

JULY 26, 2011

A SPECIAL MEETING OF THE CITY OF KINGSVILLE CITY COMMISSION WAS HELD ON TUESDAY, JULY 26, 2011 IN THE HONORABLE ROBERT H. ALCORN COMMISSION CHAMBERS CITY HALL/200 EAST KLEBERG AVENUE AT 4:00 P.M.

CITY COMMISSION PRESENT:

Sam R Fugate, Mayor
Al Garcia, Commissioner
Charles Wilson, Commissioner
Stanley Laskowski, Commissioner
Arturo Pecos, Commissioner – arrived at 4:08 P.M.

CITY STAFF PRESENT:

Vincent J Capell, City Manager
Edna S Lopez, City Secretary
Yolanda Cadena, Health Director
Mark Rushing, Finance Director
John Garcia, Risk Manager
Dave Mason, Purchasing Director
Bob Trescott, Downtown Manager
Jennifer Vela, Code Enforcement Officer
Mary Valenzuela, Legal Assistant
Diana Gonzales, Human Resource Director
Susan Ivy, Park Director
Teresa Vasquez, Asst Accountant II
Naim Khan, Public Works Director/City Engineer
Rick Salinas, Volunteer Firefighter
Linda Gerd, Volunteer Firefighter
Carol Ann Anderson, Tourism Director
Al Lopez, Fire Chief
Ricardo Torres, Police Chief
Caron Vela, Accounts Manager
Bill Donnell, Asst Public Works Director
Joe Casillas, Water Production Supervisor
Gary Fuselier, Landfill Supervisor
Willie Vera, Task Force Commander

I. Preliminary Proceedings.

OPEN MEETING

Mayor Fugate opened the meeting at 4:06 P.M. in the City Commission Chambers and announced quorum as present, with Commissioner Pecos absent.

Mayor Fugate called to forego the preliminary proceedings.

II. INVOCATION / PLEDGE OF ALLEGIANCE – (Mayor Fugate)

III. MINUTES OF PREVIOUS MEETING(S) – Required by Law

IV. Public Hearing - (Required by Law).¹

NONE

V. Reports from Commission & Staff²

“At this time, the City Commission and Staff will report/update on all committee assignments which may include, but is not limited to the following: Planning & Zoning Commission, Zoning Board of Adjustments, Historical Board, Housing Authority Board, Library Board, Health Board, Convention and Visitor’s Bureau, Chamber of Commerce, Coastal Bend Council of Governments, Conner Museum, Keep Kingsville Beautiful, and Texas Municipal League. Staff reports include the following: Building & Development , Code Enforcement, Proposed Development Report; Accounting & Finance – Financial & Investment Information, Monthly Financial Reports; Police & Fire Department – Grant Update, Police & Fire Reports; Street Updates; Public Works- Building Maintenance, Construction Updates; Park Services - grant(s) update, miscellaneous park projects, Administration –Workshop Schedule, Interlocal Agreements, Public Information, Hotel Occupancy Report, Quiet Zone, Proclamations, Health Plan Update, Tax Increment

Zone Presentation, Chapter 59 project. No formal action can be taken on these items at this time."

City Manager Capell reported that several directors are present and will address the Commission. Information was received from the County that lowered assessments below what was indicated last week which is not good news. Staff will have to revise the revenue estimates. He then asked the City Commission to withhold any decisions that they are asked to make tonight on each presentation.

Mayor Fugate called for comments from the Commission.

VI. Public Comment on Agenda Items³

1. Comments on all agenda and non-agenda items.

Mayor Fugate called for comments on all agenda and non-agenda items. There were no comments.

VII. Consent Agenda

NONE

REGULAR AGENDA

CONSIDERATION OF MOTIONS, RESOLUTIONS, AND ORDINANCES:

VI. Items for consideration by Commissioners.⁴

1. Review and discuss proposed fiscal year 2011-2012 budget for departments of the City of Kingsville, including but not limited to the following: (City Manager).

- 450 Parks (Park Director)

Ms Susan Ivy, Park Director stated she provided a packet with information from the Park and Golf Course budgets. The summary provided included estimated revenues for the current fiscal year and projecting forward. She stated she had received a copy of the proposed budget from the County for the Parks Department. This is a result of one preliminary workshop with County Commission. At that time only operating expenses were discussed with no discussion of salaries and payroll. Through the early retirement being offered by the County, the Park Department lost the Asst. Park Director and the Maintenance Foreman. She doesn't anticipate being allowed to replace those positions. Before them is not a final budget because there is a big difference in salaries. At the present time there are two full-time and two part-time employees at the Park Department. The operating expenses of the Park budget have not been affected. She stated that \$14,485 is actual money spent from water trade at Flores Park. The money in the line item for building improvements was a refund from AEP for the new installation of the air condition at the J K Northway. She further explained the summary for revenues and expenditures in detail. Revenues for Park Department through July were \$62,720, donations were \$14,800, for total income for ten months \$77,520. The anticipated budget is \$850,000-\$900,000. Commissioner Laskowski stated that the County actually owes the City money. Ms Ivy stated at this point they do and she will have to provide information to the County for their action and tell them that it is their responsibility to do that. She touched on the projects that have been worked on and completed at Dick Kleberg Park with CO monies.

The request to the City is \$25,000 plus half of electrical installation (about ½ of \$7,500) for new lighting on soccer field and \$25,000 for contribution to the repairs and renovations to the Brookshire pool. She explained that she had \$75,000 committed for the soccer field lighting from the County's CO's, \$25,000 from the grant, which equals to \$100,000. The turnkey for her to call the electrical company is \$125,000. The filtering system at the pool is old and needs to be replaced; the surfacing around the pool, the tiles around the edging, some of the piping needs to be replaces and has no funding for repairs to the pool. Ms Ivy stated that she would like to see the Interlocal Agreement between the City and County revisited each year, and the budget looked at between both entities. Ms Ivy stated that they asked for her to request an additional \$50,000 to be included in the agreement. Commissioner Laskowski asked if this \$50,000 was above the \$50,000 already being requested. Ms Ivy replied that was correct and this was just a request for their consideration. Mayor Fugate called for questions or comments. Upon a question from Mayor Fugate, Ms Ivy replied she doesn't know how many employees the Park Department they will lose during this budget.

In the golf course, County Commissioner Rosse stated the County to date is budgeting \$35,000 to cover half of the electricity. They are trying to get additional money for capital improvements. The golf course budget is about \$30,000 per month. He stated that if the City goes half with the County that would leave about \$300,000 in expenditures. Anticipated revenues are anywhere from \$360,000 to \$400,000, and all that money will go back to capital improvements. He explained the plan for capital projects. Approval has been given to hire a contractor to work on

the wiring on the irrigation system. Up front, they are asking the City for \$35,000 to match the County but if the County provides more money for capital improvements then they would request more money from the City. Commissioner Laskowski stated in the transaction ledger the amount billed for electricity is about \$35,000 which is what the City is paying. County Commissioner Rosse replied the golf course did not get billed the first couple of months. They are not asking for the money up front and this would be the cap the City would pay for half of the electricity. For clarification, Commissioner Wilson stated that in the last sentence of the document presented to them it appears to him that they are asking for \$35,000. County Commissioner Rosse replied that was not correct, they are asking for up to \$35,000 in electricity, and then if the County approves capital improvements they would ask the City to match that amount. Mayor Fugate called for further questions or comments. Commissioner Garcia stated it is his understanding that the County will continue to operate the golf course. County Commissioner Rosse stated there are three people on the County Commissioners' Court that are committed for the golf course to remain opened. Commissioner Laskowski asked how much taxes are being raised by the County. County Commissioner Rosse replied they have not discussed the tax rate because they have not received the final appraisals. Their budget process so far has been on supplies and nothing to do with labor. Commissioner Laskowski stated what he has heard today is a request for \$160,000 from the City. He stated the City Manager has presented them a budget with revenues over expenditures of \$161,000 based on pre-numbers received from the Appraisal District. He added that now they have been advised this is going to be down. Commissioner Laskowski stated the City is now going to be less than \$161,000 and there have been other requests for stuff and things to do from different departments. He stated the City is in better shape then what the County is, but the City is raising taxes and the City doesn't know where it will be until after the re-calculations are submitted.

- 460 Library (Library Director)

City Manager Capell stated Mr. Rodriguez is absent due to an illness. City Manager Capell stated overall the proposed budget is less than the current budget, \$253,000; the proposed budget is \$245,000, about \$8,000 less. He stated Mr. Rodriguez is requesting a part-time employee be made full-time; if the County pays half, the cost to the City is \$9,449. City Manager Capell stated he would request this position be increased in hours up to 29 hours. The Library is having problems with the air conditioning system. City Manager Capell stated that Mr. Rodriguez has requested three small items for a total cost of \$1,000. Commissioner Laskowski advised the County owns the building and any improvements have to be approved by Commissioners' Court and they have to approve the improvements. The County makes the improvement and charge half the cost to the City.

- 002-107 Tourism (Tourism Director)

Ms Carol Ann Anderson, Tourism Director stated their board approved their budget on Thursday, which has increased by 4% based on International, National and State tourism trend information. She stated they included 4% increase in administration. Advertisement was increased. She stated the media plan has changed and she looks for internet to be included in the advertising. The insurance premium has increased. As for the depot, money is always kept there and advertising is billed to the City. Mayor Fugate called for questions. Ms Anderson stated they are budgeting what they hope to take in. She provided information on upcoming events. Commissioner Laskowski asked Staff if they had budgeted 4% increase in this department's expected revenues. City Manager Capell replied they had not.

- Conner Museum (Museum Director)

Mr. Hal Ham, Museum Director stated the museum is in a threatened financial situation because of the State. Both the State and the University have cut the funding that they provide for the museum, so the City is now one of their main stays. There have been about 9,000 visitors to the museum, as of June, by the end of the year it should be about 11,000 visitors. They have classes that are taught in the museum. They have applied for an NEH grant of \$150,000, none will come directly to the museum but will provide funding for graduate students to do historical surveys of housing throughout South Texas. The museum's balance is \$9,776. The state cut their budget from the \$22,500 to \$18,500, and last year the University cut the budget about 5-7%. Mr. Ham thanked the Commission for their support throughout the years. He asked that the City continue the contract with the museum at the continued current funding levels. Mr. Ham announced he will be retiring in August 2012.

- 011-510 CO Debt Service (City Manager and Finance Director)
- 012-510 UF Debt Service

Mr. Rushing explained the CO 2011 that was issued. He stated that some of the impacting initially when that CO was issued was the impact in debt service was to increase .0034. This is a negotiable amount on the increase in debt service, but based on access values going up \$3.1 million. As the City Manager mentioned, the City received an increase in values. On April 29th, the values came in at \$3.5 million. He explained that from April to the certified, the City drops

down based on the cases that are being worked. He stated that the Appraisal District Director mentioned there were no big cases like they had last year and there wasn't anything significant pending that would impact that. He stated one thing she neglected to mention was that they did not have the mineral values in which whenever the City received certified they dropped almost \$7.1 to almost \$7.2 million. This was a significant factor. Last year the City actually had a drop in the debt service. From 2009-2010, to 2010-2011, the debt service had already previously dropped down from .23520 to .21677. When CO's were issued in 2011, there objective was to smooth out that increase debt service and spread it out to blend it with its expected useful life of the assets. There is very little impact on the debt service in that respect, overall.

Fund 054 UF Capital Projects

Mr. Rushing stated this is the cash portion of the model that was adopted by the Commission the first year in this last year. There was a moratorium with no rates raised for one year. This current year, there is an increase in rates which is the first year into the model. The 054 is cash purchases in accordance to the model. He stated is working with Grady to update that to make sure the City is still on track this projects. He stated the Commission will need to consider the adoption of an ordinance regarding this which will have to be adopted before adopting the budget.

Upon a question from Commissioner Garcia about the anticipated amount of sales tax for the City, Mr. Rushing replied this year there is \$178,000 on an audit. One thing coming up is that in July there was a \$32,000 audit that was collected from the City without notice. He stated he is working with the Municipal Advisory Council that receives sales tax information of different municipalities and is working directly with the Comptroller's group to try to stratify the different segments of the City's business that are increasing and decreasing and what would cause caution in the City's projection of sales tax. He stated the City's sales tax will actually drop back down for next year, but he is anticipating this year being healthy over what the City had originally budgeted.

Commissioner Laskowski stated this budget is built with estimated overall increase of \$775,000, over last year's budget. He stated that every \$50,000 to \$60,000 trailer that PROCO sales is being charged sales tax and any refurbishments that are being done at that site. He suggested Staff look at the sales tax being generated at PROCO. Mayor Fugate stated PROCO is putting out a lot of different products.

Fund 087 Solid Waste Capital Projects

Mayor Fugate called for questions. Commissioner Laskowski asked if any money will be spent. He stated this fund is the extra click. Mr. Khan stated this is the extra money from revenue that will be used for a dump truck for the Landfill.

Staff will provide information at a later meeting.

Fund 090 Landfill Closure/Post Closure

Mr. Rushing stated there's no closure/post closure budget that the City is utilizing the fund for. There has been talk about a study update of the closure/post closure calculations once the permit modification takes place. Some monies could be utilized to pay for that study. The City is waiting for the permit amendment because it will have significant impact on the calculation.

Fund 091 GF Capital Projects

Mr. Rushing stated there is no money budgeted for this fund.

- Other/Wrap Up (Mayor, Commission and City Manager)

City Manager Capell stated the City was thrown a curve ball with information received from the County in terms of the valuation. It was lower in almost \$13,000,000 in assessed valuation. To make a long story short, he stated the City thinks this lowers the total estimated revenue close to \$200,000 in the general fund. He stated all is not lost and he has some proposals for the Commission. Mayor Fugate asked how the estimates were so far off. Mr. Rushing explained when the preliminary number came in on April 29th they were \$13.5 million up from last year's. His question to the Appraisal District Manager was last year from April to the certified dropped about \$13,000,000 and asked what else is out there that is going to be affecting these numbers. The Appraisal District Manager's response was that it's different this year because there are not a lot of big cases out there so there is nothing hindering there. He then asked her to give him a number. They talked about a few pending cases which are larger cases but are not millions and millions. She did not share with him that they didn't have the mineral values drop in her initial numbers. In minerals, the City's valuations are \$24,000,000 and those values dropped almost

\$7.1 - \$7.2 million. Mayor Fugate asked if the Appraisal District Manager should have known that. Mr. Rushing replied on her side, she should have known. Commissioner Garcia stated the mineral appraisals were lower. City Manager Capell stated Staff tried to do the best they could based on the information they had. The Ad Valorem tax revenues were based on information provided by the County and yesterday, in the written document all that changed. He stated that even now, there is no final assessment because the City still needs to set the tax rate so there is still room for change. He is prepared to go with the document that was received today and make some suggestions to the City Commission in terms of how it affects the budget. Mr. Rushing stated he has asked the Appraisal District Manager if her office uses the same software that Nueces County uses. The Appraisal District Manager has said that Nueces County has several programmers that have taken core programs and developed their own and this Appraisal office does not have the same risk because she is running tracers through it.

Mayor Fugate asked the City Manager what he was going to do. City Manager Capell referred to some handouts that were provided to the Commission. He stated there are two things happening: 1) it is true when he said the budget is balanced, when you look at the general funds as they grew. The City has about \$161,000 positive revenues over expenditures in the general funds category. What he didn't do was to carve out just the general fund. The general fund actually had expenditures exceeding revenues about the same amount. It is his understanding that in the past the City Commission has tried to break even. Commissioner Laskowski commented that was not correct. He stated that he was excited that there were revenues over expenditures of \$161,000 because that was the largest revenues over expenditures that the City has had since he has been a Commissioner. The City adopted a budget last year with \$50,000 to \$60,000 of revenues over expenditures. City Manager Capell stated that is true for all of the general fund categories and explained there is a grouping of funds. Mr. Rushing explained the 001,003,025,087,090,091, those are the total general fund types and it is not just 001. The adjustments have netted to the 001 and the City is only \$142,000 short in the 001. There is a difference between the general type and general fund. City Manager Capell stated he is trying to be consistent with what he thinks the practice has been in the past. Mayor Fugate stated there was a \$50,000 surplus or revenue over projected budget but the City is projecting revenues over expenditures of \$780,000. He stated the City budgets include 100% employment for 365 days but that never happens. City Manager Capell stated there has to be a separation of the current year from the next year. He stated the City has two very different pictures. The City is fortunate in the current year to be projecting over \$1,000,000 savings and half of that are from revenues that were under budgeted for the current year. So half of that projected surplus is coming from revenues and the over half is coming from things mentioned by the Mayor. At the end of the year you have some cushion so if your revenues fall short or have an unexpected expense this can be covered in your current budget. In his opinion, the City went too far with the current year budget because revenues were budgeted way too low. This year the City has a one-time benefit of having received more revenue than was budgeted. Mayor Fugate commented the City has had some substantial years.

City Manager Capell stated he would like to talk about the current year. This year's budget Staff estimated current year revenues and expenditures. Because Staff made these estimates, the City knows what kind of savings we expected in the current year. In the current year, the City has \$1.5 million of gross budget savings, half of which comes from sales tax and property tax. Sales tax has some franchise fees that were underestimated and the other half comes from positions not filled, amounts that were budgeted and will not be paid, so that provides the other \$700,000 of savings for the current year. Out of the \$1.5 million, he is proposing that the City pay the TMRS settlement which is over \$600,000 to avoid the interest charges of 7%. This leaves about \$650,000 to \$700,000 of current year savings that if the City Commission cannot spend it all or let it drop in the fund balance. He added that they could fund some of these requests, especially the one-time request. His recommendation is not to pay the one time things out of next year's budget; and that they are paid out of the current year budget. The surplus generated this year can help solve some the challenges. City Manager Capell stated the current year is a good situation, it is a situation where he would come back to the City Commission later, confirm the amount of budgetary savings and ask the Commission how they would like to spend that money or table some of the things that were requested at this meeting until they know the amounts and then amend the budget.

Mayor Fugate stated the amount of \$161,000 is a negative. City Manager Capell explained that there is a grouping of funds that are all considered of the general fund type, but there's really only one general fund for the departments. City Manager Capell referred to the City Manager's message in the budget book. The general funds type has the \$161,000 and in this category the City does have a surplus. The general fund has a deficit of about \$161,000. He stated he would like to propose some things to get back to breaking even, including the impact of the tax levy assessment. Commissioner Laskowski asked if the City is going to fund the budget \$161,000 on what he considers the regular general fund from reserves. City Manager Capell replied if the City doesn't do some of the things he is suggesting it would have to come from reserves. In fact, there's probably enough savings on the expense side because the City has plenty of cushion on the expense.

In next year's budget, City Manager Capell stated municipal court fines are under budgeted. Regarding the KWOP Program, it is unknown if they will be here so \$50,000 is budgeted. Included in next year's budget is a one-time expenditure for TMRS settlement of \$695,000 which will come out of this year's general fund. Lastly, the first three months of next fiscal year, there's a one-time expense of \$161,000. If these adjustments are made, essentially, and those projected numbers come in the City is now breaking on an annual ongoing basis. He stated one question to the Commission, which they may need time to think about is would they authorize Staff to make these changes in the budget. If this is done, in the general fund side it actually increases the projected surplus for next year for the entire general fund category. So it actually creates a higher surplus for the entire category of funds. If changes are made, it would eliminate the deficit in the general fund and increase the overall projected surplus for the general funds category and there would still be cushion on the expense side. Commissioner Laskowski stated that's an assumed cushion. City Manager Capell stated it happens every year and it's his assumption that the Commission enjoys having some cushion in the budget. If you budget to finely then you have no room and have to go to fund balance if an emergency occurs. He stated he didn't do that for fiscal year 2012. He stated it is a learning experience for him but he wanted to inform the Commission and allow these changes, and bring the general fund into balance for next year. He suggested the current surplus be used for some of requests that were heard tonight and some of the other items being considered.

Mayor Fugate asked about the monies in all the CO's. City Manager Capell replied the monies are in the budget and what needs to be discussed is what specific projects are needed. He stated the Commission is interested in doing street improvements, but has been determined that most of that money about \$1.1 million is utility fund money and will probably not be used for streets. He stated Staff has to go back to the original bonds to look at how the projects were worded to determine how much flexibility the City has in the use of that fund.

Mayor Fugate asked if monies could be used to pay for the one-time expenditures requested. Mr. Rushing replied it had been mentioned in the original covenant. Commissioner Laskowski stated he looked at the document and there isn't anything listed about soccer fields or swimming pools. City Manager Capell stated he is suggesting to the Commission that the amounts are in the budget, Staff comes to them later and identify projects where the CO monies can be used and identify projects or ways that the current year budget savings can be spent.

Mayor Fugate stated a lot has been discussed at tonight's meeting and he suggests no decisions be made at this time since there's still some time.

For his own personal understanding, Commissioner Laskowski stated under the normal general fund budget, if the City spends every dollar, and all the revenues and expenses come in as expected, then asked what would be pulled from reserves to pay for that revenues would not cover. City Manager Capell replied the City would have to pay \$161,000.

Commissioner Laskowski stated that's contrary to what has occurred in the past. He stated every single year that he has been here doing budget process, the City has budgeted and set aside revenues, budgeted expenditures, and there was a positive balance, revenues over expenditures. City Manager Capell stated this year it doesn't do the City or Commission any good to understate revenues by \$785,000. He added it is not good for planning but it does put the City in a good position today. He stated he does not strive to try to create a \$700,000 surplus every year and he also doesn't strive to create unexpected deficit. The City's budget revenue is where he thinks it will come in assuming it is reasonable, and there should be some cushion on the expense side. He stated in his opinion the City is not at risk at falling short or exceeding budget revenues. Commissioner Laskowski voiced his concern, stating that during a budget year there are things that come up, for example the firm hired to do the City Manager search. Staff scoured the budget for savings and put that into a line item. The extra money was built into the budget and those are things that Mr. Rushing was able to find because there was fat and now we have zero fat. City Manager Capell stated the City still has fat in next year's budget. Mayor Fugate stated there's been enough discussion for tonight.

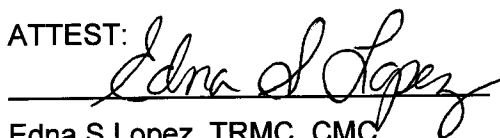
VIII. Adjournment.

There being no further business to come before the City Commission, the meeting was adjourned at 6:25 P.M.



Sam R Fugate, Mayor

ATTEST:



Edna S Lopez, TRMC, CMC

City Secretary