

CITY OF ALAMO HEIGHTS
CITY COUNCIL
July 14, 2021

A Budget Workshop of the City Council of the City of Alamo Heights, Texas was held virtually at the Council Chambers, located at 6116 Broadway, San Antonio, Texas, at 8:30 a.m. on Wednesday, July 14, 2021.

Present and composing a quorum were:

Mayor Bobby Rosenthal
Mayor Pro-Tempore Lynda Billa Burke
Councilmember Lawson Jessee
Councilmember Wes Sharples
Councilmember Blake M. Bonner
Councilmember John Savage

Also attending were:

City Manager Buddy Kuhn
Assistant City Manager Phillip Laney
Community Development Services Director Lety Hernandez
Nina Shealey
Assistant to City Manager Jennifer Reyna
City Secretary Elsa T. Robles
Director of Finance Robert Galindo
Human Resources Manager Lori Harris
Police Chief Rick Pruitt
Fire Chief Michael Gdovin
Public Works Director Pat Sullivan
Deputy Police Chief Cindy Pruitt

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Mayor Bobby Rosenthal opened the meeting 8:31 a.m.

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Item # 1 Mayor Rosenthal read the following caption.

Discussion of FY 2021/2022 Budget

City Manager Buddy Kuhn welcomed Council and took the opportunity to introduce new Assistant City Manager Phillip Laney. He stated Mr. Laney had joined the City of Alamo Heights from the City of San Antonio with over 10 years of experience.

Mr. Kuhn stated this year, he combined all the departments into one budget presentation to avoid redundancy and to save time. Each department would have a couple of slides to present on allocations and any capital needs that were discussed during the Strategic Action Plan workshop.

Public Works Director Pat Sullivan reviewed budget allocations for the Public Works Department. He stated the total expenditures for FY21 were \$1.7M and proposed expenditures for FY22 are \$1.9M, an increase of 3.5% due to cost of living adjustment if approved by Council.

Mr. Sullivan continued with the budget allocations for the Utility Fund. The total expenditures for FY21 were \$3.4M and proposed expenditures for FY22 are \$4.4M, an increase of 17.8% due to the anticipated Odgen sewer pipe bursting project.

The proposed Utility Fund projects and costs for FY2021-22 include: the Odgen sewer pipe bursting/replacement – \$535,000, SCADA system upgrades - \$35,000, Well #3 natural gas motor - \$45,000, and replacement of a work truck F250 - \$52,000, a total of \$667,000. Additionally, \$1M was budgeted for the Street Maintenance Program to maintain various streets around the City.

Fire Chief Michael Gdovin reviewed the budget allocations for the Fire Department. He stated the total expenditures for FY21 were \$2.1M. He noted the proposed expenditures for FY22 of \$2.1M remain about the same except for a slight increase in commodities of 2.3%.

Fire Chief Gdovin stated the only Capital Replacement plan proposed for the Fire Department is to purchase 20 handheld portable radios - \$110,000. He added he is currently waiting on radio samples to test before purchasing.

Fire Chief Gdovin continued with the EMS budget allocations. In FY21 the total expenditures were \$734,000 and proposed for FY22 are \$750,639, an increase of 1.3% due to the proposed cost of living adjustment and additional billing software.

Capital Replacement for EMS includes: replacement hand-held portable radios - \$51,995, and replacement EMS unit radios - \$21,386. Mayor Bobby Rosenthal inquired if there were contingency funds available in anticipation of truck repairs, or other emergencies. Fire Chief Gdovin stated there are funds allotted in the budget to cover these types of expenses.

Police Chief Rick Pruitt reviewed budget allocations the Police Department. He stated FY21 expenditures were \$2.3M and the proposed FY22 expenditures are \$2.6M, an increase of 2.5% due to a software program purchase for investigators. He reviewed the Dispatch Department budget allocations. FY21 expenditures were \$683,634 and proposed FY22 expenditures are \$769,768, a 4.8% increase due to salary increases. He added they are currently phasing in a new radio system in the Dispatch Department.

Capital Replacement for the Police Department includes: one Ford Interceptor SUV police vehicle - \$35,558 plus installation of equipment - \$14,080, and replacement of 30 hand-held radio packages - \$172,510.

Community Development Services Department Director Lety Hernandez presented budget allocations for Community Development. FY21 expenditures were \$673,884 and proposed FY22 expenditures are \$488,589, a decrease of 27.50% due to engineering and architectural fees associated with the lower Broadway project which are now allocated in the Capital Projects fund.

Director of Finance Robert Galindo reviewed budget allocations for the Administration and Finance Department. He broke down proposed FY22 expenses for each department division: Administration & Finance - \$1.5M, Municipal Court - \$221,766, MIS Information Technology - \$334,900, and Administration Building - \$201,629, a total of \$2.3M for FY22. This is an increase of 3.8% from FY21 due to new approved positions.

Capital Replacement for Administration includes the purchase of a new server to ensure the continuity of business. Councilmember Lawson Jessee inquired if this included extra security measures for the prevention of ransomware attacks. Mr. Kuhn stated there are no additional funds for ransomware attacks; however, the City contracts with Barcom Technologies for technical services. They manage the City's servers and hardware. He added City staff is very vigilant in spotting phishing emails and are quick to send these to Assistant to City Manager Jennifer Reyna who reports any technical issues to Barcom. Mr. Kuhn suggested Council send any suspicious emails they may receive to Ms. Reyna as well.

Mr. Galindo stated the proposed budget was developed to be consistent with the established mission, vision, and goals of the City. It provides a fiscal plan to accomplish high priority action steps presented to the City Council in the 2021-22 Strategic Action Plan. The budget allocates resources by City departments to provide excellent municipal services to citizens and visitors. It also highlights how the allocation of City financial, human, and capital resources are targeted to achieve the City's established mission, vision, and goals.

Mr. Galindo advised Bexar Appraisal District had recently sent the valuation for the City's 2021 net taxable value - \$1,992,198,007 billion which is an increase of 4.0% over 2020. He advised the amount changes daily and expects to receive the final certification on July 25, 2021. Mr. Galindo noted about 55% of the City's 2021-22 General Fund revenue is from property taxes. The City of Alamo Heights has one of the lowest tax rates in the larger metropolitan area and compared the tax rates to other area municipalities.

Mr. Galindo informed Council on 2021 property tax freeze exemptions. He stated Bexar County estimates 819 property owners will qualify for the property tax freeze in the 2021 tax year, an increase of 21%. The properties qualifying for the tax freeze decreased the total taxable value by \$560,308,863 which equates to an approximate loss in property tax revenue of \$518,640 for FY2021-22.

The sales tax revenue is the second largest source of income for the City. Year to date, the City has gained \$1.2M in sales tax revenue, a 7.19% increase from 2020. The current sales tax rate is 8.25% and includes one-half (.50) of a cent for street maintenance. The re-authorization of the ½ cent sales tax for street maintenance was voter approved in November 2020 and is to be re-authorized by voters every 4 years.

The proposed budget for FY2021-22 includes a projected sales tax revenue of \$2.3M with \$793,258 budgeted for the Street Maintenance Fund and \$1.5M for the General Fund which represents 14% of the total General Fund revenue.

Mr. Galindo reviewed the General Fund total revenue, including transfers for FY2021-22. It is projected to be \$11.3M, representing a 2.6% increase from the current adopted budget. The proposed General Fund Operating budget will produce \$266,319 in net revenue after expenditures. This reflects the addition of a full-time Assistant City Manager. The proposed FY22 General Fund budget increased by 1.1% from FY21. The proposed FY2021-22 transfers from the General Fund include: \$334,526 to the Capital Replacement Fund and \$25,000 to the Capital Projects Fund for the Olmos Basin maintenance totaling \$359,526.

Other proposed City-wide changes for FY2021-22 include: a salary adjustment of 3% - \$180,890, health insurance increase of 15% - \$48,316, and funds for the City of Alamo Heights 100th Anniversary - \$20,000. Councilmember John Savage discussed the possibility of exploring other insurance companies to lower cost for City employees.

Mr. Galindo shared the City's General Fund is currently in a good and healthy position with an estimated unassigned fund balance of \$7,045,757 and an estimated unreserved fund balance of \$7,312,076. He asked Council for discussion and guidance on budget transfers or funding options.

The FY2020-21 Utility Fund ending unrestricted fund balance is estimated at \$2,095,583, as a result of rate increases approved by Council over the last three years. The projected Utility Fund balance for FY2021-22 is \$2,299,339 after purchasing all Capital Replacement items.

Mr. Galindo discussed completed projects for FY2020-21 which included pedestrian lighting improvements, park improvements, community beautification, street maintenance, and the swimming pool restroom renovations. Mayor Pro Tem Lynda Billa Burke asked if funds were allocated for ongoing for the City swimming pool maintenance. Mr. Kuhn suggested Council consider adding this in the Capital Funds to help with the swimming pool contract and other expenditures.

Mr. Kuhn discussed the American Rescue Plan funding. He stated the City would receive \$2M paid in two equal payments one year apart. The funds must be allocated by December 31, 2024 and spent by December 31, 2026. He noted there are restrictions on how the City can spend these funds. It can be used for water, sewer, broadband upgrades, and limited other uses. Mr. Kuhn stated one possible use Council could consider, would be partial funding for water and sewer replacement on lower Broadway estimated to cost \$3.5M.

Mr. Kuhn highlighted the proposed FY22 projects which include: the Olmos Basin Cleaning, Bike Park and Nature Trails, Optimist lot upgrades, painting of water hydrants and curbs, the purchase of a fuel trailer for emergencies, and generator/AC upgrades for city hall. Other funding priorities noted were, the engineering and architectural/landscaping fees for the lower Broadway project. Mr. Kuhn stated a Council work session would be scheduled in September or October to discuss next steps in architectural and landscaping designs.

Ms. Reyna reported staff continues to work with CE Group, Inc. to plan for the City's centennial celebration's logistics and marketing. The celebration is set to start on Tuesday, October 4, 2022 with National Night Out and end on Sunday, October 9, 2020. The planning will be done in 2 phases: Phase 1 FY21 - \$20K, Phase 2 FY22 - \$20K and FY23 - cost will be

determined upon finalized planning. Mayor Pro Tem Billa Burke was concerned the cost to hire a planner for the event would outweigh the cost of the actual celebration and suggested staff ensure sufficient funds be allotted for the event itself. Mr. Kuhn concurred.


Mr. Kuhn reviewed future funding priorities for lower Broadway to span between FY22-25. The City is responsible for allocating the first half of the Broadway project contingency funds of \$489,000 on September 30, 2021 and the second half, \$489,000 on September 30, 2022. A funds transfer of \$2.7M will be funded through transfers beginning on September 30, 2022.

In closing, Mr. Kuhn outline the next steps for the proposed budget and tax rate process. On Monday, August 9, 2021 staff will present Council with the FY2021-22 proposed Budget and Ad Valorem 2021 proposed Tax Rate and set a public hearing date for both. On Monday, August 23, 2021, Council will discuss and consider adopting both the FY2021-22 proposed Budget and Ad Valorem 2021 proposed Tax Rate.

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With no further business to consider, Mayor Rosenthal adjourn the meeting at 10:50 a.m.

PASSED AND APPROVED THIS 9TH DAY OF AUGUST, 2021



Elsa T. Robles, TRMC
City Secretary



Bobby Rosenthal
Mayor

