CITY OF ALAMO HEIGHTS
CITY COUNCIL
July 21, 2026

A Special City Council Meeting and Work Session of the City Council of the City of Alamo Heights, Texas was held at the Council Chambers, located at 6116 Broadway, San Antonio, Texas, at 8:30 a.m. on Tuesday, July 21, 2026. A teleconference was held via Zoom.

Present and composing a quorum were:
Mayor Albert Honigblum
Mayor Pro Tem Lawson Jessee
Councilmember Karl P. Baker
Councilmember Blake M. Bonner
Councilmember Trey Jacobson

Also attending were:
City Manager Buddy Kuhn
Assistant City Manager Phillip Laney
City Secretary Elsa T. Robles
Assistant to City Manager Jennifer Reyna
Finance Director Kristine Horton
Community Development Services Director Lety Hernandez
Police Chief Rick Pruitt
Fire Chief Allen Ottmers
Public Works Director Frank Orta
Deputy Police Chief Cindy Pruitt

Not attending:
Councilmember Lynda Billa Burke

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Mayor Albert Honigblum opened the meeting at 8:35 a.m.

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Items for Individual Consideration

Item # 1 Mayor Honigblum read the following caption.

Discussion and possible action required under Texas Govt. Code 2254, for City of Alamo Heights to provide a Written Statement and Finding of the Need for Specialized Contingent Fee Legal Services.

Finance Director Kristine Horton stated the City of Alamo Heights entered into the original contract to collect delinquent taxes with Linebarger, Goggan, Blair & Sampson, LLP Attorneys at Law (LGB&S) back on May 8, 2006 and has been renewed since then, three times. She noted the last contract renewal ended on June 30, 2025.

Ms. Horton stated LGB&S works closely with the Bexar County District Clerk, Sheriff's Department and Judiciary and is proactive in its effort to collect taxes for Bexar County, Alamo Heights Independent School District and the City. Past collection rates for delinquent taxes over the past 20 years has been in the 96% to 99% range.

Ms. Horton noted staff proposed adoption of a resolution to continue the final renewal which will be back dated from July 2025 to June 2030.

Councilmember Trey Jacobson moved to provide a Written Statement and Finding of the Need for Specialized Contingent Fee Legal Services as presented. The motion was seconded by Councilmember Blake M. Bonner and passed by a 4-0 vote.

Item # 2 Mayor Honigblum read the following caption.

RESOLUTION NO. 2026R - 248

A RESOLUTION AUTHORIZING THE CITY MANAGER TO EXECUTE A CONTINGENT FEE CONTRACT EXTENSION WITH LINEBARGER GOGGAN BLAIR & SAMPSON, LLP FOR DELINQUENT TAX COLLECTION SERVICES FOR A PERIOD OF FIVE (5) YEARS BEGINNING RETROACTIVELY FROM JULY 1, 2025, AND ENDING JUNE 30, 2030, AND SETTING AN EFFECTIVE DATE.

Councilmember Bonner moved to approve Resolution No. 2026R – 248 as presented. The motion was seconded by Councilmember Jacobson and passed by a 4-0 vote.

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Work Session

Item # 3 Mayor Honigblum read the following caption.

Discussion of FY 2026/2027 Budget

City Manager Buddy Kuhn stated all department directors worked together to present the financial plan for the next fiscal year. He especially thanked Assistant City Manager Phillip Laney and Ms. Horton for putting the presentation together.

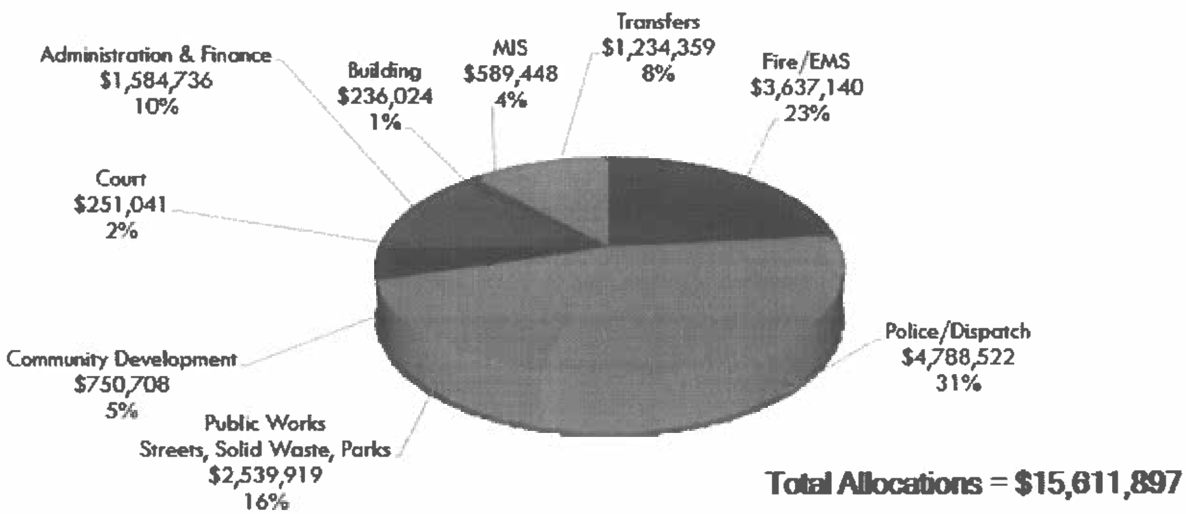
Mr. Kuhn presented the proposed budget which was developed to be consistent with the established mission, vision, and goals of the City of Alamo Heights; provide a fiscal plan to accomplish high priority action steps presented to the City Council in the 2026-2027 Strategic Action Plan; allocate resources by City departments to provide excellent municipal services to citizens and visitors; and highlight how the allocation of City financial, human and capital resources are targeted to achieve the City's established mission, vision and goals.

Mr. Kuhn stated the most important asset/commodity the City has is the employees. This year staff proposes a 3.5% cost-of-living adjustment COLA for all employees excluding the City

Manager who holds a contract position. The COLA is to maintain current staff and recruit new staff. The proposed 3.5% is an approximate cost of $315,535. Additionally, he noted an increase to health insurance of 17% based off FY2026 increase. Mr. Kuhn commented staff and their dependents heavily use Next Level as an alternative to traditional primary care services which may or may not help the bottom line. Staff will start comparing prices later this year and provide that information to City Council when it becomes available.

Mr. Kuhn shared the authorized positions for next fiscal year. He noted this had not changed from the previous year with 105 full-time and 5 part-time positions.

Mr. Kuhn reviewed the FY 2026-27 proposed budget for the General Fund. Noting a high increase in Public Works of 106.94% due to the PW Superintendent being moved from the Solid Waste Department into the PW Administration department. The Streets, Solid Waste, and Parks positions were also cleaned up, resulting in significant decreases in the Streets and Parks budgets. There was a one-time equipment purchase budgeted in the Parks Dept. for FY 2026 that does not carry over into FY 2027 as well as a Firewall & Switch Replacement in the City's computer software budgeted for FY 2027 as a one-time cost. Overall, there is a 3.8% increase in the proposed General Fund budget. He noted the fund allocations:



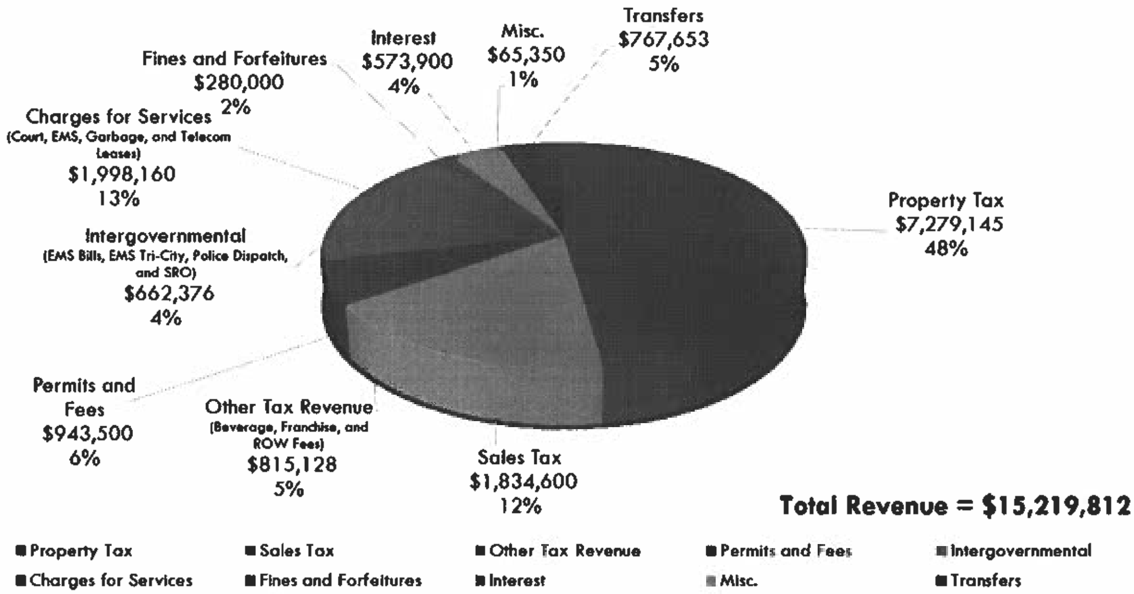
Mr. Kuhn commented it has been a challenging budget year. He stated staff had recently received the certified valuations from the Bexar County Appraisal District noting a 2% decline in property values this year. He stated that was the first time that has happened since 2009 and had been in a steady increase every year. Mr. Kuhn continued and stated if there is a decrease in property values, then the tax rate has to increase for the City to collect the same amount of money next fiscal year. He shared the City has a very healthy fund balance that's at 63%, approximately $9M.

Mr. Kuhn stated after the Strategic Action Plan work session, staff opted to defer purchasing large ticket items such as vehicles in the Police, Utilities, and Parks Departments; however, there are some mandated purchases that cannot be deferred. Even with these cuts, the budget is still at a deficit for the coming fiscal year at about $1.1M. Staff has worked hard to bring that deficit down to approximately $300K. He affirmed a balance budget must be filed with the City Secretary by the following Monday to be able to move forward with state mandates in August. Mr. Kuhn assured Council he, Mr. Laney, and Ms. Horton had brainstormed on creative ways to help balance the budget.

Council briefly discussed the increase in health insurance cost. Mayor Pro Tem Jessee suggested staff explore a self-insurance program as an alternative. He noted it would be a long-term savings for the City.

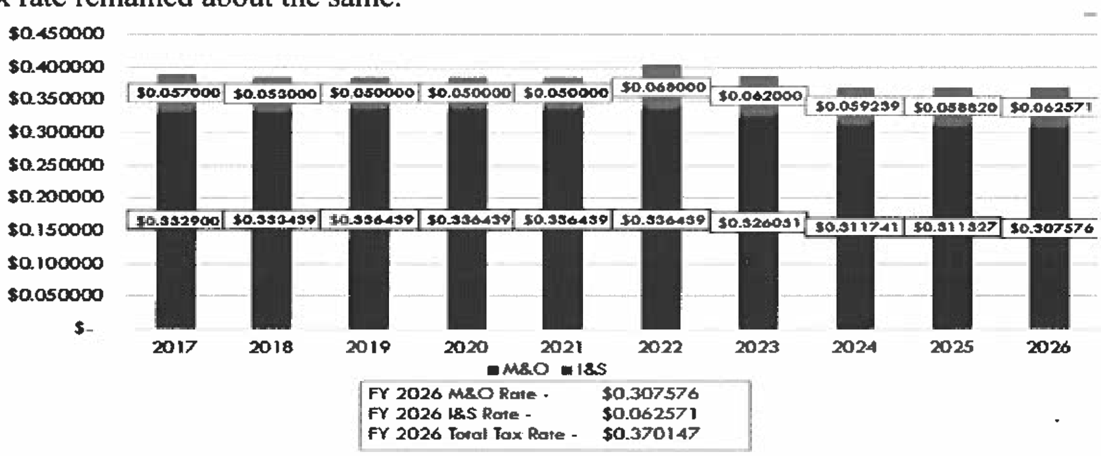
Council discussed potential legislative updates that would affect the City's bottom dollar. Councilmember Jacobson cautioned this is a trend toward the future and agreed on exploring savings on health insurance and other initiatives.

Ms. Horton provided a recap of FY2026-27 proposed General Fund Revenues. The total revenue, including transfers for FY 2026-27, are projected to be $15,219,812.



Ms. Horton continued with the 2026 Property Tax Rate. She stated the Bexar Appraisal District valuation for Alamo Heights 2026 Net Taxable Value is $2,476,016,127 which is a decrease of 1.99% over 2025 certified net taxable value. She noted approximately 48% percent of the City's FY 2026-27 General Fund revenue is from property taxes. Alamo Heights has one of the lowest tax rates in the larger metropolitan area; however, proposed 2027 Legislature priorities may impose additional property tax limitations. Ms. Horton added the valuation from 2012 through 2026 remained consistent with a steady increase each year; however, in 2026, market values dropped 1.09% than the previous year.

Ms. Horton reviewed the property tax rates for the last ten years stating from 2017-2020; the tax rate remained about the same.



Ms. Horton reviewed the current 2025 tax rate of $0.370147 and the other potential rates for 2025. She stated the "no new revenue" tax rate was at $0.367873, noting this rate is the rate needed to generate about the same amount of revenue received in the previous year on taxed properties. The "de minimis" tax rate was at $0.416443 which is designed to bring in an additional $500,000 on smaller taxing units with a population that is less than 30,000 such as Alamo Heights.

Ms. Horton explained the "voter approval" rate includes unused increments, stating the city has some unused increments that have not been used in the past, due to historically low rates. The 2025 highest voter approval rate was $0.475767 which would provide the same amount of tax levied in the previous year, plus an extra 3.5 percent increase. She stated when choosing the "de minimis" rate, the city has a potential risk of residents petitioning for an election. Because of this, the city adopts the tax rate by that last Monday in August to provide the residents time to do a petition for election if they do not agree with the proposed tax rate.

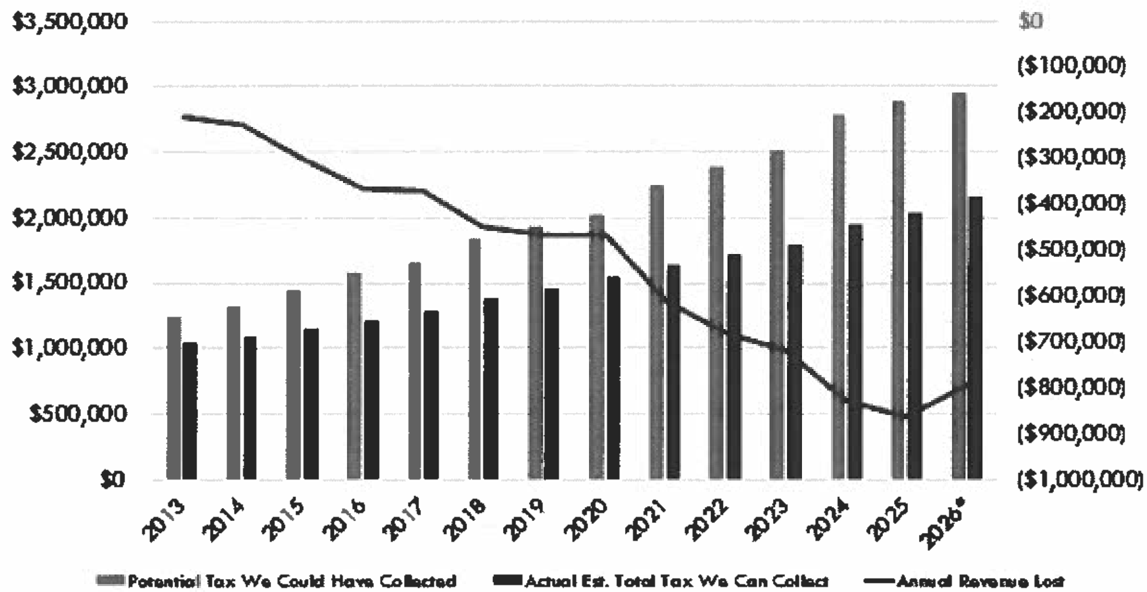
Mr. Kuhn shared tax priorities in the legislative session state any tax increase would require a two-thirds voter approval in a special election. Council discussed the implications cities would face if this was passed.

Ms. Horton continued and reviewed the 2025 tax rates in comparison with other surrounding cities noting Alamo Heights is the second lowest at $0.370147 and the City of Leon Valley being the highest at $0.545040. She explained a 2026 sample property tax statement based on "Under 65 Homestead" exemptions using the Average Market Value for 2026 along with the 2025 Tax Rates.

Taxing Unit	Average Market 2026	2026 Homestead Exemptions	Taxable Value	2025 Rate per $100	Tax Levy	% of Total Tax
Alamo Heights I.S.D	$887,627	$140,000	$747,627	$0.957200	$7,156	41%
City of Alamo Heights	$887,627	$ -	$887,627	$0.370147	$3,286	19%
Bexar County	$887,627	$177,525	$710,102	$0.276331	$1,962	11%
Hospital District (University Health)	$887,627	$177,525	$710,102	$0.276235	$1,962	11%
Alamo Community College Dist.	$887,627	$ 8,876	$878,751	$0.149150	$1,311	7%
County Road & Flood	$887,627	$177,525	$710,102	$0.236680	$1,681	10%
S.A. River Authority	$887,627	$ 35,505	$852,122	$0.018300	$156	1%
Total				$2.284043	$17,513	100%

Ms. Horton noted Bexar Appraisal District estimates that 925 property owners will qualify for the property tax freeze in the 2026 tax year, an increase of 23 properties. Properties qualifying for the tax freeze decreased the total taxable value by $794,114,663. The approximate loss in property tax revenue is $787,916 for FY 2026-27 as a result of the approved property tax freeze. She stated the Certified Values were received the morning of July 20, 2026. After some discussion, Ms. Horton explained the adopted 65 and older tax freeze cannot be reversed without citizens petitioning. Council briefly discussed the possibility of auditing these exemptions.

Ms. Horton reviewed the over 65 property tax freeze impact as of 2013.



Ms. Horton discussed the second largest source of revenue for the City, sales tax revenue. She stated as of the current month, revenues collected totaled $1,875,329 (GF - $1,250,220 & Street Maintenance - $625,109). She noted this was a 1.04% increase compared to last fiscal year at this time. Staff budgeted 66.7% for FY2026, actual percentage collected in the general fund has been 72.3% of budgeted and 72.3% collected in the street maintenance tax. The City's current sales tax rate is 8.25 percent which includes one-half (.50) of a cent for street maintenance.

Mr. Kuhn added there has been ebbs and flows in sales tax collection with steady months of declining revenues, and a sudden 10% uptick last month.

Ms. Horton stated the total proposed FY2026-27 sales tax estimate is $2,751,900, with the general fund collecting $1,834,600 and street maintenance collecting $917,300. The FY2026-27 proposed amount represents a 1% increase from current budget. The general fund sales tax collection represents 12 percent of the total General Fund revenue.

Ms. Horton focused on the General Fund statement overview stating there have been increases in both revenues and expenditures. The total revenue, including transfers in for FYE 2027 are projected to be $15,219,812 representing a 4.41% or $643,328 increase compared to the current year adopted revenue budget. The total expenditures, including transfers out for FYE 2027 are projected to be $15,611,897 representing a 5.58% or $824,632 increase compared to the current year adopted revenue budget. The increases in expenditures is mainly due to inflation, the cost of the fuel, a 3.5% proposed COLA, and one-time capital purchases, which include IT-related items, a the garbage truck, and encumbrance of some transfers. She noted the proposed General Fund Operating Budget will produce -$392,085 in net revenue after expenditures.

The estimated beginning fund balance for FY2026-27 is $9,247,310 with operating revenues of $15,219,812. The net remaining revenues over expenditures are at a negative $392,000, but the available fund balance is at $8,855,254.

The Government Finance Officers Association (GFOA) recommends at least a 25% Fund Balance of the General Fund operating budget. The City's policy is set at 35%, equal to $5.03M out of the $8.8M. The projected fund balance for FYE 2026 is expected to be at 63%. The fund balance allows the city to withstand any unforeseen disasters and emergencies. It also saves thousands of dollars in interest costs if the city issues bonds because the city has a AAA rating from S&P mainly due to the fund balance being in good standing, the economy is stable and strong management.

Assistant City Manager Phillip Laney continued with the presentation. He stated a possible way to balance the budget is to increase solid waste fees. The fee increase would be used to offset expenditures or revenue losses. As discussed at the Strategic Action Plan work session, staff explored increases to the Solid Waste fee in FYs 2025 and 2026 to offset cost to provide garbage/recycling services. Staff proposes to charge a full monthly rate for each garbage cart used for commercial accounts. Currently, commercial rates include 3 carts for $45/mo, the new rate would increase up to $135/mo. Staff also proposes to amend the monthly solid waste fee structure to the same base rate for all customers and assess extra fee for each additional cart.

Mr. Laney reviewed proposed fee increase options noting *Option 2* would operate as a true enterprise fund for future capital replacements. Council briefly discussed the proposed solid waste fees.

	FYE 2026 Budget Solid Waste Fee $29 & $45	FYE 2027 *Option 1* Solid Waste Fee $34 & $20/extra cart	FYE 2027 *Option 2* Solid Waste Fee $38 & $20/ extra cart
Solid Waste (SW) Revenues	$ 1,034,832	[1] $ 1,240,498	[2] $ 1,352,346
SW Expenses (Operations Only)	[3] $ -1,171,670	$ -1,202,498	
SW Expenses (Operations & Capital)			$ -1,352,498
% of Expenses Covered by Fees	86.7%	103.2%	100.0%

1) Solid Waste fee increase from $29 to $34 for all customers & $20 for each cart projected to cover operation expenses; if adopted, fees beginning 10-01-2026 (City will start seeing collections in November)

2) Solid Waste fee increase from $29 to $38 for all customers & $20 for each cart projected to cover operation & capital expenses; if adopted, fees beginning 10-01-2026 (City will start seeing collections in November)

3) FY 2026 expenditures includes one-time expense of $150,000 for city-wide garbage carts

Ms. Horton addressed the Council and presented potential property tax rate increases based off of current year's calculations.

Total Property Tax Rate	Total Est. M&O Levy	Total Proposed Budget M&O Levy	Difference Over/ (Under) Proposed Budget	Est. Property Tax Increase/(Decrease) on the Avg. Home Value of $885k [4]
$ 0.370147 [1]	$ 7,204,104	$ 7,245,145	$ (41,041)	$ -
$ 0.375000	7,284,528	7,245,145	39,383	42.97
$ 0.380000	7,367,389	7,245,145	122,244	87.25
$ 0.385000	7,450,249	7,245,145	205,104	131.52
$ 0.390000	7,533,110	7,245,145	287,965	175.80
$ 0.395000 [2]	7,615,970	7,245,145	370,825	220.07
$ 0.400000	7,698,830	7,245,145	453,685	264.35
$ 0.405000	7,781,691	7,245,145	536,546	308.63
$ 0.410000	7,864,551	7,245,145	619,406	352.90
$ 0.415000 [3]	7,947,412	7,245,145	702,267	397.18

1. This is the City's Current Property Tax Rate
2. Based on the City's Estimated Voter-Approval Rate
3. Based on the City's Estimated De-Minimis Rate
4. Currently based off the preliminary Average Homestead Taxable Value

Council discussed the different scenarios presented by staff and potential legislative updates to the property taxes. Mr. Kuhn suggested Council consider raising the property tax in combination with a transfer from the city's fund balance.

Before departing, Councilmember Bonner agreed Council should consider using both the city's fund balance surplus and increase the property tax. He left the work session at 10:03 a.m.

Ms. Horton discussed General Fund budget scenarios. The following scenarios were based on optional COLA increases, but did not include a fund balance transfer.

GF Scenario Options	Scenario 1 @3.5% COLA	Scenario 2 @4% COLA	Scenario 3 @4.5% COLA
Estimated Beginning Net Overage:	**$ (392,085)**	**$ (392,085)**	**$ (392,085)**
Revenue Items:			
Property Tax Increase If the est. tax rate was at $0.395	$ 370,825	$ 370,825	$ 370,825
Solid Waste Fee W/M&O only fee increase	$ 206,338	$ 206,338	$ 206,338
Updated Revenue Items Total:	$ 577,163	$ 577,163	$ 577,163
Expenditure Items:			
COLA Increase	-	$ (45,076)	$ (90,153)
Updated Expenditure Items Total:	-	$ (45,076)	$ (90,153)
Updated Total Decrease/ (Increase) to Net Overage:	**$ 577,163**	**$ 532,087**	**$ 487,010**
Updated Estimated Beginning Net Overage:	**$ 185,078**	**$ 140,002**	**$ 94,925**

Ms. Horton reviewed proposed annual General Fund transfers for FY 2026. These included Comprehensive Fund-Community Grants - $50,000, EMS Cap Replacement Fund (part of cost shared with Terrell Hills and Olmos Park) - $143,000, Fire Truck Encumbrance - $200,000, & Capital Replacement Fund: Police Vehicle - $67,599, Solid Waste Garbage Truck - $370,000, Fire Replacement SCBA Pacs - $146,000. She noted approximately $257,760 of the $1,234,359 transfers out is for annual lease payments/encumbrances. The remaining $976,599 is for projected capital Costs along with projected additional improvements. Additionally, staff can explore leases for Solid Waste Garbage Truck and Fire SCBA Pacs.

Not included in the FY2026-27 budget includes a Community Fall Event - $25,000, Household Hazardous Waste - $50,000, Butterfly Garden-Sod Project - $90,000, and the City Hall Renovation Project - $60,000.

Councilmember Jacobson suggested bundling hazardous waste with solid waste and taking it out of the general fund and added to the enterprise fund. Mayor Honigblum added he was in talks with the Bexar County Judge to partner with the City and allow disposal of hazardous waste at the county facility.

Councilmember Jacobson commented he was inclined to reduce the Community Improvement grants to help save money and balance the budget. Mr. Kuhn stated staff included it each year but understood Council had concerns on how effective it was and what the City's return is on these investments.

Mr. Laney continued the presentation. He reviewed the proposed Utility Fund budget for FY2026-27 stating the Water & Sewer rate increases have not been finalized, but the projected increase is currently sitting at a 25% water increase along with a 10% sewer increase. He commented the Water & Sewer rate increases are designed to support the capital improvement plan debt issuance of $8 million issued in FY 2026. Additional debt issuance may be necessary in FY 2027. Council is exploring on increasing the City's water capacity by purchasing more water rights.

Council discussed what the proposed 25% water rate increase would generate. Mr. Laney commented it would generate about $620,000 additional revenue; however, since an additional increase has not been adopted/approved, the additional revenue with the previously adopted 5-year rate increases (in 2023) will generate approximately $5M.

Mr. Laney reviewed the breakdown of projected utility fund revenues/allocations for FY2026-27.

Projected Net Beginning Fund Balance 10-01-26	**$ 4,289,627**
Revenues	$ 5,018,192
Total Available Funds	$ 5,018,192
Departmental Allocations and Transfers	- $6,541,402 [1]
Remaining Funds Available	-$ 1,523,210
Projected Gross Fund Balance 09-30-27	**$ 2,766,417**

Mr. Laney noted the Departmental Allocations and transfers includes the transfer of the net cumulative Drought Surcharge Fee proceeds collected since February 2024; estimated in the amount of $886,850. He explained these funds were kept in a separate pool.

Included in the FY2026-27 Utility Fund Capital program is a Jetter/Vac combo trailer - $285,000 (possible lease-purchase). Other capital improvements that may require necessary debt issuance and are not included are City water tower improvements – $1,843,000 ($1,274,000 - future issuance & $569,000 - 2026 issuance), Proactive Sewer Improvements - $1,588,000 (future issuance), Water Rights Acquisition - $1,000,000 (future issuance), Lower Broadway – engineering - $640,000 (future issuance), and SAWS interconnection - $260,000 (2026 issuance).

Mr. Laney briefly reviewed the Utility Fund budget scenarios based on optional cola increases. He stated if Council decided to adopt the additional water rates, it would generate about $622,000 which would help with the net overage of $636,360 with a 3.5% COLA increase.

In reference to future funding priorities for lower Broadway improvements, in FY 2026-27, staff included transfers for engineering, design fees and landscaping. Estimated TxDOT construction cost is $45M and estimated WGI water & sewer construction cost is $9M to $11M. The project timeline is still unknown.

Council discussed the utility fund budget scenarios. Councilmember Jacobson asked if this included additional water rate increases being discussed. He asked if these additional water rate increases had to be adopted before the FY2026-27 Budget.

Mr. Kuhn commented the numbers presented in the scenarios were based on the 3% water rate increases going into effect on October 1, 2026. He noted the estimated beginning net overage did not include any additional water rate increases being proposed by staff. He added it would have been ideal to adopt additional rates before adopting the budget; however, Council had not come to a consensus.

Mr. Kuhn reminded Council staff would present the proposed budget and proposed tax rate on August 10th and cautioned them to set the tax rate as high as possible because they could always lower, not raise it before adopting on August 24th.

Ms. Horton reviewed additional FY2026-27 SAP improvements for Council to consider which were Public Art (Comprehensive Fund) - $50,000, Pool Rehabilitation (Pool Fund) - $120,000, and Jetter/Vac combo trailer (Utility Fund) - $285,000.

Council discussed moving forward with the Public Art expense of $50,000 for the Heaven's 27 butterfly sculpture. Mayor Honigblum stated he was personally seeking to raise $200,000 for the sculpture from donors. Council discussed next steps to acquire a contract with he artist. Mr. Kuhn stated everything would be reviewed by the City Attorney.

Ms. Horton continued to review the Beautification Projects Fund/Comprehensive Fund. She stated the beginning fund balance is $1,787,264 with revenues and transfers at $278,574. The total expenditures, including transfers out, is $1,223,722. For the FY 2027 Budget staff proposes a $620,291 transfer to General Fund to cover cost difference of the loss of the SRO revenues, $33,125 remains for the park design project approved in FY 2026, and $50,000 reserved for Public Art Projects. The remaining fund balance will be $842,116 for FY2027.

Ms. Horton explained other Governmental Funds as proposed for FY2026-27. The Street Maintenance Fund's projected beginning fund balance is $661,997. Revenue's coming in from the street maintenance tax is $917,300. She noted per the SAP work session, the budget for SMP is $1.2M with the projected ending fund balance to be approximately $379,297.

The Capital Projects Fund/2021 bond fund for the Lower Broadway project has a beginning fund balance of $17,265,052 with additional interest of $480,000. Additional funds of $203,574 from previous projects that were not related to the Lower Broadway project will be transferred out into a comprehensive fund. The remaining balance is $17,541,478.

The Capital Replacement Fund beginning fund balance is $222,826. There are transfers of $644,007 from the General Fund to cover the cost of the expenditures and lease payments for a total of $731,007. The ending fund balance total is $731,007.

Ms. Horton explained staff created a new EMS Replacement Fund to allocate or request funds from the other cities for EMS and keep track of capital expenditures. The beginning balance for FY2026-27 is $75,000. Currently budgeted is the lease payment of $153,377 and the purchase of an ambulance totaling $344,390.

The 2026 Bond Fund has an estimated starting balance of $7,413,000 (funds not yet received as of this presentation) with estimated transfers in of $20,000 and total expenditures of $7,120,000. The estimated ending balance is $313,000. These calculations are dependent on how quickly funds are received and expensed.

Ms. Horton reviewed the new Pool Fund with an estimated starting balance of $176,987 with a pool lease payment transfer in. Included expenditures total $135,000 for maintenance ($15,000) and the proposed pool rehabilitation ($120,000). She noted the project fund ending balance is $76,987.

In closing, Ms. Horton stated staff will provide the proposed budget to the City Secretary by Monday, July 27th, submit the tax rates to Council and post online by August 7th, and present the proposed FY2026-27 Budget & Ad Valorem 2026 Proposed Tax to Council on August 10th and set public hearing dates for consideration and adoption of both on August 24th.

Council discussed the accumulation of proposed water/sewer/solid waste fees & property tax increase and how it would affect the residents. Mayor Pro Tem Jessee commented the City has kept taxes a low a possible for the past 10 years, but Council had to consider both fees and property taxes to break even. Council shared concerns with proposed state legislation and future city sustainability.

Councilmember Baker commented Council should consider using a portion of the $9M reserve general funds to help cover some of the deficit.

Mayor Pro Tem Jessee stated he suggested Council stay with the proposed 3.5% COLA noting staff benefited from Next Level Services. He added Council had gone above and beyond the to provide this added benefit to staff. Councilmember Jacobson stated he would agree with a 3.5% or 4.0% COLA.

Mr. Kuhn reminded Council each employee receives $1,250.00 annually in their health savings account to help cover some costs associated with the high deductible health insurance plan. He stated he proposed a 3.5% COLA increase to help maintain sustainability; however, Council had asked staff to look at different scenarios.

After a brief discussion, Council agreed to include a 3.5% COLA increase in the FY2026-27 budget and focused on a potential property tax increase.

Councilmember Jacobson stated the City is faced with a long-term issue of sustainability and Council had to consider upcoming legislation adding to this issue. He stated the proposed fees could be delayed or postponed; however, the next year, it may get worse and the City will fall further behind.

Councilmember Baker stated he agreed to increase the property tax rate this year because next year the City may not be able to increase it without voter approval, noting legislation efforts are still unknown.

Mr. Kuhn added due to proposed legislative initiatives; some cities are increasing the property tax up to the voter approval rate which subsequently fuels additional state legislators' initiatives to stop cities from overtaxing residents.

Council discussed potentially using $120,000 out of the $9M unrestricted fund balance to help pay for one time capital purchases. They continued to review proposed solid waste rate increases and came to the consensus of doing a "tiered increase", initially selecting *Option 1* - Solid Waste fee increase from $29.00 to $34.00 for all customers and increasing $4.00 to $38.00 the following year. *Option 1* also includes $20 for each cart and is projected to cover operation expenses. If adopted, fees will begin October 1, 2026. The City will start seeing collections in November.

After a lengthy discussion, Council stated they were supportive of a property tax increase that will generate funds to cover the current deficit and generate approximately $300K to use as a comprehensive plan. They discussed including funds for a sidewalk project connecting the City's park system down La Jarra. Mayor Honigblum noted it was a dangerous walk and would make a big impact in the community. Council stated they could come back later in year and do a budget adjustment or use money from the comprehensive fund to cover this project.

Council agreed to give staff direction to propose a tax rate to help cover the deficit and collect additional funds for a comprehensive plan. Mr. Kuhn reiterated they can set the property tax rate as high as possible and then scale it down for adoption.

Mayor Pro Tem Jessee requested staff to provide a breakdown of annual appropriations going into the General Fund balance for the past three years. Ms. Horton stated this information would be in the proposed budget.

To recap, Mr. Kuhn noted staff would build in a 3.5% COLA, increase the solid waste fee to $34.00 and an additional $4.00 the following year for a total of $38.00. He stated staff will calculate and propose a property tax rate to cover the deficit and generate approximately $500,000.

In closing, Council stated in addition to the Public Art - $50,000, Pool Rehabilitation - $120,000, and Jetter/Vac combo trailer - $285,000, they requested to include the Community Fall Event - $25,000, and the City Hall Renovation Project - $60,000. They noted the Household Hazardous Waste project - $50,000 would be funded by the Utility Fund, and the Butterfly Garden-Sod project - $90,000 would be funded out of the $9M fund balance.

* * *

Mayor Pro Tem Jessee moved to adjourn the meeting at 12:14 p.m. Motion was seconded by Councilmember Jacobson and passed by 3-0 vote.

PASSED AND APPROVED THIS 10TH DAY OF AUGUST, 2026.

Albert Honigblum
Mayor

Elsa T. Robles, TRMC
City Secretary

CITY OF ALAMO HEIGHTS, TEXAS