

CITY OF ALAMO HEIGHTS
CITY COUNCIL
July 23, 2020

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 8:30 a.m. on Tuesday, July 23, 2020. A teleconference was held; staff and meeting attendees were welcomed in the Council Chambers entering City Hall via one entrance (rear of City Hall), answering health questions, health screening, wearing a mask and practicing social distancing.

Present and composing a quorum were:

Mayor Bobby Rosenthal
Councilmember Lawson Jessee
Councilmember Wes Sharples
Councilmember Fred Prassel
Councilmember Lynda Billa Burke

Also attending were:

City Manager Buddy Kuhn
Assistant City Manager/Community Development Services Director Nina Shealey
Assistant to the City Manager/City Secretary Jennifer Reyna
Finance Director Robert Galindo
Human Resources Manager Lori Harris
Chief Police Rick Pruitt
Fire Chief Michael Gdovin
Public Works Director Pat Sullivan

Absent was:

Mayor Pro-Tempore John Savage

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Mayor Bobby Rosenthal opened the meeting at 8:41 a.m.

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Item #1 Mayor Rosenthal read the following caption.

Discuss the FY2020-2021 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.

Mr. Galindo stated the budget provides a fiscal plan to accomplish items highlighted in the 2020/2021 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 2.7% over 2020 with certified totals (79%) for 2020 and net taxable value of \$1,923,230.153 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 2019 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 month, 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 2019 tax rate is \$0.386439, effective tax rate is \$0.385661 and rollback tax rate is \$0.424832. Mr. Galindo stated assumptions used were based on the current tax rate and certified valuation for 2020 will be available July 25, 2020. He stated based on this assumption the Maintenance and Operating portion of the tax rate is approximately equal to the M&O tax rate adopted by the City Council in 2005.

Mr. Galindo noted legislative changes effective January 1, 2020 changed 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 2020 tax year will increase by 25. He stated properties qualifying for the freeze decreased the total taxable value by \$527,906,252 with the City forgo approximately \$471,838 in FY 2020-2021 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 and were effective as of October 1, 2017. He stated \$1,973,579 is projected to be collected by the City from sales tax for this proposed budget to include \$657,860 budgeted for the Street Maintenance Fund and \$1,315,719 for the General Fund.

Mr. Galindo provided an update on the upcoming lower Broadway/Austin Highway improvement project for the November 3, 2020 special bond election. He stated if Council wanted to reconsider the special bond election, Council action would need to be done no later than August 17th. City Manager Buddy Kuhn shared the City is working with the San Antonio

River Authority to obtain a 0% interest loan from the Texas Water Development Board. If the 0% interest loan is approved by the Texas Water Development Board, there is an estimated savings of \$6,200,000. Mr. Kuhn noted the Texas Water Development Board will notify the City until December 2020 if the City's loan application is considered and approved; however, the special bond election is still ordered for November 3, 2020. He noted all entities involved are continuing with the lower Broadway/Austin Highway improvement project. Mr. Galindo stated interest rates are low and will allow for the refunding of the 2012 bonds for a savings estimated of \$243,645. Bond refunding would occur approximately 90 days to coordinate with and place an item on the agenda for Council consideration.

Council agreed to continue the special bond election slated at the November 3, 2020 election and to educate the voters on the proposition.

A pie chart of proposed general fund revenues was presented that represented all departments. Mr. Galindo reviewed the 2020-2021 transfers out of General fund. There were \$340,831 to the Capital Replacement Fund and \$100,000 to the Capital Projects Fund for a total of \$440,831. 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, authorized positions, and capital outlay for the Administration and Finance Department. Mr. Galindo reviewed full-time and part-time authorized positions in FY 19, FY 2020, and proposed FY 2021. He noted a 23.7% budget decrease to the Administration and Finance Department. 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 2% cost of living adjustment (COLA) and a health insurance proposed at a 20% increase at \$103,886. He stated the Texas Municipal Retirement System (TMRS) rate will decrease January 1, 2021. The current rate is 17.13% and will decrease to 16.71% for an estimated savings of \$17,908. Other program changes are hiring a Broadway Engineer and consultant for a master plan, and planning for the City's 100th anniversary.

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 2020/2021 is \$10,880,574 representing a 3.5% decrease from the current adopted budget. Mr. Galindo explained the main decrease was due to less transfers from the General Fund to other funds by \$644,218 mainly due to the transfer for the swimming pool of \$675,000. The MIS decreased by \$46,010 due to one-time projects such as Tyler content technology improvements to records management, permits and inspections. Total revenue, including transfers, for FY 2020-21 are projected to be \$11,068,524 representing a 1.3% increase from the current year adopted budget. The proposed General Fund operating budget will produce \$187,950 in net revenue after expenditures. Mr. Galindo provided a departmental allocation with 57% of budget allocated to Police and Fire/EMS departments. The Public Works Department represented 17% 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. City policy requires 35% of operating expenses for emergencies.

An update on recycling was provided by Mr. Galindo. He reminded Council of the \$10 solid waste monthly residential fee. He stated in January 2020 to April 2020, costs had increased by 54% compared to the same time frame last year. He noted costs increased to \$77.27 per ton in June 2020. An estimate for 700 tons at \$77.27 is \$54,089. A chart displayed 2017 – 2019 costs that displayed the increased costs.

Mr. Galindo also presented information on the Utility fund related to revenues, appropriations, working capital and capital expenditures. He stated the revenues are \$3,838,164. The proposed Utility Fund has a working capital of \$1,364,355 before transfers, capital outlay and bond payment. The Utility Fund budget includes a 5% sewer pass through from SAWS in expenses and revenues, improvements to the wellhouse \$15,000, and backup natural gas motor in the amount of \$50,000. Mr. Galindo reviewed the charts on the projected Utility Fund revenues/allocations for FY 2019-2020 and FY 2020-2021 to include revenues, operating expenses, working capital, capital expenditures, bond payment and transfers to the General Fund. Due to COVID-19, Mr. Galindo reported increased water and sewer rates are effective in July and will reflect in August 2020 utility bill. He stated the City are working with all customers to their water accounts; not disconnecting any water accounts.

Mr. Galindo presented projected FY 2020 and proposed FY 2021 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 \$80,000 earmarked for pedestrian lighting improvements and Pocket Park improvements. 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 restroom repairs at \$75,000, Olmos basin trash collection cleanup at \$25,000 and carryover for the Nature Trails Building in the amount of \$89,163. FY2019 Capital Replacement Fund purchases include two Police Inceptors, Police Department Logger, EMS Ambulance, lease payments for 10 Self-Contained Breathing Apparatus (SCBA), Fire Crew cab, Fire 6 SCBA's, and Police radio console.

Mr. Galindo shared additional information of the projected capital projects allocations for FY 2019-20 and FY 2020-21 that included CIED Funds, revenues/transfers from General Fund and expenditures.

Mr. Galindo presented a five-year forecast for the Capital Replacement Fund for General Fund beginning FY 2020 to FY 2025 that included revenues/transfers and expenses. Proposed expenditures in FY 2024 include a Fire Saber Pump, Fire Crew Cab F250, two Police vehicles, two dump trucks, one bucket truck, and an EMS vehicle Frazier 3500 HD are expected to be purchased for a total of \$1.1M.

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 2020. He noted a public hearing for the tax rate was not required by legislature; however, the City will still conduct a public hearing on August 24, 2020, along with the budget hearing.

At 10:32 a.m., Mayor Rosenthal announced a break. The work session reconvened at 10:42 a.m.

Fire Chief Michael Gdovin presented budget information for the Fire/EMS Departments. He identified the improvements for the Fire Department to include the continuation of tree trimming, update ballistic equipment, public education on smoke detectors, and develop a Civilian Response to Active Shooter Events program. He noted a 1.95% increase within the Fire Department due to personnel. The capital replacement for the Fire Department is the replacement of hand-held portable radios. For the EMS FY20-21, the EMS Department proposed an increase of 5.10% for personnel and contractual services to include the Cost of Living Adjustment (COLA), fringe, and billing software. He identified the improvements for the EMS Department to include replacement of hand-held portable and EMS unit radios. He reported initiatives are the continuation of community education while maintaining social distancing protocols, CPR and Fire Aid education program, pandemic awareness updates, and the continued evaluation of wages and benefits.

Police Chief Rick Pruitt presented budget information for the Police and Dispatch Departments. He identified equipment improvements to include the purchase of two replacement traffic radars, six replacement X26P Taser ECDs and holsters, and eight replacement ballistic vests. He also identified the capital replacement improvements to include the purchase of two Ford Interceptor SUV police vehicles, related equipment and needs/installation, and P25 feature upgrades for 45 radios.

Police Chief Pruitt reviewed authorized positions, commodities, and contractual services within the Police and Dispatch Departments. He stated and explained the increases for the 3.8% for the FY2021 Police budget and a 5% increase to the Dispatch FY2020 budget. Police Chief Pruitt explained increases were related to salary improvements, animal care services, and commodities for the radio maintenance and fees for the Dispatch Department.

Public Works Director Patrick Sullivan presented budget information for the Public Works/Utilities Department. Improvements for the Public Works Department are beautification for "Pocket Park" improvements, pedestrian lighting improvements, and sidewalk and parking lot adjustment near the front entrance of the Alamo Heights swimming pool. Mr. Sullivan presented a chart that identified various capital improvements for the Street Maintenance Program (SMP) to include various streets repairs, and sidewalk improvements on Harrigan Court as he explained the need for improvements/repairs.

Mr. Kuhn concluded the budget work session reminding Council of the bond education update to the community and educate the community of the upcoming bond election proposition for November 3, 2020. He stated the local health authority and discussion of chickens may be future Council agenda items.

There being no further business, Mayor Rosenthal adjourned the meeting at 12:20 p.m.



Jennifer Reyna
City Secretary



Bobby Rosenthal
Mayor