. Both representatives answered questions asked by Council. Council discussed cost, utilities relocation, entity/financial commitments, and City's portion of financing the project.

There being no further business, Mayor Rosenthal adjourned the meeting at 11:50 a.m.


Jennifer Reyna
City Secretary


Bobby Rosenthal
Mayor